



Anchun International Holdings Ltd.

(Incorporated in Singapore)
(Company registration number: 200920277C)

Unaudited Results for the First Quarter Period Ended 31 March 2017

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.

	Group		Change
	Unaudited	Unaudited	
	3 months ended		
	31/03/2017	31/03/2016	
	RMB'000	RMB'000	%
Revenue	21,042	19,387	9%
Cost of sales	(15,949)	(14,311)	11%
Gross Profit	5,093	5,076	0%
Other item of income			
Finance and other income	696	1,339	-48%
Other items of expenses			
Marketing and distribution expenses	(652)	(1,002)	-35%
Administrative expenses	(7,486)	(10,132)	-26%
Research expenses	(960)	(750)	28%
Finance costs	(114)	(142)	-20%
Loss before tax	(3,423)	(5,611)	-39%
Income tax expenses	-	-	N.M.
Loss for the period, representing total comprehensive income for the period attributable to owners of the Company	(3,423)	(5,611)	-39%

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.

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

	Group		Change %
	Unaudited	Unaudited	
	3 months ended		
	31/03/2017	31/03/2016	
	RMB'000	RMB'000	
Depreciation of property, plant and equipment	3,345	3,634	-8%
Depreciation of investment property	44	44	0%
Amortisation of land use rights	92	91	1%
Amortisation of intangible assets	84	82	2%
Write-back of for inventory obsolescence	(98)	-	N.M.
Write-off of property, plant and equipment	8	-	N.M.
Net foreign exchange gain	(53)	(208)	-75%
Finance income	(596)	(634)	-6%
Finance costs	114	142	-20%
Performance share plan expenses	45	44	2%

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 31/03/2017 RMB'000	Audited 31/12/2016 RMB'000	Unaudited 31/03/2017 RMB'000	Audited 31/12/2016 RMB'000
ASSETS				
Non-current assets				
Property, plant and equipment	96,932	100,222	–	–
Intangible assets	514	598	–	–
Land use rights	13,983	14,075	–	–
Investment in a subsidiary	–	–	75,398	75,353
Investment property	568	612	–	–
	111,997	115,507	75,398	75,353
Current assets				
Inventories	42,437	50,566	–	–
Trade and other receivables	71,065	67,767	35,786	35,788
Bills receivable	10,980	16,371	–	–
Prepayments	13,296	8,481	100	82
Cash and cash equivalents	150,488	148,697	24,044	24,576
	288,266	291,882	59,930	60,446
Total assets	400,263	407,389	135,328	135,799
EQUITY AND LIABILITIES				
Current liabilities				
Trade and other payables	40,191	42,719	11,298	11,252
Advances from customers	36,701	34,564	–	–
Other liabilities	11,058	14,415	954	1,035
Income tax payable	6,560	6,560	–	–
	94,510	98,258	12,252	12,287
Net current assets	193,756	193,624	47,678	48,159
Non-current liability				
Deferred tax liabilities	100	100	–	–
	100	100	–	–
Total liabilities	94,610	98,358	12,252	12,287
Net assets	305,653	309,031	123,076	123,512
Equity attributable to owners of the Company				
Share capital	149,278	149,278	149,278	149,278
Employee benefit trust shares	(430)	(430)	(430)	(430)
Other reserves	120,702	120,388	394	349
Accumulated profits/(losses)	36,103	39,795	(26,166)	(25,685)
Total equity	305,653	309,031	123,076	123,512
Total equity and liabilities	400,263	407,389	135,328	135,779

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

The Group has loans from former shareholders of our subsidiary amounting to RMB18.0 million (31 December 2016: RMB18.0 million) as at 31 March 2017 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	
	31/03/2017	31/03/2016
	Note	RMB'000
Operating activities		
Loss before tax		(3,423)
<u>Adjustment for:</u>		
Depreciation of property, plant and equipment		3,345
Depreciation of investment property		44
Amortisation of intangible assets		84
Amortisation of land use rights		92
Write-off of property, plant and equipment		8
Write-back of inventory obsolescence		(98)
Performance share plan expense		45
Net foreign exchange gain		(53)
Finance costs		114
Finance income		(596)
Operating cash flows before changes in working capital		(438)
<u>Changes in working capital</u>		
Decrease/(increase) in:		
Inventories		8,227
Trade and other receivables		(3,298)
Bills receivable		5,391
Prepayments		(4,815)
(Decrease)/increase in:		
Trade and other payables		(2,287)
Advances from customers		2,137
Other liabilities		(3,469)
Total changes in working capital		1,886
Cash flows generated from/(used in) operations		1,448
Interest received		596
Interest paid		(2)
Net cash generated from/(used in) operating activities		2,042

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. (cont'd)

	Group Unaudited 3 months ended	
	31/03/2017	31/03/2016
	RMB'000	RMB'000
Investing activities		
Purchase of Intangible assets - software	–	(638)
Purchase of property, plant and equipment	A (304)	(752)
Net cash used in investing activities	(304)	(1,390)
Net increase/(decrease) in cash and cash equivalents	1,738	(14,999)
Cash and cash equivalents at beginning of period	148,697	155,363
Effect of exchange rate changes on cash and cash equivalents	53	208
Cash and cash equivalents at end of period	150,488	140,572

Note A:

Purchase of property, plant and equipment

	Group Unaudited 3 months ended	
	31/03/2017	31/03/2016
	RMB'000	RMB'000
Current period additions to property, plant and equipment	63	65
Less: Payable to creditors for current period purchases	(6)	(45)
Prepayment made in prior period	–	(9)
Add: Payments for prior period purchase	247	724
Prepayments made in current period	–	17
Net cash outflow for purchase of property, plant and equipment	304	752

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
Group Unaudited									
Balance at 1 January 2016	149,278	(430)	168	1,725	38,329	4,177	75,000	59,370	327,617
Profit for the period, representing total comprehensive income for the period	-	-	-	-	-	-	-	(5,611)	(5,611)
Others									
Grant of equity-settled performance shares to employees	-	-	44	-	-	-	-	-	44
Transfer to statutory reserve – safety production reserve	-	-	-	-	-	389	-	(389)	-
Total others	-	-	44	-	-	389	-	(389)	44
Balance at 31 March 2016	149,278	(430)	212	1,725	38,329	4,566	75,000	53,370	322,050
Group Unaudited									
Balance at 1 January 2017	149,278	(430)	349	1,725	38,329	4,985	75,000	39,795	309,031
Loss for the period, representing total comprehensive loss for the period	-	-	-	-	-	-	-	(3,423)	(3,423)
Others									
Grant of equity-settled performance shares to employees	-	-	45	-	-	-	-	-	45
Transfer to statutory reserve – safety production reserve	-	-	-	-	-	269	-	(269)	-
Total others	-	-	45	-	-	269	-	(269)	45
Balance at 31 March 2017	149,278	(430)	394	1,725	38,329	5,254	75,000	36,103	305,653

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
Company Unaudited					
Balance at 1 January 2016	149,278	(430)	168	(22,935)	126,081
Loss of the period, representing total comprehensive expense for the period	–	–	–	(419)	(419)
Grant of equity-settled performance shares to employees	–	–	44	–	44
Balance at 31 March 2016	149,278	(430)	212	(23,354)	125,706
Company Unaudited					
Balance at 1 January 2017	149,278	(430)	349	(25,684)	123,513
Loss of the period, representing total comprehensive loss for the period	–	–	–	(481)	(481)
Grant of equity-settled performance shares to employees	–	–	45	–	45
Balance at 31 March 2017	149,278	(430)	394	(26,165)	123,077

N.M. - not meaningful

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 the number of shares that may be issued on conversion of all the outstanding convertibles, if any, against the total number of issued shares excluding treasury shares and subsidiary holdings 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. State also the number of shares held as treasury shares and the number of subsidiary holdings, if any, and the percentage of the aggregate number of treasury shares and subsidiary holdings held against the total number of shares outstanding in a class that is listed 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 2017 (after share consolidation)	50,500,000	149,278
31 March 2016 (before share consolidation)	505,000,000	149,278

The share consolidation was approved by shareholders of the Company at the EGM held on 29 April, 2016. Pursuant thereto, the Company has consolidated every ten (10) Shares registered in the name of each Shareholder, as at the Books Closure Date, into one (1) Consolidated Share in May 2016.

Convertibles

The Company did not have outstanding options, convertibles or subsidiary holdings as at 31 March 2017 and 31 March 2016.

EBT shares

The Company had 170,000 EBT shares as at 31 March 2017 and 31 March 2016.

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 31.03.17	As at 31.12.16
Total number of issued shares excluding EBT shares	50,330,000	50,330,000

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

Not applicable. There were no sales, transfer, disposal, cancellation and/or use of treasury shares as at end of the current financial period reported on.

1(d)(v) A statement showing all sales, transfer, disposal, cancellation and/or use of subsidiary holdings as at the end of the current financial period reported on.

Not applicable. There were no sales, transfers, disposal, cancellation and/or use of subsidiary holdings as at the end of the current period reported on.

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 2017, 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 2017. 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

	3 months ended 31/03/2017	3 months ended 31/03/2016
Loss net of tax attributable to owners of the Company (RMB '000)	<u>(3,423)</u>	<u>(5,611)</u>
Weighted average number of ordinary shares ('000) on issue applicable to basic EPS	<u>50,330</u>	<u>503,300</u>
Basic loss per share (RMB cents)	<u>(6.80)</u>	<u>(1.11)</u>

Basic loss per share for the 3 months ended 31 March 2017 and 31 March 2016 are computed by dividing the loss net of tax attributable to owners of the Company by the weighted average number of ordinary shares excluding EBT shares.

The diluted loss per share are the same as the basic loss per share as the Company does not have any dilutive potential ordinary shares for the financial years ended 31 March 2017 and 31 March 2016.

- 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.**

	Group		Company	
	31/03/2017	31/12/2016	31/03/2017	31/12/2016
Net asset value per share (RMB per share)	6.07	6.14	2.45	2.45

Net asset value per ordinary share as at 31 March 2017 and as at 31 December 2016 were calculated based on the existing number of shares in issue excluding EBT shares of 50,330,000 ordinary shares as at 31 March 2017 and 31 December 2016.

- 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

1Q2017 vs 1Q2016

Revenue increased by RMB1.6 million or 9% from RMB19.4 million in 1Q2016 to RMB21.0 million in 1Q2017. The increase was mainly due to the increase of revenue from engineering services, CSC and catalyst business, further described as follows:

Revenue from our Catalyst Business

Revenue from our Catalyst Business increased by RMB0.7 million or 18% from RMB3.8 million in 1Q2016 to RMB4.5 million in 1Q2017. More catalysts were delivered during 1Q2017 due to the launch of a customer's project.

Revenue from our Engineering Services

Revenue from our Engineering Services increased by RMB0.3 million or 50% from RMB0.6 million in 1Q2016 to RMB0.9 million in 1Q2017. This was mainly due to higher percentage of completion for service contracts during the period of 1Q2017.

Revenue from our CSC Business

Revenue from our CSC Business increased by RMB0.6 million or 4% from RMB15.0 million in 1Q2016 to RMB15.6 million in 1Q2017. The increase was due to the more goods being delivered to a customer in 1Q2017.

Gross profit and gross profit margin

1Q2017 vs 1Q2016

Our overall gross profit remained constant at RMB5.1 million for both 1Q2016 and 1Q2017 and our gross profit margin decreased from 26% in 1Q2016 to 24% in 1Q2017.

A) Income Statements (cont'd)

Gross profit and gross profit margin (cont'd)

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

- 1) Gross profit of Catalyst business decreased by RMB0.1 million from RMB1.5 million in 1Q2016 to RMB1.4 million in 1Q2017. The decrease of gross profit was attributable selling the product at a lower gross margin;
- 2) Gross profit of our CSC business decreased by RMB0.1 million from RMB3.6 million in 1Q2016 to RMB3.5 million in 1Q2017. This was mainly attributable to increase in sales of lower margin finished goods.
- 3) Gross profit of engineering design increased by RMB0.2 million from RMB Nil in 1Q2016 to RMB0.2 million in 1Q2017. The gross profit increase was mainly attributable to the revenue increase in 1Q2017.

Finance and other income

1Q2017 vs 1Q2016

Finance and other income decreased by RMB0.6 million or 48% from RMB1.3 million in 1Q2016 to RMB0.7 million in 1Q2017. The decrease was mainly due to the absence of government grants and the decrease of contract penalties imposed on suppliers.

Marketing and distribution expenses

1Q2017 vs 1Q2016

Marketing and distribution expenses decreased by RMB0.3 million or 35% from RMB1.0 million in 1Q2016 to RMB0.7 million in 1Q2017. The decrease was mainly attributable to decrease of sales incentive bonus and after-sales maintenance.

Administrative expenses

1Q2017 vs 1Q2016

Administrative expenses decreased by RMB2.6 million or 26% from RMB10.1 million in 1Q2016 to RMB7.5 million in 1Q2017. The decrease was partly due to the amount of RMB0.6 million lesser unallocated manufacturing overhead allocated in administrative expenses and the amount of RMB0.8 million lesser compensation expenses incurred for early terminations of staff contracts. And decrease of another RMB1.2 million was due to the decrease of the salary, depreciation charges, employee welfare expenses and some other reasons.

Research expenses

1Q2017 vs 1Q2016

Research expenses increased by RMB0.2 million or 28% from RMB0.8 million in 1Q2016 to RMB1.0 million in 1Q2017. This was mainly attributable to more research and development activities on catalyst process improvement efforts in 1Q2017.

A) Income Statements (cont'd)

Finance costs

1Q2017 vs 1Q2016

Finance costs decreased by RMB0.03 million or 20% from RMB0.14 million in 1Q2016 to RMB0.11 million in 1Q2017. 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

1Q2017 vs 1Q2016

There is no income tax expense for 1Q2016 and 1Q2017 due to tax losses incurred.

Net loss attributable to owners of the Company

1Q2017 vs 1Q2016

The net loss attributable to owners of the Company decreased by RMB2.2 million or 39% from a loss of RMB5.6 million in 1Q2016 to a loss of RMB3.4 million in 1Q2017 as explained above.

B) Balance Sheet Statements

Non-current assets

Non-current assets decreased by RMB3.5 million or 3.0% from RMB115.5 million as at 31 December 2016 to RMB112.0 million as at 31 March 2017. 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 RMB3.3 million or 3.3% from RMB100.2 million as at 31 December 2016 to RMB96.9 million as at 31 March 2017, mainly due to depreciation charges in 1Q2017. The decrease was partially offset by additions during the period.

B) Balance Sheet Statements (cont'd)

Current assets

Current assets decreased by RMB3.6 million or 1.2% from RMB291.9 million as at 31 December 2016 to RMB288.3 million as at 31 March 2017. The decrease was mainly due to the decrease in inventories and bills receivable of RMB8.1 million and RMB5.4 million respectively. The decrease of inventories was due to the decrease of finished goods. The decreases were partially offset by the increases in prepayments and the trade and other receivables of RMB4.8 million and RMB3.3 million respectively. The increase of prepayments was due to the purchase of new sales contract materials. The increase of trade and other receivables was mainly due to payment milestones defined in the contracts have not been reached.

The breakdown and aging of items of trade and other receivables as the follows.

Item by nature	31/03/2017 RMB'000	6months RMB'000	6-12months RMB'000	1-2years RMB'000	>2years RMB'000
Trade Receivables					
Receivables from sales	69,284	35,757	11,395	16,019	6,113
Other Receivables					
A. Operation cash advances	543	543			
B. Bid bonds	1,194	1,194			
C. Rental deposit	29			29	
D. VAT receivables	15	15			
Total	71,065	37,509	11,395	16,048	6,113

Current liabilities

Current liabilities decreased by RMB3.7 million or 3.8% from RMB98.3 million as at 31 December 2016 to RMB94.5 million as at 31 March 2017. The decrease was mainly attributed to the decrease in other liabilities and trade and other payables of RMB3.4 million and RMB2.5 million respectively. The decrease in other liabilities were mainly due to a reduction in employee bonuses.

C) Cash Flow Statements

1Q2017

Cash and cash equivalents increased by RMB1.7 million in 1Q2017, which was mainly attributed to cash generated from operating activities. RMB2.0 million was generated from operating activities while RMB0.3 million was used in the purchase of property, plant and equipment.

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 2017.

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.

In view of the on-going macro-economic structural reform in PRC and the worldwide low basic chemical prices including methanol and urea, some of the Group's customers have postponed their new plant investment projects. The Group's ability to secure future contracts will largely depend on the macroeconomic conditions in PRC. With nitrogen fertilizer and urea prices remain low, the Group expects the next 12 months to continue to be challenging for the Nitrogen Fertilizer Industry and the majority of basic chemical producers in PRC.

As part of ongoing efforts to remain competitive, the Group will continue to enhance the operating efficiencies and manage costs, remain vigilant and respond prudently to any macroeconomic changes. The Group's order book as of 31 March 2017 was approximately RMB 110.6million (31 December 2016: RMB84.0 million).

11) Dividend

(a) Current financial period reported on

The Company does not recommend any dividend for the financial period ended 31 March 2017

(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 2016.

(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 2017.

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.

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

As at 31 March 2017, the net proceeds from the Company's initial public offering have been utilized as follows:

Usage of IPO Proceeds	Amount allocated	Amount utilized	Balance
	RMB'000	RMB'000	RMB'000
(A) Expand our production facilities and capacities	95,936	18,371	77,565
(B) Enhance our R&D capabilities and widen our range of innovative and cost-effective solutions	15,479	3,682	11,797
(C) Working capital purposes	22,074	21,059	1,015
Total	133,489	43,112	90,377

The breakdown of working capital utilization is as follows:

Usage of IPO proceeds for working capital	Amount Utilized (RMB'000)
For CO shift catalyst unit and technology implementations	(15,573)
For expanding sales and marketing capabilities and initiatives	(5,486)
Total	(21,059)

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 2017 financial results to be false or misleading in any material respects.

By Order of the Board

Xie Ming
 Executive Director and CEO
 12 May 2017