



## **Anchun International Holdings Ltd.**

(Incorporated in Singapore)

(Company registration number: 200920277C)

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### **Unaudited Results for the Third Quarter and Nine Months Ended 30 September 2016**

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#### **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			Group		
	Unaudited	Unaudited	Change	Unaudited	Unaudited	Change
	3 months ended			9 months ended		
30/09/2016	30/09/2015	%	30/09/2016	30/09/2015	%	
	RMB'000	RMB'000		RMB'000	RMB'000	
<b>Revenue</b>	29,623	24,296	22%	65,162	78,939	-17%
Cost of sales	(16,850)	(15,305)	10%	(43,468)	(46,179)	-6%
<b>Gross Profit</b>	<b>12,773</b>	<b>8,991</b>	<b>42%</b>	<b>21,694</b>	<b>32,760</b>	<b>-34%</b>
<b>Other item of income</b>						
Finance and other income	749	9,309	-92%	2,924	13,875	-79%
<b>Other items of expenses</b>						
Marketing and distribution expenses	(1,041)	(1,348)	-23%	(3,275)	(3,938)	-17%
Administrative expenses	(7,950)	(9,415)	-16%	(26,488)	(27,653)	-4%
Research expenses	(1,114)	(4,304)	-74%	(2,549)	(7,546)	-66%
Other operating expense	–	(224)	-100%	–	(224)	-100%
Finance costs	(141)	(141)	0%	(424)	(707)	-40%
<b>Profit/(Loss) before tax</b>	<b>3,276</b>	<b>2,868</b>	<b>14%</b>	<b>(8,118)</b>	<b>6,567</b>	<b>N.M.</b>
Income tax expense	–	(511)	-100%	54	(1,286)	N.M.
<b>Profit/(Loss) from operation, net of tax, representing total comprehensive income for the period attributable to owners of the Company</b>	<b>3,276</b>	<b>2,357</b>	<b>39%</b>	<b>(8,064)</b>	<b>5,281</b>	<b>N.M.</b>

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

	Group			Group		
	Unaudited	Unaudited	Change	Unaudited	Unaudited	Change
	3 months ended			9 months ended		
30/09/2016	30/09/2015	%	30/09/2016	30/09/2015	%	
	RMB'000	RMB'000		RMB'000	RMB'000	
Depreciation of property, plant and equipment	3,621	3,624	0%	10,887	10,532	3%
Depreciation of investment property	44	44	0%	132	132	0%
Amortisation of land use rights	91	92	-1%	274	274	0%
Amortisation of intangible assets	84	22	282%	250	46	443%
Allowance for impairment of trade receivables	1,826	–	N.M.	1,826	–	-N.M.
Write back of impairment of trade receivables	(1,826)	(840)	117%	(1,826)	(840)	117%
Write-off of trade receivables	–	30	-100%	–	30	-100%
Write-back of inventory obsolescence	(37)	(76)	-51%	(73)	(76)	-4%
(Gain)/Loss on disposal of property, plant and equipment	15	(14)	N.M.	(10)	(3)	223%
Exchange (gain)/loss	(5)	38	N.M.	(187)	163	N.M.
Write-back of after-sale expenses	–	–	-100%	–	(35)	-100%
Finance income	(434)	(725)	-40%	(1,605)	(2,466)	-35%
Finance costs	141	141	0%	424	707	-40%
Performance share plan expenses	45	41	10%	133	122	9%

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	Audited	Unaudited	Audited
	30/09/2016	31/12/2015	30/09/2016	31/12/2015
	RMB'000	RMB'000	RMB'000	RMB'000
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant and equipment	103,858	114,704	–	–
Intangible assets	681	293	–	–
Land use rights	14,166	14,440	–	–
Deferred tax assets	53	53	–	–
Investment in a subsidiary	–	–	75,299	75,166
Investment property	656	788	–	–
Prepayments	1,780	1,788	–	–
	121,194	132,066	75,299	75,166
<b>Current assets</b>				
Inventories	50,739	65,388	–	–
Trade and other receivables	71,562	64,230	35,770	35,766
Bills receivable	20,554	30,129	–	–
Prepayments	5,939	6,250	95	85
Cash and cash equivalents	150,831	155,363	25,173	27,223
	299,625	321,360	61,038	63,074
<b>Total assets</b>	420,819	453,426	136,337	138,240
<b>EQUITY AND LIABILITIES</b>				
<b>Current liabilities</b>				
Trade and other payables	50,889	59,225	11,194	11,074
Advances from customers	33,660	42,647	–	–
Other liabilities	10,024	16,838	1,125	1,085
Income tax payable	6,560	7,099	–	–
	101,133	125,809	12,319	12,159
<b>Total liabilities</b>	101,133	125,809	12,319	12,159
<b>Net current assets</b>	198,492	195,551	48,719	50,915
<b>Net assets</b>	319,686	327,617	124,018	126,081
<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	120,275	119,399	301	168
Accumulated profits/(loss)	50,563	59,370	(25,131)	(22,935)
<b>Total equity</b>	319,686	327,617	124,018	126,081
<b>Total equity and liabilities</b>	420,819	453,426	136,337	138,240

**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 30 September 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		Group Unaudited 9 months ended	
	30/09/2016	30/09/2015	30/09/2016	30/09/2015
Note	RMB'000	RMB'000	RMB'000	RMB'000
<b>Operating activities</b>				
Profit/(Loss) before tax	3,276	2,868	(8,118)	6,567
<u>Adjustments for:</u>				
Depreciation of property, plant and equipment	3,621	3,624	10,887	10,532
Depreciation of investment property	44	44	132	132
Amortisation of intangible assets	84	22	250	46
Amortisation of land use rights	91	92	274	274
Write-back of allowance for impairment of trade receivables, net	–	(840)	–	(840)
Write-off of trade receivables	–	30	–	30
Write-back of after-sale services	–	–	–	(35)
(Gain)/Loss on disposal of property, plant and equipment	15	(14)	(10)	(3)
Write-back of inventory obsolescence	(37)	(76)	(73)	(76)
Performance share plan expense	45	41	133	122
Net foreign exchange (gain)/loss	(5)	38	(187)	163
Finance costs	141	141	424	707
Finance income	(434)	(725)	(1,605)	(2,466)
<b>Operating cash flows before changes in working capital</b>	<b>6,841</b>	<b>5,245</b>	<b>2,107</b>	<b>15,153</b>
<u>Changes in working capital</u>				
Decrease/(increase) in:				
Inventories	7,565	3,259	14,722	(7,006)
Trade and other receivables	(2,660)	(3,841)	(7,332)	(7,951)
Bills receivable	(7,567)	23,221	9,575	14,098
Prepayments	(186)	(739)	311	(2,432)
(Decrease)/increase in:				
Trade and other payables	(494)	2,706	(6,780)	(977)
Advances from customers	(7,178)	(1,522)	(8,987)	9,567
Other liabilities	(547)	358	(6,393)	(3,931)
Total changes in working capital	(11,067)	23,442	(4,884)	1,368
<b>Cash flows (used in)/generated from operations</b>	<b>(4,226)</b>	<b>28,687</b>	<b>(2,777)</b>	<b>16,521</b>
Interest received	434	725	1,605	2,466
Interest paid	(1)	–	(845)	(1,414)
Income taxes refunded	–	–	54	–
<b>Net cash (used in)/generated from operating activities</b>	<b>(3,793)</b>	<b>29,412</b>	<b>(1,963)</b>	<b>17,573</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)

	Group Unaudited 3 months ended		Group Unaudited 9 months ended	
	30/09/2016	30/09/2015	30/09/2016	30/09/2015
	RMB'000	RMB'000	RMB'000	RMB'000
<b>Investing activities</b>				
Proceed from sale of property, plant and equipment	3	55	45	56
Purchase of intangible assets - software	–	(47)	(638)	(201)
Purchase of property, plant and equipment	<b>A</b> (1,009)	(1,842)	(2,163)	(7,453)
<b>Net cash used in investing activities</b>	(1,006)	(1,834)	(2,756)	(7,598)
<b>Financing activity</b>				
Repayment of loans from former shareholders of a subsidiary	–	(22,379)	–	(22,379)
<b>Net cash used in financing activity</b>	–	(22,379)	–	(22,379)
<b>Net (decrease)/increase in cash and cash equivalents</b>	(4,799)	5,199	(4,719)	(12,404)
<b>Cash and cash equivalents at beginning of period</b>	155,625	146,956	155,363	164,684
Effect of exchange rate changes on cash and cash equivalents	5	(38)	187	(163)
<b>Cash and cash equivalents at end of period</b>	150,831	152,117	150,831	152,117

**Note A:**

**Purchase of property, plant and equipment**

	Group Unaudited 3 months ended		Group Unaudited 9 months ended	
	30/09/2016	30/09/2015	30/09/2016	30/09/2015
	RMB'000	RMB'000	RMB'000	RMB'000
Current period additions to property, plant and equipment	77	622	76	6,437
Less: Payable to creditors for current period purchases	932	(154)	(475)	(2,568)
Prepayment made in prior period	–	(478)	(1,788)	(783)
Add: Payments for prior period purchase	–	1,325	2,570	3,371
Prepayments made in current period	–	527	1,780	996
<b>Net cash outflow for purchase of property, plant and equipment</b>	1,009	1,842	2,163	7,453

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	–	–	–	–	–	–	–	5,281	5,281
<b>Others</b>									
Grant of equity-settled performance shares to employees	–	–	122	–	–	–	–	–	122
Transfer to statutory reserve –safety production reserve	–	–	–	–	–	553	–	(553)	–
Transfer to statutory reserve fund	–	–	–	–	729	–	–	(729)	–
<b>Total others</b>	–	–	122	–	729	553	–	(1,282)	122
Balance at 30 September 2015	<b>149,278</b>	<b>(430)</b>	<b>122</b>	<b>1,725</b>	<b>38,704</b>	<b>3,748</b>	<b>75,000</b>	<b>55,878</b>	<b>324,025</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
Loss of the period, representing total comprehensive loss for the period	–	–	–	–	–	–	–	(8,064)	(8,064)
<b>Others</b>									
Grant of equity-settled performance shares to employees	–	–	133	–	–	–	–	–	133
Transfer to statutory reserve –safety production reserve	–	–	–	–	–	743	–	(743)	–
<b>Total others</b>	–	–	133	–	–	743	–	(743)	133
Balance at 30 September 2016	<b>149,278</b>	<b>(430)</b>	<b>301</b>	<b>1,725</b>	<b>38,329</b>	<b>4,920</b>	<b>75,000</b>	<b>50,563</b>	<b>319,686</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 expense for the period	–	–	–	(2,008)	(2,008)
Grant of equity-settled performance shares to employees	–	–	122	–	122
<b>Balance at 30 September 2015</b>	<b>149,278</b>	<b>(430)</b>	<b>122</b>	<b>(22,080)</b>	<b>126,890</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 loss for the period	–	–	–	(2,196)	(2,196)
Grant of equity-settled performance shares to employees	–	–	133	–	133
<b>Balance at 30 September 2016</b>	<b>149,278</b>	<b>(430)</b>	<b>301</b>	<b>(25,131)</b>	<b>124,018</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 30 September 2016 (after share consolidation)	50,500,000	149,278
Ordinary shares including employee benefit trust ("EBT") shares as at 31 December 2015	505,000,000	149,278

The proposed share consolidation was approved by the EGM on 29 April 2016, and pursuant to the proposed share consolidation, the Company consolidated every ten (10) Existing 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 convertibles as at 30 September 2016 and as at 31 December 2015.

EBT shares

The Company had 170,000 EBT shares as at 30 September 2016 after the completion of a 10-for-1 share consolidation, and 1,700,000 EBT shares as at 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 30.09.16	As at 31.12.15
Total number of issued shares excluding EBT shares	50,330,000	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**

	Group			
	3 months ended 30/09/2016	3 months ended 30/09/2015	9 months ended 30/09/2016	9 months ended 30/09/2015
Profit/(Loss) net of tax attributable to owners of the Company (RMB'000)	3,276	2,357	(8,064)	5,281
Weighted average number of ordinary shares ('000) on issue applicable to basic EPS	50,330	503,300	50,330	503,300
Basic earnings/(loss) per share (RMB cents)	6.49	0.47	(16.02)	1.05

Basic earnings/(loss) per share for the 9 months ended 30 September 2016 and 30 September 2015 are computed by dividing the (loss)/profit net of tax attributable to owners of the Company by the weighted average number of ordinary shares excluding EBT shares.

The diluted earnings/(loss) per share are the same as the basic earnings/(loss) per share as the Company does not have any dilutive potential ordinary shares for the financial period ended 30 September 2016 and 30 September 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.**

	Group		Company	
	30/09/2016	31/12/2015	30/09/2016	31/12/2015
Net asset value per share (RMB per share)	6.35	0.65	2.46	0.25

Net asset value per ordinary share as at 30 September 2016 and 31 December 2015 were calculated based on the existing number of shares in issue excluding EBT shares at the end of the period of 50,330,000 ordinary shares and 503,300,000 ordinary shares respectively.

- 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**

9M2016 vs 9M2015

Revenue decreased by RMB13.8 million or 17% from RMB78.9 million in 9M2015 to RMB65.1 million in 9M2016. The decrease was mainly due to the decrease of revenue from our engineering services and CSC business and partially offset by the increase of revenue from catalyst business, further described as follows:

Revenue from our Catalyst Business

Revenue from our Catalyst Business increased by RMB4.7 million or 37% from RMB12.6 million in 9M2015 to RMB17.3 million in 9M2016. The increase was mainly due to more deliveries in 9M2016 due to chemical producers demanding more catalysts, which are consumables needed to aid chemical reaction in the production process of our customers to maintain production productivity. Factors which caused the increase in demand are as follows:-

- i) Producer cannot sell products at good prices, they often postpone capital expenditure decisions. Replacing the catalyst more frequently is a less costly alternative to keep production without having to invest in equipment replacement.
- ii) With the new production capacity on stream in FY 2015 and new development of shift reaction catalyst, the Group can meet the higher demands of customers at a specified period and provide new type of catalyst for the shift reaction chemical systems.

Revenue from our Engineering Services

Revenue from our Engineering Services decreased by RMB7.0 million or 80% from RMB8.8 million in 9M2015 to RMB1.8 million in 9M2016. The decrease was mainly due to customers' postponement of their capital expenditure investment projects.

Revenue from our CSC Business

Revenue from our CSC Business decreased by RMB11.5 million or 20% from RMB57.5 million in 9M2015 to RMB46.0 million in 9M2016. In view of the on-going macro-economic structure reform in the PRC coupled with worldwide low oil and gas prices and basic chemical prices including methanol and urea, some of the Group's customers did not proceed with their capital expenditure investment plan in FY 2016. As the Group's CSC and engineering business are in the capital goods market, the above market factors have resulted in decline in demand for the Group and intensive market competition in FY 2016. Furthermore, the Group has been careful in its evaluation of each opportunity in view of the increased degree of uncertainty surrounding the macro-economic environment as part of its credit-risk management.

3Q2016 vs 3Q2015

The Group's revenue increased by RMB5.3 million or 18% from RMB24.3 million in 3Q2015 to RMB29.6 million in 3Q2016. This was mainly due to increase in our CSC sales and catalyst sales of RMB6.0 million and RMB0.4 million respectively, partially offset by the decrease in engineering services of RMB1.1 million in 3Q2016 compared to 3Q2015.

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

### **Gross profit and gross profit margin (cont'd)**

#### 9M2016 vs 9M2015

Our overall gross profit decreased by RMB11.2 million or 34% from RMB32.8 million in 9M2015 to RMB21.6 million in 9M2016 and our gross profit margin decreased from 42% in 9M2015 to 33% in 9M2016.

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

- 1) The gross profit of our Catalyst business increased by RMB2.5 million from RMB5.0 million in 9M2015 to RMB7.5 million in 9M2016. The increase of gross profit was attributable to the increase in sales revenue;
- 2) The gross profit of our CSC business decreased by RMB8.0 million from RMB21.5 million in 9M2015 to RMB13.5 million in 9M2016. This was mainly attributable to decrease of sales revenue and low profit margin from the resale of some chemical system equipments where customers had previously cancelled their contracts at lower selling price due to market conditions in 9M2016. In addition, these chemical system equipments incurred higher manufactured costs as material purchase prices were higher in FY 2013 when they were manufactured. Amongst the raw materials used were steel plate, steel tube and steel forging. The gross profit of engineering design decreased by RMB5.7 million from RMB6.3 million in 9M2015 to RMB0.6 million in 9M2016. The gross profit decrease was mainly attributable to the revenue decrease in 9M2016.

#### 3Q2016 vs 3Q2015

Our overall gross profit increased by RMB3.8 million or 35% from RMB9.0 million in 3Q2015 to RMB12.8 million in 3Q2016 and our gross profit margin increased from 37% in 3Q2015 to 43% in 3Q2016. Gross profit of our Catalyst business increased by RMB1.1 million from RMB1.5 million in 3Q2015 to RMB2.6 million in 3Q2016, in tandem with the sales increase. Gross profit of CSC business increased by RMB3.3 million from RMB6.4 million in 3Q2015 to RMB9.7 million in 3Q2016, mainly attributable to the sales increase of chemical system equipment in 3Q2016. Gross profit of engineering design decreased by RMB0.6 million from RMB1.0 million in 3Q2015 to RMB0.4 million in 3Q2016 mainly attributable to the decrease in engineering service revenue in 3Q2016.

### **Finance and other income**

#### 9M2016 vs 9M2015

Finance and other income decreased by RMB11.0 million or 79% from RMB13.9 million in 9M2015 to RMB2.9 million in 9M2016. The decrease was mainly due to the lower net gain arising from sale of chemical equipment from research and development activities and decrease of interest income in 9M2016.

#### 3Q2016 vs 3Q2015

Finance and other income decreased by RMB8.6 million or 92% from RMB9.3 million in 3Q2015 to RMB0.7 million in 3Q2016. The decrease was mainly attributable to the lower net gain arising from sale of equipment arising from research and development activities in 3Q2016.

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

### **Marketing and distribution expenses**

#### 9M2016 vs 9M2015

Marketing and distribution expenses decreased by RMB0.6 million or 17% from RMB3.9 million in 9M2015 to RMB3.3 million in 9M2016. The decrease was mainly attributable to decrease of sales incentive bonus expense and after sales expense.

#### 3Q2016 vs 3Q2015

Marketing and distribution expenses decreased by RMB0.3 million or 23% from RMB1.0 million in 3Q2015 to RMB1.3 million in 3Q2016. The decrease was mainly attributable to decrease of business traveling expense and sales incentive bonus expense.

### **Administrative expenses**

#### 9M2016 vs 9M2015

Administrative expenses decreased by RMB1.2 million or 4% from RMB27.7 million in 9M2015 to RMB26.5 million in 9M2016. The decrease was mainly due to the decrease of maintenance expense and labor service expense, partially offset by more unallocated manufacturing overhead was allocated to administrative expenses and the compensation expenses upon early terminations of staff contracts. Since plant production capacity utilization is lower in 9M2016 than in 9M2015, there is more overhead allocated in the administrative expense in 9M2016.

#### 3Q2016 vs 3Q2015

Administrative expenses decreased by RMB1.4 million or 15% from RMB9.4 million in 3Q2015 to RMB8.0 million in 3Q2016. The decrease was mainly attributable to the decrease of maintenance expense and labor service expense.

### **Research expenses**

#### 9M2016 vs 9M2015

The research expenses decreased by RMB5.0 million or 66% from RMB7.5 million in 9M2015 to RMB2.5 million in 9M2016. The decrease was mainly due to lower research expenses incurred.

#### 3Q2016 vs 3Q2015

Research expenses decreased by RMB3.2 million or 74% from RMB4.3 million in 3Q2015 to RMB1.1 million in 3Q2016, this was mainly attributable to lower R&D expenses incurred in 3Q2016.

### **Finance costs**

#### 9M2016 vs 9M2015

Finance costs decreased by RMB0.3 million or 40% from RMB0.7 million in 9M2015 to RMB0.4 million in 9M2016. The decrease was mainly due to the decrease in interest expenses as a result of the partial repayment of the loan due to former shareholders of our subsidiary in prior year.

#### 3Q2016 vs 3Q2015

Finance costs of 3Q2016 are the same as that of 3Q2015 with the amount of RMB0.1 million because former shareholders' loan principal amount of 3Q2016 is the same as of 3Q2015.

### **Income tax expenses**

#### 9M2016 vs 9M2015

Income tax expenses decreased by RMB1.3 million from RMB1.2 million in 9M2015 to negative RMB0.1 million in 9M2016. The decrease was due to the losses incurred by the subsidiary during 9M2016 and the negative amount was due to the income tax refund.

#### 3Q2016 vs 3Q2015

Income tax expenses decreased by RMB0.5 million due to the losses incurred by the subsidiary during 3Q2016.

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

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

#### 9M2016 vs 9M2015

The net profit attributable to owners of the company has decreased by RMB13.3 million from a profit of RMB5.3 million in 9M2015 to a loss of RMB8.0 million in 9M2016 as explained above.

#### 3Q2016 vs 3Q2015

The net profit attributable to owners of the company has increased by RMB0.9 million from RMB2.4 million in 3Q2015 to RMB3.3 million in 3Q2016 as explained above.

## **B) Balance Sheet**

### **Non-current assets**

Non-current assets decreased by RMB10.9 million or 8.2% from RMB132.1 million as at 31 December 2015 to RMB121.2 million as at 30 September 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 RMB10.8 million or 9.5% from RMB114.7 million as at 31 December 2015 to RMB103.9 million as at 30 September 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 RMB21.8 million or 6.8% from RMB321.4 million as at 31 December 2015 to RMB299.6 million as at 30 September 2016. The decrease was mainly due to the decrease in inventories and bills receivable of RMB14.6 million and RMB9.5 million respectively. The decrease of inventories was mainly due to the resale of some finished goods from contracts previously cancelled by customers and the decrease of raw materials. The decreases were partially offset by the increase in the trade and other receivables of RMB7.3 million. The increase in trade and other receivables was mainly due to contractual payment milestones that have not been reached. Considering the typical progress payment milestones for the Group's CSC business, trade receivables at 30 September 2016 not only include the receivables arising from sales in 3Q 2016, but also include receivables attributable to sales in earlier periods. Also project cycles are notably slower due to low product prices. It takes more time for plant owners get upstream and downstream units commissioned and reach normal operation for the full process. Accordingly, collection cycles of the Group's trade receivables are extended.

### **Current liabilities**

Current liabilities decreased by RMB24.7 million or 19.6% from RMB125.8 million as at 31 December 2015 to RMB101.1million as at 30 September 2016. The decrease was mainly attributed to the decrease in advance from customers, trade and other payables, other liabilities of RMB9.0 million, RMB8.4 million, and RMB6.8 million respectively. The decrease in trade payables and other liabilities were mainly due to settlements with our suppliers.

## **C) Cash Flow Statements**

#### 9M2016

Cash and cash equivalents decreased by RMB4.7 million in 9M2016, which was mainly attributable to cash used in operating activities and investing activities. RMB2.0 million was used in operating activities while RMB2.7 million was used in investing activities for the purchase of property, plant and equipment and intangible assets.

#### 3Q2016

Cash and cash equivalents decreased by RMB4.8 million in 3Q2016, which was mainly attributed to cash used in operating activities and investing activities. RMB3.8 million was used in operating activities while

RMB1.0 million was used in investing activities for the purchase of property, plant and equipment and intangible assets.

**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 30 September 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.**

With decline of nitrogen fertilizer and urea prices, 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.

Demand for the Catalyst Business depends on customers' catalyst replacement frequencies and reload quantities in the chemical system to maintain the production. Barring unforeseen circumstances, the Group expects the revenue and profit for its Catalyst business segment in FY 2016 to be comparable to those of FY 2015.

Demand for the Engineering Services and CSC Business depends on the new manufacturing investment projects commencement of customers in chemical industry. In view of the on-going macro-economic structure reform in PRC and the worldwide low basic chemical prices including methanol and urea, some of the Group's customers did not proceed with new investment projects in FY 2016. The Group's ability to secure future contracts will largely depend on the macroeconomic conditions in PRC. The Group expects the revenue and profit of Engineering and CSC segment in FY2016 to be considerably lower than in FY 2015.

The Group will continue to watch its costs, remain vigilant and respond prudently to any macroeconomic changes. The Group's order book as of 30 September 2016 was approximately RMB93.9 million (30 June 2016: RMB121.1 million).

**11) Dividend**

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

The Company does not recommend any dividend for the financial period ended 30 September 2016.

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

The Company did not recommend or declare any dividend for the financial period ended 30 September 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 30 September 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 30 September 2016, the net proceeds from the Company's initial public offering have been utilized as follows:

<b>Usage of IPO Proceeds</b>	<b>Amount allocated</b>	<b>Amount utilized</b>	<b>Balance</b>
	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>
<b>(A) Expand our production facilities and capacities</b>	95,936	17,755	78,181
<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>	22,074	19,756	2,318
<b>Total</b>	<b>133,489</b>	<b>41,193</b>	<b>92,296</b>

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>	15,181
<b>For expanding sales and marketing capabilities and initiatives</b>	4,575
<b>Total</b>	<b>19,756</b>

**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 third quarter and the period ended 30 September 2016 financial results to be false or misleading in any material respects.

**By Order of the Board**

Xie Ming  
Executive Director and CEO  
10 November 2016