



Anchun International Holdings Ltd.

(Incorporated in Singapore)

(Company registration number: 200920277C)

**Condensed Interim Financial Statements
For the half year ended 30 June 2022**

Table of Contents

A. Unaudited condensed consolidated statement of profit or loss and other comprehensive income.....	3
B. Unaudited condensed statements of financial position	4
C. Unaudited condensed statements of changes in equity	5
D. Unaudited condensed consolidated statement of cash flows	7
E. Notes to the unaudited condensed interim consolidated financial statements	9
F. Other information required by Listing Rule Appendix 7.2	25
1. Review	25
2. Review of performance of the Group.....	25
3. Variance from prospect statement.....	29
4. Commentary of Group's significant trends and competitive conditions	30
5. Dividend Information	30
6. Interested person transactions	30
7. Confirmation pursuant to Rule 720(1)	30
8. Negative Confirmation pursuant to Rule 704(13)	31

**A. Unaudited condensed consolidated statement of profit or loss and other comprehensive income
For the half year ended 30 June 2022**

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

	Note	Group		Change %
		Unaudited	Unaudited	
		6 months ended		
		30/06/2022	30/06/2021	
		RMB'000	RMB'000	
Revenue	4	82,483	27,315	202
Cost of sales		(62,933)	(21,770)	189
Gross profit		19,550	5,545	253
Other item of income				
Finance and other income		2,970	3,540	(16)
Other items of expenses				
Marketing and distribution expenses		(2,730)	(2,334)	17
Administrative expenses		(9,322)	(11,794)	(21)
Research expenses		(1,932)	(3,901)	(50)
Impairment losses on of financial assets, net		(923)	(634)	46
Other operating expense		(157)	(49)	220
Finance costs				
- Bank charges		(2)	(3)	(33)
Profit/(loss) before taxation	6	7,454	(9,630)	N.M
Income taxation		(521)	-	N.M
Total comprehensive income/(loss) for the period attributable to owners of the Company		6,933	(9,630)	N.M
Earnings/(Loss) per share (RMB cents):				
Basic	17	14.54	(19.99)	N.M
Diluted	17	14.54	(19.99)	N.M

N.M. - not meaningful

B. Unaudited condensed interim statements of financial position
As at 30 June 2022

	Note	Group			Company		
		Unaudited 30/06/2022 RMB'000	Audited 31/12/2021 RMB'000	Change %	Unaudited 30/06/2022 RMB'000	Audited 31/12/2021 RMB'000	Change %
ASSETS							
Non-current assets							
Property, plant and equipment	11	48,262	51,859	(7)	–	–	–
Intangible assets	9	773	664	(16)	–	–	–
Investment in a subsidiary		–	–	–	75,631	75,631	0
Investment properties	12	3,433	3,748	(8)	–	–	–
Right-of-use assets	10	12,065	12,248	(1)	–	–	–
Prepayments		1	45	(98)	–	–	–
Deferred tax asset		385	906	(58)	–	–	–
		64,919	69,470	(7)	75,631	75,631	0
Current assets							
Inventories		42,784	31,591	35	–	–	–
Trade and other receivables	13	47,458	63,956	(26)	38,328	38,317	1
Contract assets	4.4	72,037	81,105	(11)	–	–	–
Prepayments		6,701	7,506	(11)	30	59	(49)
Short term deposits		20,000	20,000	0	–	–	–
Cash and cash equivalents	15	145,576	129,678	12	8,990	10,349	(13)
		334,556	333,836	1	47,348	48,725	(3)
Total assets		399,475	403,306	(1)	122,979	124,356	(1)
EQUITY AND LIABILITIES							
Current liabilities							
Trade and other payables		33,506	32,431	3	12,502	12,414	1
Contract liabilities	4.4	63,595	74,029	(14)	–	–	–
Other liabilities		15,659	17,065	(8)	647	695	(7)
Income tax payable		5,854	5,853	0	–	–	–
		118,614	129,378	(8)	13,149	13,109	1
Net current assets		215,942	204,458	6	34,199	35,616	(4)
Total liabilities		118,614	129,378	(8)	13,149	13,109	1
Net assets		280,861	273,928	3	109,830	111,247	(1)
Equity attributable to owners of the Company							
Share capital	16	149,278	149,278	0	149,278	149,278	0
Treasury/employee benefit trust shares		(3,391)	(3,391)	0	(3,391)	(3,391)	0
Other reserves		126,395	125,817	1	(10)	(10)	0
Accumulated profits/(losses)		8,579	2,224	285	(36,047)	(34,630)	4
Total equity		280,861	273,928	3	109,830	111,247	(1)
Total equity and liabilities		399,475	403,306	(1)	122,979	124,356	(1)

C. Unaudited condensed interim statements of changes in equity
For the half year ended 30 June 2022

Statement of Changes in Equity

	Attributable to owners of the Company										
	Share Capital	Treasury/ Employee benefit trust shares	Other reserves	Performance share plan reserve	(Loss)/gain on reissuance of EBT shares	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	RMB'000	RMB'000
Group Unaudited											
Balance at 1 January 2021	149,278	(3,021)	123,202	109	71	1,725	40,843	5,454	75,000	7,140	276,599
Loss for the period, representing total comprehensive income	—	—	—	—	—	—	—	—	—	(9,630)	(9,630)
Grant of equity-settled performance shares to employees	—	—	24	24	—	—	—	—	—	—	24
<u>Others</u>											
Transfer to Statutory Reserve Fund, net	—	—	572	—	—	—	—	572	—	(572)	—
Balance at 30 June 2021	149,278	(3,021)	123,798	133	71	1,725	40,843	6,026	75,000	(3,062)	266,993
Group Unaudited											
Balance at 1 January 2022	149,278	(3,391)	125,817	—	(10)	1,725	42,828	6,274	75,000	2,224	273,928
Profit for the period, representing total comprehensive income	—	—	—	—	—	—	—	—	—	6,933	6,933
<u>Others</u>											
Transfer to Statutory Reserve Fund, net	—	—	578	—	—	—	—	578	—	(578)	—
Balance at 30 June 2022	149,278	(3,391)	126,395	—	(10)	1,725	42,828	6,852	75,000	8,579	280,861

C. Unaudited condensed interim statements of changes in equity (cont'd)
For the half year ended 30 June 2022

Statement of Changes in Equity (cont'd)

	Attributable to owners of the Company						Total equity
	Share Capital	Treasury/Empl oyee benefit trust shares	Other reserves	Gain on reissuance of EBT shares	Treasury shares	Accumulated losses	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Company Unaudited							
Balance at 1 January 2021	149,278	(3,021)	180	109	71	(31,580)	114,857
Loss for the period, representing total comprehensive income	–	–	–	–	–	(1,617)	(1,617)
<u>Contributions by and distribution to owners</u>							
Grant of equity-settled performance shares to employees	–	–	24	24	–	–	24
Balance at 30 June 2021	149,278	(3,021)	204	133	71	(33,197)	113,264
Company Unaudited							
Balance at 1 January 2022	149,278	(3,391)	(10)	–	10	(34,630)	111,247
Loss for the period, representing total comprehensive income	–	–	–	–	–	(1,417)	(1,417)
Balance at 30 June 2022	149,278	(3,391)	(10)	–	(10)	(36,047)	109,830

D. Unaudited condensed interim consolidated statement of cash flows
For the half year ended 30 June 2022

	Note	Group	
		Unaudited 6 months ended 30/06/2022	Unaudited 6 months ended 30/06/2021
		RMB'000	RMB'000
Operating activities			
Profit/(Loss) before tax		7,454	(9,630)
<u>Adjustments for:</u>			
Depreciation of property, plant and equipment	6	4,088	4,358
Depreciation of right-of-use assets	6	183	224
Depreciation of investment properties	6	315	265
Amortisation of intangible assets	6	195	183
Gain on disposal of property, plant and equipment	6	(98)	(37)
Impairment losses on financial assets, net	6	923	634
Write-off of property, plant and equipment	6	1	1
Write-back of provision on onerous contracts	6	-	(38)
Performance share plan expense	6	-	24
Net foreign exchange (gain)/loss		(10)	74
Finance costs		2	3
Finance income		(415)	(488)
Operating cash flows before changes in working capital		12,638	(4,427)
<u>Changes in working capital</u>			
Decrease/(Increase) in:			
Inventories		(11,193)	(6,298)
Trade and other receivables		15,575	(17,519)
Contract assets		9,068	24,565
Prepayments		888	(2,880)
(Decrease)/Increase in:			
Trade and other payables		1,118	(3,524)
Contract liabilities		(10,434)	24,475
Other liabilities		(1,406)	(5,821)
Total changes in working capital		3,616	12,998
Cash flows generated from operations		16,254	8,571
Interest received		415	488
Interest paid		(2)	(3)
Income taxes paid		1	-
Net cash generated from operating activities		16,668	9,056

D. Unaudited condensed interim consolidated statement of cash flows (cont'd)
For the half year ended 30 June 2022

	Note	Group	
		Unaudited	Unaudited
		6 months ended	
		30/06/2022	30/06/2021
		RMB'000	RMB'000
Investing activities			
Proceed from sale of property, plant and equipment	11	139	85
Purchase of Intangible assets - software		(304)	-
Purchase of property, plant and equipment	11	(615)	(2,680)
Placement of fixed deposits		-	(20,000)
Net cash used in investing activities		(780)	(22,595)
Financing activity			
Payment of principal portion of lease liabilities		-	(43)
Net cash used in financing activity		-	(43)
Net increase/(decrease) in cash and cash equivalents		15,888	(13,582)
Cash and cash equivalents at beginning of period		129,678	92,368
Effect of exchange rate changes on cash and cash equivalents		10	(74)
Cash and cash equivalents at end of period	15	145,576	78,712

**E. Notes to the unaudited condensed interim consolidated financial statements
As at and for the half year ended 30 June 2022**

1. Corporate information

Anchun International Holdings Ltd. (the "Company") is a limited liability company incorporated and domiciled in Singapore and is listed on the Singapore Exchange Securities Trading Limited ("SGX-ST").

These condensed interim consolidated financial statements as at and for the six months ended 30 June 2022 comprise the Company and its subsidiaries (collectively, the Group). The principal activity of the Company is investment holding.

The principal activities of the Group is the provision of integrated chemical systems engineering and technology solutions to the petrochemical and chemical industries.

2. Basis of preparation

The condensed interim financial statements for the six months ended 30 June 2022 have been prepared in accordance with SFRS(I) 1-34 Interim Financial Reporting issued by the Accounting Standards Council Singapore. The condensed interim financial statements do not include all the information required for a complete set of financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance of the Group since the last annual financial statements for the year ended 31 December 2021.

The accounting policies adopted are consistent with those of the previous financial year which were prepared in accordance with SFRS(I)s, except for the adoption of new and amended standards as set out in Note 2.1.

The financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand ("RMB'000"), except when otherwise indicated.

2.1. New and amended standards adopted by the Group

A number of amendments to Standards have become applicable for the current reporting period. The Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting those standards.

2.2. Use of judgements and estimates

In preparing the condensed interim financial statements, management has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2021.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

There is no significant judgement made in applying accounting policies that have a significant effect on the amounts recognised in the consolidated financial statements.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next interim period are included in the following:

- Note 4 and Note 13 - Provision for expected credit losses of trade receivables and contract assets
- Note 4 - Contracts and revenue recognition

3. Seasonal operations

The Group's businesses are not affected significantly by seasonal or cyclical factors during the financial period.

4. Segment revenue information

For management purposes, the Group is organised into business units based on their products and services, and has three reportable operating segments as follows:

(i) Catalyst Business

The catalyst business segment involves manufacturing of a variety of catalysts for use in the process of gas-making, ammonia synthesis and methanol synthesis.

(ii) Chemical systems and components ("CSC") Business

This segment involves manufacturing of chemical equipment designed by the chemical engineering and technology consultancy services department.

(iii) Chemical engineering and technology ("CET") Engineering Services

This segment involves providing chemical systems engineering and technology design services for the production of ammonia and methanol related products such as agriculture fertilisers and biodiesel which are mainly used in the agriculture and energy industries.

These operating segments are reported in a manner consistent with internal reporting provided to the chief operating decision makers who are responsible for allocating resources and assessing performance of the operating segments.

4. Segment revenue information (cont'd)

4.1. Reportable segments

	Catalyst Business RMB'000	CSC Business RMB'000	CET Engineering Services RMB'000	Total RMB'000
Group				
1 January 2022 to 30 June 2022				
Revenue				
External customers	5,868	72,946	3,669	82,483
Total revenue	5,868	72,946	3,669	82,483
Results:				
Segment gross profit	1,433	16,676	1,441	19,550
Finance income				415
Other income				2,555
Impairment losses on financial assets, net				(923)
Marketing and distribution expenses				(2,730)
Administrative expenses				(9,322)
Research expenses				(1,932)
Other expenses				(157)
Finance costs				(2)
Profit before tax				7,454
Other material non-cash items				
Depreciation and amortisation				(4,677)
Gain on disposal of property, plant and equipment, net				98
Write-off of property, plant and equipment				(1)

4. Segment revenue information (cont'd)

4.1. Reportable segments (cont'd)

Group	Catalyst Business RMB'000	CSC Business RMB'000	CET Engineering Services RMB'000	Total RMB'000
1 January 2021 to 30 June 2021				
Revenue				
External customers	4,325	21,007	1,983	27,315
Total revenue	4,325	21,007	1,983	27,315
Results:				
Segment gross profit	1,230	3,593	722	5,545
Finance income				488
Other income				3,052
Impairment losses on financial assets, net				(634)
Marketing and distribution expenses				(2,334)
Administrative expenses				(11,794)
Research expenses				(3,901)
Other expenses				(49)
Finance costs				(3)
Loss before tax				(9,630)
Other material non-cash items				
Writeback for provision on onerous contracts, net				38
Depreciation and amortisation				(5,030)
Gain on disposal of property, plant and equipment, net				37
Write-off of property, plant and equipment				(1)

Geographical information

No geographical information is provided as the principal assets employed by the Group are located in the PRC and the Group's revenue and profits are derived primarily from customers in the PRC.

Information about major customers

During the 6 months ended 30 June 2022, revenue from two (2021: two) major customers amount to RMB18,902,000 (2021: RMB7,988,000), arising from sales by the CSC Business segment (2021: CSC Business segment).

4. Segment revenue information (cont'd)

4.2. Disaggregation of Revenue

	The Group 6 months ended 30 June 2022			Total revenue RMB'000
	Catalyst business RMB'000	CSC business RMB'000	CET engineering services RMB'000	
Primary geographical market				
People's Republic of China	5,868	72,946	3,669	82,483
Major product or service lines				
Catalyst	5,868	–	–	5,868
Chemical systems and components	–	72,946	–	72,946
Engineering and design services	–	–	3,669	3,669
	5,868	72,946	3,669	82,483
Timing of transfer of goods or services				
At a point in time	5,868	–	–	5,868
Over time	–	72,946	3,669	76,615
	5,868	72,946	3,669	82,483

	The Group 6 months ended 30 June 2021			Total revenue RMB'000
	Catalyst business RMB'000	CSC business RMB'000	CET engineering services RMB'000	
Primary geographical market				
People's Republic of China	4,325	21,007	1,983	27,315
Major product or service lines				
Catalyst	4,325	–	–	4,325
Chemical systems and components	–	21,007	–	21,007
Engineering and design services	–	–	1,983	1,983
	4,325	21,007	1,983	27,315
Timing of transfer of goods or services				
At a point in time	4,325	–	–	4,325
Over time	–	21,007	1,983	22,990
	4,325	21,007	1,983	27,315

4. Segment revenue information (cont'd)

4.3. Judgement and methods used in estimating revenue

Recognition of revenue from sale of chemical equipment over time

For sales of chemical equipment where the Group satisfies its performance obligations over time, management has determined that a cost-based input method provides a faithful depiction of the Group's performance in transferring control of the chemical equipment to the customers, as it reflects the Group's efforts incurred to date relative to the total inputs expected to be incurred for sales of chemical equipment. The measure of progress is based on the costs incurred to date as a proportion of total costs expected to be incurred up to the complete construction of the chemical equipment.

The estimated total construction and other related costs are based on contracted amounts and, in respect of amounts not contracted for, management relies on past experience and knowledge of the project engineers to make estimates of the amounts to be incurred. In making these estimates, management takes into consideration the historical trends of amounts incurred to construct other similar chemical equipment.

4.4. Contract assets and contract liabilities

Information about receivables, contract assets and contract liabilities from contracts with customers is disclosed as follows:

	30/06/2022 RMB'000	Group 31/12/2021 RMB'000	01/01/ 2021 RMB'000
Receivables from contracts with customers (Note 13)	21,523	14,306	20,984
Contract assets	72,037	81,105	87,629
Contract liabilities	63,595	74,029	20,091

During current financial period, the Group has recognised impairment losses on receivables, net, on receivables arising from contracts with customers of RMB434,000 (2021: RMB634,000).

Contract assets primarily relate to the Group's rights to consideration for work completed but not yet billed at reporting date for sales of chemical equipment.

Contract assets are transferred to receivables when the rights become unconditional. During the reporting period, the Group has recognised impairment loss on contract assets of RMB464,000(2021: Nil). Contract liabilities primarily relate to the Group's obligation to transfer goods or services to customers for which the Group has received advances from customers for sales of chemical equipment.

Contract liabilities are recognised as revenue as the Group performs under the contract.

(i) Significant changes in contract assets are explained as follows:

	30/06/2022 RMB'000	Group 30/06/2021 RMB'000
Contract assets reclassified to receivables	38,401	28,662

4. Segment revenue information (cont'd)

4.4. Contract assets and contract liabilities (cont'd)

(ii) Significant changes in contract liabilities are explained as follows:

	Group	
	30/06/2022	30/06/2021
	RMB'000	RMB'000
Revenue recognised that was included in the contract liability balance at the beginning of the period	36,892	2,813

4.5. Transaction price allocated to remaining performance obligation

The aggregate amount of transaction price allocated to the unsatisfied (or partially unsatisfied) performance obligations as at 30 June 2022 is RMB162,142,000 (2021: RMB223,594,000) from which the Group expects to recognise RMB107,451,000 as revenue in the financial year 2022 and RMB54,691,000 in the financial year 2023.

5. Financial assets and financial liabilities

Set out below is an overview of the financial assets and financial liabilities of the Group as at 30 June 2022 and 31 December 2021:

	Group		Company	
	30/06/2022	31/12/2021	30/06/2022	31/12/2021
	RMB'000	RMB'000	RMB'000	RMB'000
Group				
<i>Financial assets</i>				
Trade and other receivables (excluding sales tax receivables)	47,451	63,950	38,321	38,311
Cash and bank balances	165,576	149,678	8,990	10,349
Total undiscounted financial assets	213,027	213,628	47,311	48,660
<i>Financial liabilities</i>				
Trade and other payables (excluding sales tax payables)	24,626	25,919	12,503	12,414
Other liabilities	15,664	17,065	647	695
Total undiscounted financial liabilities	40,290	42,984	13,150	13,109
Total net undiscounted financial assets	172,737	170,644	34,161	35,551

6. Profit/(Loss) before taxation

6.1. Significant items

	Group	
	6 months ended	
	30/06/2022	30/06/2021
	RMB'000	RMB'000
<u>Income</u>		
Interest income on bank balances and deposits	415	488
Government grants	102	692
Sale of scrap materials and parts	681	930
Rental income from investment properties	1,163	1,070
Net foreign exchange gain/(loss)	10	(74)
Compensation from suppliers on late deliveries	132	16
Gain on disposal of property, plant and equipment, net	98	37
<u>Expenses</u>		
Depreciation of property, plant and equipment	4,088	4,358
Depreciation of investment property	315	265
Depreciation of right-of-use assets	183	224
Amortisation of intangible assets	91	183
Impairment losses on financial assets, net	923	634
Write-off of property, plant and equipment	1	1
Write-back of provision on onerous contracts	-	(38)
Finance costs	2	3
Performance share plan expenses	-	24

6.2. Related party transactions

There are no significant related party transactions apart from those disclosed elsewhere in the financial statements.

7. Net Asset Value

	<u>Group</u>		<u>Company</u>	
	30/06/2022	31/12/2021	30/06/2022	31/12/2021
Net asset value per share (RMB per share)	5.89	5.74	2.30	2.33

Net asset value per ordinary share as at 30 June 2022 and as at 31 December 2021 were calculated based on the existing number of shares in issue excluding EBT shares and treasury shares of 47,690,900 ordinary shares as at 30 June 2022 and 31 December 2021.

8. Fair value of assets and liabilities

8.1. Fair value measurement

The Group classifies financial assets measured at fair value using a fair value hierarchy which reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- a) Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date **(Level 1)**;
- b) Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly **(Level 2)**; and
- c) Unobservable inputs for the asset or liability **(Level 3)**

The following table shows an analysis of the Group's assets not measured at fair value, for which fair value is disclosed:

		Group RMB'000		
		Fair value measurements at the end of the reporting period using		
		Significant observable inputs other than quoted prices (Level 2)	Significant unobservable inputs (Level 3)	Carrying amount
Note				
	30 June 2022			
	Investment properties			
	– Xiang Kai Shi Hua Tower	10,106	–	–
	– Lufeng Road, Hi-Tech Industrial Development Zone	–	7,340	1,919
	– Lusong Road, Hi-Tech Industrial Development Zone		2,818	1,514
	31 December 2021			
	Investment properties			
	– Xiang Kai Shi Hua Tower	10,106	–	–
	– Lufeng Road, Hi-Tech Industrial Development Zone	–	6,829	2,162
	– Lusong Road, Hi-Tech Industrial Development Zone	–	2,827	1,586

9. Intangible assets

	Group RMB'000
Group	
At 31 December 2021	
Cost	2,045
Accumulated amortisation and impairment	(1,381)
Net book amount	<u>664</u>
6 months ended 30 June 2022	
Opening net book amount	664
Additions	304
Amortisation charge for the period	(195)
Closing net book amount	<u>773</u>
At 30 June 2022	
Cost	2,349
Accumulated amortisation and impairment	(1,576)
Net book amount	<u>773</u>

Intangible assets relate to computer software purchased from vendors and have an average remaining amortisation period of 2 year (2021: 2 years). The amortisation of intangible assets is included in the "Administrative expenses" line item in the condensed consolidated statement of comprehensive income.

10. Right-of-use assets

The Group has land use rights over three plots of state-owned land in the People's Republic of China (PRC) where the Group's PRC manufacturing and storage facilities reside. The land use rights are not transferable.

The Company had lease contract for office space for a tenure of 2 years which expired on 30 June 2021.

10. Right-of-use assets (cont'd)

The Group also has certain leases of dormitories with lease term of less than 12 months in which the Group applies the 'short-term lease' recognition exemptions for these leases.

	Land use rights RMB'000
Group	
At 31 December 2021	
Cost	18,271
Accumulated depreciation and impairment	(6,023)
Net book amount	<u>12,248</u>
6 months ended 30 June 2022	
Opening net book amount	12,248
Amortisation charge for the period	(183)
Closing net book amount	<u>12,065</u>
At 30 June 2022	
Cost	18,271
Accumulated amortisation and impairment	(6,206)
Translation difference	–
Net book amount	<u>12,065</u>

11. Property, plant and equipment

During the six months ended 30 June 2022, the Group acquired assets amounting to RMB0.6 million (30 June 2021: RMB2.7 million), provided for depreciation amounted to RMB4.1 million and disposed of assets amounting to RMB0.1 million (30 June 2021: RMB0.04 million)

12. Investment properties

The Group's investment properties consist of both commercial and industrial properties held for long-term rental yields and/or capital appreciation and are not substantially occupied by the Group. They are mainly leased to third parties under operating leases.

	Group	
	30/06/2022	31/12/2021
	RMB'000	RMB'000
Cost		
Beginning of financial period	17,026	10,551
Transfer from property, plant and equipment	–	6,475
End of financial period/year	17,026	17,026
Accumulated depreciation		
Beginning of financial period	(13,278)	(8,841)
Transfer from property, plant and equipment	–	(3,856)
Depreciation charge for the period/year	(315)	(581)
End of financial period	(13,593)	(13,278)
Net carrying amount		
At end of financial period/year	3,433	3,748
Fair value	20,264	19,762

12.1 Valuation

The fair value of investment property in Xiang Kai Shi Hua Tower is determined based on comparable market transactions that consider the sales of similar properties that have been transacted in the open market.

The fair value of investment properties in Lufeng Road and Lusong Road are determined based on discounted cash flows method. Fair value is estimated using assumptions regarding the benefits and liabilities of ownership over the asset's life. This method involves the projection of a series of cash flows on an investment property. To this projected cash flow series, a market-derived discount rate is applied to establish the present value of the income stream associated with the asset.

The duration of the cash flows and the specific timing of inflows and outflows are determined by events such as rent reviews and lease renewal. The appropriate duration is typically driven by market behaviour that is a characteristic of the class of real property. Periodic cash flow is estimated as gross cash flow less maintenance cost and other operating and management expenses. The series of periodic net operating cash flow is then discounted. Generally, a change in the assumption made for the estimated rental value is accompanied by a directionally similar change in the rent growth per annum, and an opposite change in the long-term vacancy rate and discount rate.

12. Investment properties (cont'd)

12.1 Valuation (cont'd)

The investment properties held by the Group as at 30 June 2022 and 31 December 2021 are as follows:

Description and location	Existing Use	Tenure of land	Unexpired lease term
10 th floor, Xiang Kai Shi Hua Tower, Changsha, PRC	Offices	Leasehold, 50 years lease from 2 August 1999	27.5 years (2021: 28 years)
No. 65, Lufeng Road, Hi-Tech Industrial Development Zone, Changsha, PRC	Manufacturing	Leasehold, 50 years lease from 16 August 2002	30.5 years (2021: 31 years)
No. 539, Lusong Road, Hi-Tech Industrial Development Zone, Changsha, PRC	Manufacturing	Leasehold, 50 years lease from 28 February 2007	34.5 years (2021: 35 years)

13. Trade and other receivables

13.1. Trade and other receivables

	Group		Company	
	30/06/2022 RMB'000	31/12/2021 RMB'000	30/06/2022 RMB'000	31/12/2021 RMB'000
Trade receivables	21,523	14,306	-	-
Bills receivable	24,530	47,871	-	-
VAT/GST receivables	7	6	7	6
Amount due from a subsidiary (non-trade)	-	-	38,321	38,311
Other receivables	1,398	1,773	-	-
Total trade and other receivables	47,458	63,956	38,328	38,317
Add:				
Contract assets	72,037	81,105	-	-
Cash and bank balances	165,576	149,678	8,990	10,349
Less:				
VAT/GST receivables	(7)	(6)	(7)	(6)
Total financial assets carried at amortised cost	285,064	294,733	47,311	48,660

13. Trade and other receivables (cont'd)

13.2. Expected credit losses

The movement in allowance for expected credit losses of trade receivables and contract assets computed based on lifetime ECL are as follow:

	Group			
	Trade receivables	Trade receivables	Contract assets	Contract assets
	30/06/2022	31/12/2021	30/06/2022	31/12/2021
	RMB'000	RMB'000	RMB'000	RMB'000
Movements in the allowance accounts:				
At beginning of financial period/year	26,349	29,278	8,658	6,975
Charge/(reversal) for the period/year	434	(2,593)	464	1,683
Written-off	–	(336)	–	–
At end of financial period/year	<u>26,783</u>	<u>26,349</u>	<u>9,122</u>	<u>8,658</u>

14. Borrowings

The Group has no outstanding borrowings and debt securities as at 30 June 2022 (31 December 2021: nil).

15. Cash and cash equivalents

	Group		Company	
	30/06/ 2022	31/12/2021	30/06/2022	31/12/2021
	RMB'000	RMB'000	RMB'000	RMB'000
Cash at banks and on hand	140,768	120,321	4,745	3,251
Short-term deposits	4,808	9,357	4,245	7,098
Total	<u>145,576</u>	<u>129,678</u>	<u>8,990</u>	<u>10,349</u>

Cash at banks

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

Short-term deposits

Short-term deposits are for various periods between one to three months (2021: one and three months) and earn interests at the respective short-term deposit rates.

16. Share capital

Ordinary shares

	Number of Shares	Amount RMB'000
Ordinary shares including employee benefit trust ("EBT") shares & treasury shares as at 30 June 2022 and 31 December 2021	50,500,000	149,278

Convertibles

The Company did not have outstanding options, convertibles or subsidiary holdings as at 30 June 2022 and 31 December 2021.

EBT shares

The Company had no EBT shares as at 30 June 2022 and 31 December 2021.

Treasury shares

The Company had 2,809,100 treasury shares (approximately 5.56% of the total number of issued shares) as at 30 June 2022 (31 December 2021: 2,809,100).

17. Earnings per share

Basic earnings per share is calculated by dividing profit for the period, net of tax, attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial period.

Diluted earnings per share is calculated by dividing profit for the period, net of tax, attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial period plus the weighted average number of ordinary shares that would be issued on the conversion of all dilutive potential ordinary shares into ordinary shares.

17. Earnings per share (cont'd)

The following tables reflect the profit/loss and share data used in the computation of basic and diluted earnings/(loss) per share:

	Group	
	6 months ended 30/6/2022	6 months ended 30/06/2021
	RMB'000	RMB'000
Profit/(Loss) for the periods attributable to owners of the Company used in the computation of basic and diluted loss per share	6,933	(9,630)
Weighted average number of ordinary shares for basic earnings per share computation ('000) #	47,691	48,182
Effects of dilution of share awards ('000)	-	169
Weighted average number of ordinary shares for diluted earnings per share computation ('000)	47,691	48,351
Basic earnings/(loss) per share (RMB cents)	14.54	(19.99)
Diluted earnings/(loss) per share (RMB cents)	14.54	(19.99)

The weighted average number of ordinary shares takes into account the weighted average effect of changes in treasury and EBT shares transactions during the periods.

As at 30 June 2022, no treasury shares and EBT shares are granted to employees under the Performance Share Plan 2014.

**F. Other information required by Listing Rule Appendix 7.2
For the half year ended 30 June 2022**

1. Review

The condensed consolidated statement of financial position of the Group as at 30 June 2022 and the related condensed consolidated profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended and certain explanatory notes have not been audited or reviewed.

2. Review of performance of the Group

A) Income Statements

Revenue

1H2022 vs 1H2022

Revenue increased by RMB55.2 million or 202% from RMB27.3 million in 1H2021 to RMB82.5 million in 1H2022. The increase was mainly due to the increase of revenue from CSC business, Engineering services and Catalyst business, further described as follows:

Revenue from our Catalyst Business

Revenue from our Catalyst Business increased by RMB1.6 million or 37% from RMB4.3 million in 1H2021 to RMB5.9 million in 1H2022. This was mainly due to increase of order volume from catalyst processing business.

Revenue from our Engineering Services

Revenue from our Engineering Services increased by RMB1.7 million or 5% from RMB2.0 million in 1H2021 to RMB3.7 million in 1H2022 mainly due to increase of revenue from EPC Services and higher percentage of completion for service contracts.

Revenue from our CSC Business

Revenue from our CSC Business increased by RMB51.9 million or 247% from RMB21 million in 1H2021 to RMB72.9 million in 1H2022. The increase was due to higher percentage of completion for CSC contracts and increase in number of contracts in progress during the 1H2022.

Gross profit and gross profit margin

1H2022 vs 1H2021

Our overall gross profit increased by RMB14 million or 250% from RMB5.6 million in 1H2021 to RMB19.6 million in 1H2022 and our gross profit margin increased from 20% in 1H2021 to 24% in 1H2022.

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

- 1) The gross profit of Catalyst business increased by RMB0.2 million from RMB1.2 million in 1H2021 to RMB1.4 million in 1H2022 mainly due to increase of revenue from catalyst processing business. The gross profit margin decreased by 4% from 28% in 1H2021 to 24% in 1H2022, mainly attributable to higher raw material prices and provision of bonuses in FY2022.
- 2) Gross profit of CSC business increased by RMB13.1 million from RMB3.6 million in 1H2021 to RMB16.7 million in 1H2022 mainly attributable to increase in number of contracts in progress, higher percentage of completion for CSC contracts and higher revenue recognised due to the EPC Services during the period of 1H2022. The gross profit margin increased by 6% from 17% in 1H2021 to 23% in 1H2022 mainly attributable to increase of revenue from patented technologies, and the EPC Services which contributed higher gross margin.

2. Review of performance of the Group (cont'd)

A) Income Statements (cont'd)

Gross profit and gross profit margin(cont'd)

- 3) The gross profit of engineering design increased by RMB0.7 million from RMB0.7 million in 1H2021 to RMB1.4 million in 1H2022. The gross profit margin increased by 3% from 36% in 1H2021 to 39% in 1H2022 mainly attributable to increase of revenue from EPC Services which contributed higher gross margin.

Finance and other income

1H2022 vs 1H2021

Finance and other income decreased by RMB0.6 million or 17% from RMB3.5 million in 1H2021 to RMB2.9 million in 1H2022. The decrease was mainly due to the decrease of government grants of RMB0.6 million.

Marketing and distribution expenses

1H2022 vs 1H2021

Marketing and distribution expenses increased RMB0.4 million or 17% from RMB2.3 million in 1H2021 to RMB2.7 million in 1H2022. The increase was mainly attributable to increase of provision of sales staff bonuses of RMB0.7 million partially offset by the decrease of travelling expenses of RMB 0.3 million in 1H2022 over 1H2021.

Administrative expenses

1H2022 vs 1H2021

Administrative expenses decreased by RMB2.5 million or 21% from RMB11.8 million in 1H2021 to RMB9.3 million in 1H2022. The decrease was mainly due to lower unallocated plant overheads of RMB2.8 million charged to profit or loss under administrative expenses attributable to higher production volumes and the increase of expenses as outlined in the table below.

2. Review of performance of the Group (cont'd)

A) Income Statements (cont'd)

Item by nature	1H2022	1H2021	1H2022vs.1H2021 (Change)		Comments
	RMB'000	RMB'000	RMB'000	%	
Unallocated plant overheads allocated in administrative expenses	1,141	3,952	(2,811)	(71)	The decrease is due to higher production volumes cost resulting in lower unallocated manufacturing overhead recorded under administrative expenses in 1H2022 over 1H2021.
Salaries, bonuses and fees	3,434	2,169	1,265	58	Include salaries of executive directors and heads of department deployed in administrative functions. Increase due to higher provision of bonuses in FY2022.
Factory repair and maintenance	-	749	(749)	(100)	No repair and maintenance cost incurred for investment property.
Staff welfare expenses	686	542	144	26	Company provides lunches to employees at its cafeteria to boost morale due to more orders received and tight delivery schedules.
Professional fees	392	663	(271)	(41)	Decrease due to lower provision of professional fees in 1H2022.
Other expenses	3,669	3,719	(50)	(1)	Other expenses are an aggregation of expenses of less than RMB0.06 million individually.
Total	9,322	11,794	(2,472)	(27)	

N.M. - not meaningful,

2. Review of performance of the Group (cont'd)

A) Income Statements (cont'd)

Research expenses

1H2022 vs 1H2021

Research expenses decreased by RMB2.0 million or 51% from RMB3.9 million in 1H2021 to RMB1.9 million in 1H2022. This was mainly attributable to lower expenses incurred for new structural design for internal vessel of CO shift reactor improvement efforts.

Income tax expenses

1H2022 vs 1H2021

Income tax expenses increased by RMB0.5 million from nil in 1H2021 to RMB0.5 million in 1H2022 due to the profits reported by the Group's subsidiary in 1H2022.

Net profit attributable to owners of the Company

1H2022 vs 1H2021

The net profit attributable to owners of the Company increased by RMB16.6 million from a net loss of RMB9.6 million in 1H2021 to a net profit of RMB7.0 million in 1H2022 as explained above.

B) Balance Sheet Statements

Non-current assets

Non-current assets decreased by RMB4.6 million or 7% from RMB69.5 million as at 31 December 2021 to RMB64.9 million as at 30 June 2022. Non-current assets comprised property, plant and equipment, investment property, intangible assets, right of use asset, deferred tax assets and prepayments.

Property, plant and equipment decreased by RMB3.6 million or 7% from RMB51.9 million as at 31 December 2021 to RMB48.3 million as at 30 June 2022, mainly due to depreciation charges of RMB4.1 million. The decrease was partially offset by additions during the period.

Current assets

Current assets increased by RMB0.8 million or 0.2% from RMB333.8 million as at 31 December 2021 to RMB334.6 million as at 30 June 2022. The increase was mainly due to the following:

- a) The increase in inventories of RMB11.2 million was mainly due to increase of raw materials purchased for CSC business contract orders;
- b) The increase in trade and other receivables of RMB6.8 million is due to increase of contractual milestone billings;
- c) The decrease in contract assets of RMB9.1 million is due to amounts being transferred to receivables when contractual payment milestones were reached;
- d) The decrease in bills receivable of RMB23.3 million is due to settlement of outstanding bills receivable and amounts being transferred to cash and bank equivalents.
- e) The decrease in prepayments of RMB0.8 million was mainly due to less payment was made to the vendors for purchasing raw materials.
- f) The increase in cash and bank equivalents of RMB15.9 million was due to purchase of property, plant and equipment of RMB0.8 million and increase of cash in flow from operating activities of RMB16.7 million;

2. Review of performance of the Group (cont'd)

B) Balance Sheet Statements (cont'd)

Current assets (cont'd)

The breakdown and aging of items of trade and other receivables are as follows:

Item by nature	30/06/2022 RMB'000	< 6 months RMB'000	6-12 months RMB'000	1-2years RMB'000	>2years RMB'000
Trade Receivables					
Receivables from sales	48,306	18,190	3,715	3,960	22,441
Less: Impairment losses on trade receivables, net	(26,783)	(3,119)	(637)	(2,136)	(20,891)
Sub-total	21,523	15,071	3,078	1,824	1,550
Other Receivables					
A. Bills receivable	24,530	19,226	5,304		
B. Operation cash advances	393	393			
C. Bid bonds	1,005	1,005			
D. GST receivables	7	7			
Total	47,458	35,702	8,382	1,824	1,550

Current liabilities

Current liabilities decreased by RMB10.8 million or 8% from RMB129.4 million as at 31 December 2021 to RMB118.6 million as at 30 June 2022.

- a) The decrease in contract liabilities of RMB10.4 million was due to contract liabilities recognised as revenue as the Group performs under the contract according to the Group's revenue recognition policy.
- b) The increase in trade and other payables of RMB1.1 million was due to the increase of VAT payables for the subsidiary being delayed from paying the VAT payables from October 2021 to June 2022.
- c) The decrease in other liabilities of RMB1.4 million were mainly due to payments of the employee FY2021 bonuses and transportation companies.

C) Cash Flow Statements

1H2022

Cash and cash equivalents increased by RMB15.9 million in 1H2022, which was mainly attributed to cash generated from operating activities of RMB16.7 million, net cash used in investing activities of RMB0.8 million.

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

The Company has not previously disclosed to shareholders any forecast or prospect statement.

4. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the Group operates and any known factors or events that may affect the Group in the next operating period and the next 12 months.

The products and services the Group provides are mostly related to capital intensive engineering projects in China. The macro-economic environment in China, particularly government policies in relation to the issue of credit and provision of utility subsidies to the industry, have a large impact on the Group's customers buying and investing decisions.

In addition, the current Covid-19 pandemic has raised global concerns on food security. The Group's ammonia and fertilizer industry customers are essential for global food supply. Therefore, the Group is optimistic on the business outlook on this market segment. However, the disruptive impact on the global demand has negatively affected the methanol price and other basic oil-and-gas chemicals.

The Group has continued its efforts to diversify into non-fertiliser industries, which has resulted in revenue of RMB71.4 million for the 1H2022 representing 87% (RMB23.1 million for the 1H2021 representing 84%) of total revenue. The Group will continue to remain vigilant over its costs structure and continue its research

The Group remains cautiously optimistic regarding market opportunities, while making efforts to manage operations and develop business under the current uncertainties in supply chain and project progression disruptions caused by Covid-19 and the overall economic environment. The Group's order book as of 30 June 2022 was approximately RMB162.1 million (31 December 2021: RMB223.6 million) out of which of RMB137.4million (31 December 2021: RMB182.8 million) is from non-fertiliser industries.

5. Dividend information

(a) Current financial period reported on

The Company does not recommend any dividend for the financial period ended 30 June 2022.

(b) Corresponding period of the immediately preceding financial year

The Company did not recommend or declare any dividend for the financial period ended 30 June 2021.

(c) Date payable

Not applicable.

(d) Books closure date

Not applicable.

(e) If no dividend has been declared/recommended, a statement to that effect

Due to the uncertainty and challenging global economic crisis following the outbreak of Covid-19 pandemic, no dividend has been declared or recommended for the reporting period.

6. Interested person transactions

There was no interested person transaction which is S\$100,000 and above during the period under review. The Group has not obtained a general mandate from shareholders of the Company for Interested Person Transactions.

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

The Company has received undertaking from all its directors and executive officers in the format as set out in Appendix 7.7 under Rule 720(1) of the Listing Manual of the SGX-ST.

8. Disclosure of persons occupying managerial positions who are related to a director, CEO or substantial shareholder

Pursuant to Rule 704(13) of the Listing Manual, the Company confirms that there are no persons occupying a managerial position in the Company or in any of its principal subsidiaries who is a relative of a director, chief executive officer or substantial shareholder of the Company.

CONFIRMATION BY THE BOARD

Pursuant to Rule 705(5) of the Listing Manual of the Singapore Exchange Securities Trading Limited, we, the undersigned hereby confirm to the best of our knowledge that nothing has come to the attention of the Board of Directors of the Company which may render the financial statements for half year ended 30 June 2022 to be false or misleading in any material aspect.

On behalf of the Board of Directors.

[Signed]

[Signed]

Zheng, ZhiZhong
Executive Director and Chief Executive Officer

Dai, FengYu
Executive Director

Singapore
10 August 2022