



**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 2014**

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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 fertilizer, 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 the China Fertilizer Industry Association (中国氮肥工业协会) and the 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		
	30/09/2014	30/09/2013	30/09/2014	30/09/2013		
RMB'000	RMB'000	%	RMB'000	RMB'000	%	
<b>Revenue</b>	37,117	14,896	149%	83,459	97,686	-15%
Cost of sales	(20,577)	(9,964)	107%	(46,071)	(62,102)	-26%
<b>Gross Profit</b>	<b>16,540</b>	<b>4,932</b>	<b>235%</b>	<b>37,388</b>	<b>35,584</b>	<b>5%</b>
<b>Other item of income</b>						
Finance and other income	1,875	1,468	28%	6,637	4,927	35%
<b>Other items of expense</b>						
Marketing and distribution expenses	(1,181)	(1,277)	-8%	(2,954)	(3,370)	-12%
Administrative expenses	(8,180)	(8,151)	0.3%	(27,884)	(27,428)	2%
Research and Development ("R&D") expenses	(2,918)	(743)	293%	(5,235)	(1,982)	164%
Finance costs	(322)	(406)	-21%	(1,133)	(1,263)	-10%
<b>Profit/(loss) before tax</b>	<b>5,814</b>	<b>(4,177)</b>	<b>N.M</b>	<b>6,819</b>	<b>6,468</b>	<b>5%</b>
Income tax (expense)/credit	(982)	449	N.M	(1,449)	289	N.M
<b>Profit/(loss) for the period, representing total comprehensive income/(loss) for the period attributable to owners of the Company</b>	<b>4,832</b>	<b>(3,728)</b>	<b>N.M</b>	<b>5,370</b>	<b>6,757</b>	<b>-21%</b>

N.M. - not meaningful

**ANCHUN INTERNATIONAL HOLDINGS LTD.**  
**UNAUDITED RESULTS FOR THE SECOND QUARTER AND HALF YEAR ENDED 30 September 2014**

**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**

(i) 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		
	30/09/2014	30/09/2013	30/09/2014	30/09/2013		
RMB'000	RMB'000	%	RMB'000	RMB'000	%	
Depreciation of property, plant and equipment ("PPE")	3,218	3,155	2%	9,547	9,735	-2%
Depreciation of investment property	44	44	0%	132	132	0%
Amortization of land use rights	91	91	0%	274	275	0%
Amortization of intangible assets	-	16	-100%	11	52	-79%
Allowance for impairment of trade receivables – net	1,663	-	100%	517	577	-10%
Write back of inventory obsolescence	-	-	N.M	(88)	-	100%
(Gain)/loss on disposal of PPE	(530)	99	N.M	(544)	110	N.M
Exchange loss/(gain)	68	620	-89%	(152)	303	N.M
Allowance for/(write back of) after-sale expenses	9	4	125%	(36)	23	N.M
Finance income	(826)	(1,106)	-25%	(2,427)	(2,875)	-16%
Finance costs	322	406	-21%	1,133	1,263	-10%

*N.M. - not meaningful*

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

	Group		Company	
	Unaudited	Audited	Unaudited	Audited
	30/09/2014	31/12/2013	30/09/2014	31/12/2013
	RMB'000	RMB'000	RMB'000	RMB'000
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant and equipment	119,748	122,613	–	–
Intangible assets	–	11	–	–
Land use rights	14,897	15,172	–	–
Deferred tax assets	153	153	–	–
Investment in a subsidiary	–	–	75,000	75,000
Investment property	1,008	1,140	–	–
Prepayments	7,040	2,775	–	–
	142,846	141,864	75,000	75,000
<b>Current assets</b>				
Inventories	75,682	62,265	–	–
Trade and other receivables	59,723	47,741	35,778	25,504
Bills receivable	22,316	22,372	–	–
Prepayments	5,400	3,176	79	83
Cash and cash equivalents	159,407	189,829	30,707	33,406
	322,528	325,383	66,564	58,993
<b>Total assets</b>	465,374	467,247	141,564	133,993
<b>EQUITY AND LIABILITIES</b>				
<b>Current liabilities</b>				
Trade and other payables	82,323	99,089	10,820	–
Advances from customers	48,404	35,006	–	–
Other liabilities	10,893	16,180	1,019	1,429
Provision for after-sale expense	27	63	–	–
Income tax payable	4,882	3,434	–	–
	146,529	153,772	11,839	1,429
<b>Net current assets</b>	175,999	171,611	54,725	57,564
<b>Non-current liability</b>				
Deferred tax liabilities	100	100	–	–
	100	100	–	–
<b>Total liabilities</b>	146,629	153,872	11,839	1,429
<b>Net assets</b>	318,745	313,375	129,725	132,564
<b>Equity attributable to owners of the Company</b>				
Share capital	149,278	149,278	149,278	149,278
Treasury shares	(430)	(430)	(430)	(430)
Other reserves	117,325	115,880	–	–
Accumulated profits/(losses)	52,572	48,647	(19,123)	(16,284)
<b>Total equity</b>	318,745	313,375	129,725	132,564
<b>Total equity and liabilities</b>	465,374	467,247	141,564	133,993

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

The Group has loans from former shareholders of our subsidiary amounting to RMB44.9 million (31 December 2013: RMB65.0 million) as at 30 September 2014 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	
	30/09/2014	30/09/2013	30/09/2014	30/09/2013
Note	RMB'000	RMB'000	RMB'000	RMB'000
<b>Operating activities</b>				
Profit before tax	5,814	(4,177)	6,819	6,468
<u>Adjustment for:</u>				
Depreciation of property, plant and equipment	3,218	3,155	9,547	9,735
Depreciation of investment property	44	44	132	132
Amortization of intangible assets	-	16	11	52
Amortization of land use rights	91	91	274	275
Allowance for impairment of trade receivables	2,000	-	2,000	577
Allowance for/(write back of) after-sale services	9	4	(36)	23
Write back of trade receivables	(337)	-	(1,483)	-
(Gain)/loss on disposal of PPE	(530)	99	(544)	110
Write back of inventory obsolescence	-	-	(88)	-
Net foreign exchange loss/(gain)	68	(620)	(152)	(303)
Finance costs	322	406	1,133	1,263
Finance income	(826)	(1,106)	(2,427)	(2,875)
<b>Operating cash flows before changes in working capital</b>	<b>9,873</b>	<b>(2,088)</b>	<b>15,186</b>	<b>15,457</b>
<u>Changes in working capital</u>				
Decrease/(increase) in:				
Inventories	251	(11,309)	(13,329)	(4,352)
Trade, bill and other receivables	798	16,773	(12,443)	(25,266)
Prepayments	(26)	(2,648)	(2,224)	(3,860)
(Decrease)/increase in:				
Trade and other payables	4,151	(4,193)	2,184	(9,633)
Advances from customers	(4,513)	5,486	13,398	757
Other liabilities	693	613	(3,618)	(2,457)
Total changes in working capital	1,354	4,722	(16,032)	(44,811)
<b>Cash flows generated from/(used in) operations</b>	<b>11,227</b>	<b>2,634</b>	<b>(846)</b>	<b>(29,354)</b>
Interest received	826	1,106	2,427	2,875
Income taxes paid	-	-	(1,669)	-
<b>Net cash generated from/(used in) operating activities</b>	<b>12,053</b>	<b>3,740</b>	<b>(88)</b>	<b>(26,479)</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	
	30/09/2014	30/09/2013	30/09/2014	30/09/2013
	RMB'000	RMB'000	RMB'000	RMB'000
<b>Investing activities</b>				
Proceed from sale of property, plant and equipment	575	-	617	-
Purchase of property, plant and equipment	<b>A</b> (2,648)	(2,970)	(11,018)	(6,284)
<b>Net cash used in investing activities</b>	(2,073)	(2,970)	(10,401)	(6,284)
<b>Financing activity</b>				
Repayment of loans from the existing shareholders of a subsidiary	(19,954)	-	(20,085)	(21,600)
<b>Net cash used in financing activity</b>	(19,954)	-	(20,085)	(21,600)
<b>Net (decrease)/increase in cash and cash equivalents</b>	(9,974)	770	(30,574)	(54,363)
<b>Cash and cash equivalents at beginning of period</b>	169,449	167,569	189,829	223,019
<b>Effect of exchange rate changes on cash and cash equivalents</b>	(68)	620	152	303
<b>Cash and cash equivalents at end of period</b>	159,407	168,959	159,407	168,959

**A. Purchase of property, plant and equipment**

	Group Unaudited 3 months ended		Group Unaudited 9 months ended	
	30/09/2014	30/09/2013	30/09/2014	30/09/2013
	RMB'000	RMB'000	RMB'000	RMB'000
Current period additions to property, plant and equipment	1,502	1,393	6,755	3,701
Less: Payable to creditors for current period purchases - net of reclassification	(943)	(180)	(1,357)	(541)
Prepayment made in prior period	(1,068)	(202)	(3,857)	(395)
Add: Payments for prior period purchase	556	547	1,356	1,099
Prepayments made in current period	2,601	1,412	8,121	2,420
<b>Net cash outflow for purchase of property, plant and equipment</b>	2,648	2,970	11,018	6,284

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 capitalization 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	Treasury 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
<b>Group</b>								
Balance at 1 January 2013	149,278	(430)	1,725	36,024	1,036	75,000	43,622	306,255
Total comprehensive income for the period	-	-	-	-	-	-	6,757	6,757
<b>Others</b>								
Safety production expenditure incurred for the period	-	-	-	-	(14)	-	14	-
Transfer to statutory reserve – safety production expenditure	-	-	-	-	1,022	-	(1,022)	-
Transfer to statutory reserve fund	-	-	-	902	-	-	(902)	-
<b>Total others</b>	-	-	-	902	1,008	-	(1,910)	-
<b>Balance at 30 September 2013</b>	<b>149,278</b>	<b>(430)</b>	<b>1,725</b>	<b>36,926</b>	<b>2,044</b>	<b>75,000</b>	<b>48,469</b>	<b>313,012</b>
<b>Group</b>								
Balance at 1 January 2014	149,278	(430)	1,725	37,008	2,147	75,000	48,647	313,375
Total comprehensive income for the period	-	-	-	-	-	-	5,370	5,370
<b>Others</b>								
Transfer to statutory reserve – safety production expenditure	-	-	-	-	624	-	(624)	-
Transfer to statutory reserve fund	-	-	-	821	-	-	(821)	-
<b>Total others</b>	-	-	-	821	624	-	(1,445)	-
<b>Balance at 30 September 2014</b>	<b>149,278</b>	<b>(430)</b>	<b>1,725</b>	<b>37,829</b>	<b>2,771</b>	<b>75,000</b>	<b>52,572</b>	<b>318,745</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 capitalization 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	Treasury Shares	Accumulated losses	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000
<b>Company</b>				
Balance at 1 January 2013	149,278	(430)	(12,515)	136,333
Total comprehensive loss for the period	–	–	(2,258)	(2,258)
<b>Balance at 30 September 2013</b>	<b>149,278</b>	<b>(430)</b>	<b>(14,773)</b>	<b>134,075</b>
<b>Company</b>				
Balance at 1 January 2014	149,278	(430)	(16,284)	132,564
Total comprehensive loss for the period	–	–	(2,839)	(2,839)
<b>Balance at 30 September 2014</b>	<b>149,278</b>	<b>(430)</b>	<b>(19,123)</b>	<b>129,725</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 treasury shares as at 30 September 2014 and 31 December 2013	505,000,000	149,278

Convertibles

The Company did not have outstanding convertibles as at 30 September 2014 and 31 December 2013.

Treasury shares

The Company had 1,700,000 treasury shares as at 30 September 2014 and 31 December 2013.

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 30.09.14	As at 31.12.13
Total number of issued shares excluding treasury shares	503,300,000	503,300,000

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

No treasury shares were transferred, disposed, cancelled and/or used as at the end of the current financial 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 year beginning on or after 1 January 2014, the same accounting policies and methods of computation have been applied. The adoption of 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 Amendments to FRSs that are effective for annual periods beginning on or after 1 January 2014. 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 30/09/2014	3 months ended 30/09/2013	9 months ended 30/09/2014	9 months ended 30/09/2013
Profit net of tax attributable to owners of the Company (RMB '000)	4,832	(3,728)	5,370	6,757
Weighted average number of ordinary shares ('000)	503,300	503,300	503,300	503,300
Basic earnings/(loss) per share (RMB cents)	0.96	(0.74)	1.07	1.34
Diluted earnings/(loss) per share (RMB cents)	0.96	(0.74)	1.07	1.34

Basic earnings/(loss) per share for the 3 months and 9 months ended 30 September 2014 and 30 September 2013 are computed by dividing the profit net of tax attributable to owners of the Company by the weighted average number of ordinary shares excluding treasury shares.

Diluted earnings/ (loss) per share is same as basic earnings per share as there are no potential dilutive ordinary shares.

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

	<u>Group</u>		<u>Company</u>	
	<u>30/09/2014</u>	<u>31/12/2013</u>	<u>30/09/2014</u>	<u>31/12/2013</u>
Net asset value per share (RMB cents per share)	63.33	62.26	25.77	26.34

Net asset value per ordinary share as at 30 September 2014 and as at 31 December 2013 were calculated based on the existing number of shares in issue excluding treasury shares at the end of the period of 503,300,000 ordinary shares.

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

**A) Income Statements**

**Revenue**

**9M2014 vs 9M2013**

Revenue decreased by RMB14.2 million or 15% from RMB97.7 million in 9M2013 to RMB83.5 million in 9M2014. This decrease was mainly due to the reduced revenue from our CSC Business and Catalyst Business, further described as follows:

- (i) Revenue from our Engineering Services

Revenue from our Engineering Services increased by RMB4.0million, or 63%, from RMB6.4 million in 9M2013 to RMB10.4 million in 9M2014. This increase was mainly due to the increase of the amount of engineering design work completed in 9M2014.

- (ii) Revenue from our CSC Business

Revenue from our CSC Business decreased by RMB8.5million or 11% from RMB76.4 million in 9M2013 to RMB67.9 million in 9M2014. This was mainly due to certain customers' requests for postponement of delivery of the finished goods.

- (iii) Revenue from our Catalyst Business

Revenue from our Catalyst Business decreased by RMB9.7 million or 65% from RMB14.9 million in 9M 2013 to RMB5.2 million in 9M2014. The catalyst expansion - caused disruptions to our normal production.

**3Q2014 vs 3Q2013**

The Group's revenue increased significantly by RMB22.2 million or 149% from RMB14.9 million in 3Q2013 to RMB37.1 million in 3Q2014. This was mainly due to the revenue recognized for three large proprietary reactors in 3Q2014.

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

### **Gross profit margin**

#### 9M2014 vs 9M2013

Our overall gross profit increased by RMB1.8 million or 5% from RMB35.6 million in 9M2013 to RMB37.4 million in 9M2014. The increase was mainly due to increased revenue from our Engineering Services. Gross profit margin also increased from 36% in 9M2013 to 45% in 9M2014. The increase was mainly due to increased revenue contribution from our Engineering Services coupled with the fact that we have more products such as the Isothermal CO Shift Reactor from our CSC Business generated higher margin.

#### 3Q2014 vs 3Q2013

Our gross profit for 3Q2014 increased by RMB11.6 million or 237% from RMB4.9 million in 3Q2013 to RMB16.5 million in 3Q2014. The increase was mainly due to increased sales from our CSC Business. Our gross profit margin increased from 34% in 3Q2013 to 44% in 3Q2014. The increase was mainly due to the increased revenue contribution from our Engineering Services coupled with the fact that we have more products such as the Isothermal CO Shift Reactor from our CSC Business generated higher margin.

### **Finance and other income**

#### 9M2014 vs 9M2013

Finance and other income increased by RMB1.7 million or 35% from RMB4.9 million in 9M2013 to RMB6.6 million in 9M2014. The increase was mainly due to the increase on gain on sale of equipment. The increase was offset by the decrease in government subsidy.

#### 3Q2014 vs 3Q2013

Finance and other income increased by RMB0.4 million or 27% from RMB1.5 million in 3Q2013 to RMB1.9 million in 3Q2014. The increase was mainly due to the increase on gain on sale of equipment.

### **Marketing and distribution expenses**

#### 9M2014 vs 9M2013

Marketing and distribution expenses decreased by RMB0.4 million or 12% from RMB3.4 million in 9M2013 to RMB3.0 million in 9M2014. The decrease was mainly due to the decrease in advertising expenses.

#### 3Q2014 vs 3Q2013

Marketing and distribution expenses decreased by RMB0.1 million or 8% from RMB1.3 million in 3Q2013 to RMB1.2 million in 3Q2014. The decrease was mainly due to the decrease in advertising expenses. The decrease was offset by the increase in travel expenses.

### **Administrative expenses**

#### 9M2014 vs 9M2013

Administrative expenses increased slightly by RMB 0.5 million or 2% from RMB27.4 million in 9M2013 to RMB 27.9 million in 9M2014. The increase was mainly due to the increase in property tax.

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

### **Administrative expenses (cont'd)**

#### 3Q2014 vs 3Q2013

Administrative expenses increased slightly by RMB 0.03 million or 0.3% from RMB8.15 million in 3Q2013 to RMB 8.18 million in 3Q2014.

### **R&D expenses**

#### 9M2014 vs 9M2013

The R&D expenses increased by RMB 3.25 million or 164% from 1.98 million in 9M2013 to 5.23 million in 9M2014. The increase was mainly due to several new technology research and development project work.

#### 3Q2014 vs 3Q2013

The R&D expenses increased by RMB 2.17 million or 293% from RMB 0.74 million in 3Q2013 to RMB 2.91 million in 3Q2014. The increase was mainly due to several new technology research and development project work.

### **Finance costs**

#### 9M2014 vs 9M2013

Finance costs decreased by RMB0.13 million or 10% from RMB1.26 million in 9M2013 to RMB1.13 million in 9M2014. The decrease was mainly due to the decrease in interest expenses arising from the loan from the former shareholders of our subsidiary which was partially repaid in August 2014.

#### 3Q2014 vs 3Q2013

Finance costs decreased by RMB0.09 million or 22% from RMB0.41million in 3Q2013 to RMB0.32million in 3Q2014. The decrease was mainly due to the decrease in interest expenses arising from the loan from the former shareholders of our subsidiary which was partially repaid in August 2014.

### **Income tax expenses/(credit)**

#### 9M2014 vs 9M2013

Income tax expenses/(credit) increased by RMB1.74 million from tax credit of RMB0.29million in 9M2013 to tax expense of RMB1.45 million in 9M2014. In 9M2013, there was the write back of RMB1.89 million withholding tax expense upon settlement of the withholding tax liabilities with PRC tax authority. No such write back occurred in 9M2014.

#### 3Q2014 vs 3Q2013

Income tax expenses increased by RMB1.43 million from tax credit of RMB0.45million in 3Q2013 to tax expense of RMB0.98 million in 3Q2014. In 3Q2014 principally as the result of profit before tax in 3Q 2014 compared to a loss before tax in 3Q 2013.

### **Net profit for the period representing total comprehensive income for the period attributable to owners of the Company**

#### 9M2014 vs 9M2013

The Group recorded a net profit for the period of RMB5.37 million in 9M2014 compared to a net profit of RMB6.76 million in 9M2013. The net profit decrease was mainly due to higher R&D expenses in 9M2014.

#### 3Q2014 vs 3Q2013

The Group recorded a net profit for the period of RMB4.8 million in 3Q2014 compared to a net loss of RMB3.7 million in 3Q2013. The net profit increase was mainly due to significant increase in revenue and gross profit margin in 3Q2014.

## **B) Balance Sheet Statements**

### **Non-current assets**

Non-current assets increased by RMB1.0 million or 1% from RMB141.9 million as at 31 December 2013 to RMB142.9 million as at 30 September 2014. Non-current assets comprised of property, plant and equipment ("PPE"), investment property, intangible assets, land use rights, deferred tax assets and prepayments for PPE.

Property, plant and equipment decreased by RMB2.9million or 2% from RMB122.6 million as at 31 December 2013 to RMB119.7 million as at 30 September 2014 mainly due to depreciation charges. The decrease was partially offset by additions during the period.

### **Current assets**

Current assets decreased by RMB2.9 million or 0.9% from RMB325.4 million as at 31 December 2013 to RMB322.5 million as at 30 September 2014 mainly due to the decrease in cash and cash equivalents and bills receivable by RMB30.42 million and RMB0.06 million respectively. The decrease in cash and cash equivalents was mainly due to purchases of plant and equipment and repayment of loans to the former shareholders of our subsidiary.

Inventories, trade and other receivables and prepayments increased by RMB13.42 millionRMB11.98 million and RMB2.22 million respectively between 30 September 2014 and 31 December 2013. The increase in inventories was mainly due to finished goods for which certain customers' request for postponement of delivery. The increase in trade and other receivables was mainly due to customers requiring more favorable payment schedule under the current macro-economic condition in PRC. The increase in prepayments was mainly due to the increased purchase orders from customers.

### **Current liabilities**

Current liabilities decreased by RMB7.3 million or 5% from RMB153.8million as at 31 December 2013 to RMB146.5 million as at 30 September 2014. The decrease was mainly attributed to the decrease in trade and other payables and other liabilities amounting to RMB16.8 million, and RMB5.3 million respectively. The decrease was partially offset by the increase in advances from customers and income tax payable amounting to RMB13.4million, and RMB1.4 million respectively. The decrease in trade and other payables was mainly due to repayment of loans and payment of interest due to the former shareholders of our subsidiary. The decrease in other liabilities was mainly due to payment of 2013 annual bonuses.

### **Non-current liabilities**

Non-current liabilities consist of provision of deferred tax liabilities in relation to the withholding tax on the undistributed profits of our subsidiary.

## **C) Cash Flow Statements**

### **9M2014**

Cash and cash equivalents decreased by RMB30.6million in 9M2014 which was mainly attributed to

- (i) RMB10.4 million used to purchases of plant and equipment; and
- (ii) RMB20.1 million used to partly repaid. loan to the former shareholders of our subsidiary.

**C) Cash Flow Statements (cont'd)**

3Q2014

Cash and cash equivalents decreased by RMB10.0 million in 3Q2014 which was mainly attributed to

- (i) RMB2.1 million was used to purchases plant and equipment;
- (ii) RMB20.0 million to partly repaid the loan due to the former shareholders of our subsidiary; and
- (iii) Offsetted by cash of RMB 12.1 million generated from operating activities.

**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 2014.

**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**

Following its successful commercialization, the Group is seeing that our Isothermal Low Temperature High CO Shift Technology is increasingly gaining market acceptance. So far in the current financial year, our Group has secured five contracts totaling RMB68.6 million for this technology. The Group believes that our new technology will continue to gain more market acceptance and it will be one of the key drivers of our future revenue stream. Although the current business outlook is challenging, the Group will continue to promote our new technology to the market with the aim to secure more customer orders.

The Group's order book as of 30 September 2014 is approximately RMB 170.1million (30 June 2014: RMB146.9 million).

**11) Dividend**

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

The Company does not recommend any dividend for the financial period ended 30 September 2014.

**(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 2013.

**(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 or declare any dividend for the financial period ended 30 September 2014.

- 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 IPTs.

14) Update on usage of IPO proceeds

As at 30 September 2014, 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
Expand our production facilities and capacities	95,936	11,527	84,409
Enhance our R&D capabilities and widen our range of innovative and cost-effective solutions	15,479	720	14,759
Working capital purposes	22,074	7,074	15,000
<b>Total</b>	<b>133,489</b>	<b>19,321</b>	<b>114,168</b>

**By Order of the Board**  
Xie Ding Zhong  
Non-Executive Chairman  
14 November 2014



**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 financial results for the period ended 30 September 2014 to be false or misleading in any material respects.

**By Order of the Board**

Xie Ming

Executive Director and CEO

14 November 2014