



Anchun International Holdings Ltd.

(Incorporated in Singapore)

(Company registration number: 200920277C)

Unaudited Results for the Second Quarter and Half Year Ended 30 June 2015

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 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.

	<u>Group</u>			<u>Group</u>		
	<u>Unaudited</u>	<u>Unaudited</u>	<u>Change</u>	<u>Unaudited</u>	<u>Unaudited</u>	<u>Change</u>
	<u>3 months ended</u>			<u>6 months ended</u>		
	<u>30/06/2015</u>	<u>30/06/2014</u>		<u>30/06/2015</u>	<u>30/06/2014</u>	
	<u>RMB'000</u>	<u>RMB'000</u>	<u>%</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>%</u>
Revenue	29,960	28,106	7%	54,643	46,342	18%
Cost of sales	(19,075)	(15,791)	21%	(30,874)	(25,494)	21%
Gross Profit	10,885	12,315	-12%	23,769	20,848	14%
Other item of income						
Finance and other income	4,029	1,519	165%	4,566	4,762	-4%
Other items of expenses						
Marketing and distribution expenses	(1,587)	(995)	59%	(2,590)	(1,773)	46%
Administrative expenses	(9,987)	(10,244)	-3%	(18,238)	(19,704)	-7%
Research expenses	(1,310)	(1,562)	-16%	(3,242)	(2,317)	40%
Finance costs	(283)	(405)	-30%	(566)	(811)	-30%
Profit before tax	1,747	628	178%	3,699	1,005	268%
Income tax expense	(377)	(269)	40%	(775)	(467)	66%
Profit from operation, net of tax, representing total comprehensive income for the period attributable to owners of the Company	1,370	359	282%	2,924	538	443%

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

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

	Group			Group		
	Unaudited	Unaudited	Change	Unaudited	Unaudited	Change
	3 months ended			6 months ended		
	30/06/2015	30/06/2014		30/06/2015	30/06/2014	
	RMB'000	RMB'000	%	RMB'000	RMB'000	%
Depreciation of property, plant and equipment	3,443	3,184	8%	6,908	6,329	9%
Depreciation of investment property	44	44	0%	88	88	0%
Amortisation of land use rights	91	91	0%	182	183	-1%
Amortisation of intangible assets	18	–	N.M.	24	11	118%
Write-back for impairment of trade receivables, net	–	(430)	-100%	–	(1,146)	-100%
Write-back for inventory obsolescence	–	(84)	-100%	–	(88)	-100%
Loss/(gain) on disposal of property, plant and equipment	3	1	200%	3	(14)	N.M.
Write-off of property, plant and equipment	1	–	N.M.	8	–	N.M.
Exchange (gain)/loss	(58)	(29)	100%	125	(220)	N.M.
Write-back for after-sale expenses	(30)	(49)	-39%	(35)	(45)	-22%
Finance income	(884)	(770)	15%	(1,741)	(1,601)	9%
Finance costs	283	405	-30%	566	811	-30%

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 30/06/2015 RMB'000	Audited 31/12/2014 RMB'000	Unaudited 30/06/2015 RMB'000	Audited 31/12/2014 RMB'000
ASSETS				
Non-current assets				
Property, plant and equipment	120,678	121,783	–	–
Intangible assets	192	62	–	–
Land use rights	14,623	14,805	–	–
Deferred tax assets	153	153	–	–
Investment in a subsidiary	–	–	75,081	75,000
Investment property	876	964	–	–
Prepayments	4,915	4,751	–	–
	141,437	142,518	75,081	75,000
Current assets				
Inventories	81,880	71,615	–	–
Trade and other receivables	63,162	59,052	35,770	35,802
Bills receivable	49,513	40,390	–	–
Prepayments	8,348	6,655	36	80
Cash and cash equivalents	146,956	164,684	28,405	29,930
	349,859	342,396	64,211	65,812
Total assets	491,296	484,914	139,292	140,812
EQUITY AND LIABILITIES				
Current liabilities				
Trade and other payables	86,258	89,006	10,959	10,873
Advances from customers	63,874	52,785	–	–
Other liabilities	13,629	19,332	941	1,163
Provision for after-sale expenses	–	35	–	–
Income tax payable	5,808	5,034	–	–
	169,569	166,192	11,900	12,036
Net current assets	180,290	176,204	52,311	53,776
Non-current liability				
Deferred tax liabilities	100	100	–	–
	100	100	–	–
Total liabilities	169,669	166,292	11,900	12,036
Net assets	321,627	318,622	127,392	128,776
Equity attributable to owners of the Company				
Share capital	149,278	149,278	149,278	149,278
Employee benefit trust shares	(430)	(430)	(430)	(430)
Other reserves	118,810	117,895	81	–
Accumulated profits/(loss)	53,969	51,879	(21,537)	(20,072)
Total equity	321,627	318,622	127,392	128,776
Total equity and liabilities	491,296	484,914	139,292	140,812

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 2014: RMB44.9 million) as at 30 June 2015 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.

	Note	Group Unaudited 3 months ended		Group Unaudited 6 months ended	
		30/06/2015 RMB'000	30/06/2014 RMB'000	30/06/2015 RMB'000	30/06/2014 RMB'000
Operating activities					
Profit before tax		1,747	628	3,699	1,005
<u>Adjustment for:</u>					
Depreciation of property, plant and equipment		3,443	3,184	6,908	6,329
Depreciation of investment property		44	44	88	88
Amortisation of intangible assets		18	–	24	11
Amortisation of land use rights		91	91	182	183
Write-back for impairment of trade receivables, net		–	(430)	–	(1,146)
Write-back for after-sale services		(30)	(49)	(35)	(45)
Loss/(gain) on disposal of property, plant and equipment		3	1	3	(14)
Write-off of property, plant and equipment		1	–	8	–
Write-back for inventory obsolescence		–	(84)	–	(88)
Performance share plan expense		41	–	81	–
Net foreign exchange (gain)/loss		(58)	(29)	125	(220)
Finance costs		283	405	566	811
Finance income		(884)	(770)	(1,741)	(1,601)
Operating cash flows before changes in working capital		4,699	2,991	9,908	5,313
<u>Changes in working capital</u>					
Decrease/(increase) in:					
Inventories		352	(4,736)	(10,265)	(13,580)
Trade and other receivables		5,822	(3,043)	(4,110)	(2,013)
Bill receivable		(23,243)	(3,883)	(9,123)	(11,228)
Prepayments		(185)	(1,975)	(1,693)	(2,198)
(Decrease)/increase in:					
Trade and other payables		(2,911)	(3,046)	(3,683)	(1,967)
Advances from customers		8,968	9,991	11,089	17,911
Other liabilities		3,009	(1,010)	(4,289)	(4,311)
Total changes in working capital		(8,188)	(7,702)	(22,074)	(17,386)
Cash flows used in operations		(3,489)	(4,711)	(12,166)	(12,073)
Interest received		884	770	1,741	1,601
Interest paid		–	–	(1,414)	(1,669)
Net cash used in operating activities		(2,605)	(3,941)	(11,839)	(12,141)

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 6 months ended	
	30/06/2015	30/06/2014	30/06/2015	30/06/2014
	RMB'000	RMB'000	RMB'000	RMB'000
Investing activities				
Proceed from sale of property, plant and equipment	1	–	1	42
Purchase of Intangible assets - software	(154)	–	(154)	–
Purchase of property, plant and equipment	(4,234)	(3,076)	(5,611)	(8,370)
Net cash used in investing activities	(4,387)	(3,076)	(5,764)	(8,328)
Financing activity				
Repayment of loans from former shareholders of a subsidiary	–	(100)	–	(131)
Net cash used in financing activity	–	(100)	–	(131)
Net decrease in cash and cash equivalents	(6,992)	(7,117)	(17,603)	(20,600)
Cash and cash equivalents at beginning of period	153,890	176,537	164,684	189,829
Effect of exchange rate changes on cash and cash equivalents	58	29	(125)	220
Cash and cash equivalents at end of period	146,956	169,449	146,956	169,449

Note A:

Purchase of property, plant and equipment

	Group Unaudited 3 months ended		Group Unaudited 6 months ended	
	30/06/2015	30/06/2014	30/06/2015	30/06/2014
	RMB'000	RMB'000	RMB'000	RMB'000
Current period additions to property, plant and equipment	5,319	1,911	5,815	5,253
Less: Payable to creditors for current period purchases	(2,112)	(163)	(2,414)	(414)
Prepayment made in prior period	(54)	(1,106)	(305)	(2,789)
Add: Payments for prior period purchase	796	255	2,046	800
Prepayments made in current period	285	2,179	469	5,520
Net cash outflow for purchase of property, plant and equipment	4,234	3,076	5,611	8,370

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	Employee benefit trust Shares	Performance share plan reserve	Contribution from shareholder	Statutory reserve fund	Statutory reserve fund - safety production reserve	Merger reserve	Accumulated profits	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Group									
Balance at 1 January 2014	149,278	(430)	–	1,725	37,008	2,147	75,000	48,647	313,375
Profit for the period, representing total comprehensive income for the period	–	–	–	–	–	–	–	538	538
Others									
Transfer to statutory reserve fund - safety production reserve	–	–	–	–	–	375	–	(375)	–
Transfer to statutory reserve fund	–	–	–	–	265	–	–	(265)	–
Total others	–	–	–	–	265	375	–	(640)	–
Balance at 30 June 2014	149,278	(430)	–	1,725	37,273	2,522	75,000	48,545	313,913
Group									
Balance at 1 January 2015	149,278	(430)	–	1,725	37,975	3,195	75,000	51,879	318,622
Profit of the period, representing total comprehensive income for the period	–	–	–	–	–	–	–	2,924	2,924
Others									
Grant of equity-settled performance shares to employees	–	–	81	–	–	–	–	–	81
Transfer to statutory reserve – safety production reserve	–	–	–	–	–	395	–	(395)	–
Transfer to statutory reserve fund	–	–	–	–	439	–	–	(439)	–
Total others	–	–	81	–	439	395	–	(834)	81
Balance at 30 June 2015	149,278	(430)	81	1,725	38,414	3,590	75,000	53,969	321,627

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	Employee benefit trust Shares	Performance share plan reserve	Accumulated losses	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Company					
Balance at 1 January 2014	149,278	(430)	–	(16,284)	132,564
Loss for the period, representing total comprehensive income for the period	–	–	–	(2,111)	(2,111)
Balance at 30 June 2014	149,278	(430)	–	(18,395)	130,453
Company					
Balance at 1 January 2015	149,278	(430)	–	(20,072)	128,776
Loss of the period, representing total comprehensive income for the period	–	–	–	(1,465)	(1,465)
Grant of equity-settled performance shares to employees	–	–	81	–	81
Balance at 30 June 2015	149,278	(430)	81	(21,537)	127,392

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 June 2015 and 31 December 2014	505,000,000	149,278

Convertibles

The Company did not have outstanding convertibles as at 30 June 2015 and 31 December 2014.

EBT shares

The Company had 1,700,000 EBT shares as at 30 June 2015 and 31 December 2014.

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 30.06.15	As at 31.12.14
Total number of issued shares excluding EBT shares	503,300,000	503,300,000

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

Not applicable.

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

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

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

Not applicable.

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

Except for the adoption of the FRSs and Amendments to FRSs applicable for the financial period beginning on or after 1 January 2015, 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 2015. 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 30/06/2015	3 months ended 30/06/2014	6 months ended 30/06/2015	6 months ended 30/06/2014
Profit net of tax attributable to owners of the Company (RMB '000)	1,370	359	2,924	538
Weighted average number of ordinary shares ('000) on issue applicable to basic EPS	503,300	503,300	503,300	503,300
Weighted average number of ordinary shares ('000) on issue applicable to diluted EPS	505,000	505,000	505,000	505,000
Basic earnings per share (RMB cents)	0.27	0.07	0.58	0.11
Diluted earnings per share (RMB cents)	0.27	0.07	0.58	0.11

Basic earnings per share for the 6 months ended 30 June 2015 and 30 June 2014 are computed by dividing the profit net of tax attributable to owners of the Company by the weighted average number of ordinary shares excluding EBT shares.

Diluted earnings per share for the 6 months ended 30 June 2015 and 30 June 2014 are computed by dividing the profit net of tax attributable to owners of the Company by the weighted average number of ordinary shares including EBT shares.

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

	Group		Company	
	30/06/2015	31/12/2014	30/06/2015	31/12/2014
Net asset value per share (RMB cents per share)	63.90	63.31	25.31	25.59

Net asset value per ordinary share as at 30 June 2015 and as at 31 December 2014 were calculated based on the existing number of shares in issue excluding EBT shares at the end of the period of 503,300,000 ordinary shares.

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

A) Income Statements

Revenue

1H2015 vs 1H 2014

Revenue increased by RMB8.3 million or 18% from RMB46.3 million in 1H2014 to RMB54.6 million in 1H2015. The increase was mainly due to the increase in revenue from our Catalyst and CSC business further described as follows:

Revenue from our Catalyst Business

Revenue from our Catalyst Business increased significantly by RMB7.3 million or 730% from RMB1.0 million in 1H2014 to RMB8.3 million in 1H2015. The increase was mainly due to more orders filled with production capacity on stream and finished goods delivered in 1H2015.

Revenue from our Engineering Services

Revenue from our Engineering Services decreased slightly by RMB0.2 million or 3% from RMB7.2 million in 1H2014 to RMB7.0 million in 1H2015, this was mainly due to lower percentage of completion for service contracts during the period of 1H2015.

Revenue from our CSC Business

Revenue from our CSC Business increased slightly by RMB1.2 million or 3% from RMB38.1 million in 1H2014 to RMB39.3 million in 1H2015. This slight increase was mainly attributable to more chemical equipments were delivered to customers in 1H2015.

2Q2015 vs 2Q2014

The Group's revenue increased by RMB1.9 million or 7% from RMB28.1 million in 2Q2014 to RMB30.0 million in 2Q2015. This was mainly due to increase in our Catalyst and CSC sales of RMB2.9 million and RMB0.7 million respectively, partially offset by the decrease in engineering service sales of RMB1.7 million in 2Q2015 compared to 2Q2014.

Gross profit and gross profit margin

1H2015 vs 1H2014

Our overall gross profit increased by RMB2.9 million or 14% from RMB20.9 million in 1H2014 to RMB23.8 million in 1H2015 and our gross profit margin decreased slightly from 45% in 1H2014 to 43% in 1H2015.

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

- 1) The gross profit of our Catalyst business increased significantly by RMB3.2 million from RMB0.3 million in 1H2014 to RMB3.5 million in 1H2015. The increase of gross profit was attributable to the increase in sales revenue;
- 2) The gross profit of our CSC business increased slightly by RMB0.1 million from RMB14.8 million in 1H2014 to RMB14.9 million in 1H2015. This was coupled with the slim revenue increase of CSC in 1H2015;

A) Income Statements (cont'd)

Gross profit and gross profit margin (cont'd)

- 3) The gross profit of engineering design decreased slightly by RMB0.4 million from RMB5.7 million in 1H2014 to RMB5.3 million in 1H2015. The gross profit decrease was mainly attributable to the revenue decrease in 1H2015.

2Q2015 vs 2Q2014

Our overall gross profit decreased by RMB1.4 million or 12% from RMB12.3 million in 2Q2014 to RMB10.9 million in 2Q2015 and our gross profit margin decreased from 44% in 2Q2014 to 36% in 2Q2015. The gross profit of our Catalyst business increased by RMB1.0 million from RMB0.2 million in 2Q2014 to RMB1.2 million in 2Q2015 in tandem with the sales increase. The gross profit of CSC business decreased by RMB0.9 million from RMB8.5 million in 2Q2014 to RMB7.6 million in 2Q2015, this was mainly attributable to more low margin pressure vessels sales in 2Q2015 compared to 2Q2014. The gross profit of engineering design decreased by RMB1.5 million from RMB3.6 million in 2Q2014 to RMB2.1 million in 2Q2015, this was mainly attributable to the decrease in engineering service revenue in 2Q2015.

Finance and other income

1H2015 vs 1H2014

Finance and other income decreased slightly by RMB0.2 million or 4% from RMB4.8 million in 1H2014 to RMB4.6 million in 1H2015. The decrease was mainly due to the less net gain arising from sale of equipment arising from research and development activities in 1H2015, partially offset by the increase in interest income in 1H2015.

2Q2015 vs 2Q2014

Finance and other income increased significantly by RMB2.5 million or 165% from RMB1.5 million in 2Q2014 to RMB4.0 million in 2Q2015. The increase was mainly attributable to the more net gain arising from sale of equipment arising from research and development activities in 2Q2015.

Marketing and distribution expenses

1H2015 vs 1H2014

Marketing and distribution expenses increased by RMB0.8 million or 46% from RMB1.8 million in 1H2014 to RMB2.6 million in 1H2015. The increase was mainly due to the provision for sales bonuses made in H12015 compared to H12014 and the increase in after sales repair expenses.

2Q2015 vs 2Q2014

Marketing and distribution expenses increased slightly by RMB0.6 million or 59% from RMB1.0 million in 2Q2014 to RMB1.6 million in 2Q2015. The increase was mainly due to the provision for sales bonuses made in 2Q2015.

Administrative expenses

1H2015 vs 1H2014

Administrative expenses decreased by RMB1.5 million or 7% from RMB19.7 million in 1H2014 to RMB18.2 million in 1H2015. The decrease was mainly due to the decrease in staff and staff-related cost and office expense arising from cost cutting measures by management, coupled with the decrease in property tax and land use tax in 1H2015 since there was supplementary payment of owed taxes in 1H2014.

2Q2015 vs 2Q2014

Administrative expenses decreased slightly by RMB0.2 million or 3% from RMB10.2 million in 2Q2014 to RMB10.0 million in 2Q2015.

A) Income Statements (cont'd)

Research expenses

1H2015 vs 1H2014

The research expenses increased by RMB0.9 million or 40% from RMB2.3 million in 1H2014 to RMB3.2 million in 1H2015. The increase was mainly due to more research expenses incurred in 1H2015 arising from research and development ("R&D") activities.

2Q2015 vs 2Q2014 Research expenses decreased by RMB0.3 million or 16% from RMB1.6 million in 2Q2014 to RMB1.3 million in 2Q2015, this was mainly attributable to less R&D expenses were incurred in 2Q2015 arising from the R&D activities compared to 2Q2014

Finance costs

1H2015 vs 1H2014

Finance costs decreased by RMB0.2 million or 30% from RMB0.8 million in 1H2014 to RMB0.6 million in 1H2015. The decrease was mainly due to the decrease in interest expenses as a result of the partial repayment of the loan from the former shareholders of our subsidiary in the year before .

2Q2015 vs 2Q2014

Finance costs decreased by RMB0.1 million or 30% from RMB0.4 million in 2Q2014 to RMB0.3 million in 2Q2015. The decrease was mainly due to the decrease in interest expenses as a result of the partial repayment of the loan from the former shareholders of our subsidiary in prior year.

Income tax expenses

1H2015 vs 1H2014

Income tax expenses increased by RMB0.3 million or 66% from RMB0.5 million in 1H2014 to RMB0.8 million in 1H2015. The increase was in line with the increase in profit of our subsidiary. Effective tax rate for 1H2015 was 21% due to the losses from our holding company which partially offset the profit of our subsidiary.

2Q2015 vs 2Q2014

Income tax expenses increased by RMB0.1 million or 40% from RMB0.3 million in 2Q2014 to RMB0.4 million in 2Q2015. The increase was in line with the increase in profit of our subsidiary.

Net profit attributable to owners of the Company

1H2015 vs 1H2014

The net profit attributable to owners of the Company has increased significantly by RMB2.4 million or 443% from a profit of RMB0.5 million in 1H2014 to a profit of RMB2.9 million in 1H2015. The increase was mainly due to the increase of revenue from CSC business and Catalyst business partially offset by the decrease of finance and other income, coupled with the increase of marketing & distribution expense and research expenses.

2Q2015 vs 2Q2014

The net profit attributable to owners of the Company has increased significantly by RMB1.0 million or 282% from a profit of RMB0.4 million in 2Q2014 to a profit of RMB1.4 million in 2Q2015. The increase was mainly due to the increase of revenue from catalyst business and finance and other income partially offset by the decrease of revenue from engineering service, coupled with the increase of marketing & distribution expense.

B) Balance Sheet Statements

Non-current assets

Non-current assets decreased by RMB1.1 million or 1% from RMB142.5 million as at 31 December 2014 to RMB141.4 million as at 30 June 2015. 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 RMB1.1 million or 1% from RMB121.8 million as at 31 December 2014 to RMB120.7 million as at 30 June 2015, mainly due to depreciation charges for the period partially offset by additions of catalyst production equipments in 1H2015.

Current assets

Current assets increased slightly by RMB7.5 million or 2% from RMB342.4 million as at 31 December 2014 to RMB349.9 million as at 30 June 2015. The increase was mainly due to the increase in inventories, bills receivable and trade and other receivables of RMB10.3 million, RMB9.1 million and RMB4.1 million respectively. The increase of inventories was mainly due to the increase of raw material for preparation of production in 2H2015, and the increase of bills receivable and trade receivables was mainly due to the increase in sales revenue in 1H2015. The increase was partially offset by the decrease in the cash and cash equivalents of RMB17.7 million.

Current liabilities

Current liabilities increased slightly by RMB3.4 million or 2% from RMB166.2 million as at 31 December 2014 to RMB169.6 million as at 30 June 2015. The increase was mainly attributable to the increase in advance from customers of RMB11.1 million partially offset by the decrease in other liabilities and trade and other payables of RMB5.7 million and RMB2.7 million respectively. The increase of advance from customers arose from that the more contracts were fulfilled in 1H2015 compared to H12014, and the decrease in other liabilities and trade payables were mainly due to payments made to vendors.

Non-current liability

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

C) Cash Flow Statements

1H2015

Cash and cash equivalents decreased by RMB17.6 million in 1H2015 which was mainly attributed to cash used in operating activities and investing activities. RMB11.8 million was used in operating activities while RMB5.8 million was used in investing activities for the purchase of property, plant and equipment and intangible assets.

2Q2015

Cash and cash equivalents decreased by RMB7.0 million in 2Q2015 which was mainly attributed to cash used in operating activities and investing activities. RMB2.6 million was used in operating activities while RMB4.4 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 June 2015.

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

Economic and credit growth in the People's Republic of China ("PRC") is expected to slow given the PRC government's on-going attempts to restructure the economy and change the economic development pattern. As such the Group expects the business environment to remain competitive in the FY2015 and will remain vigilant and respond prudently to any macroeconomic changes. Notwithstanding, in the longer term, the Group remains positive that the Isothermal Low Temperature High CO Shift Technology, being the first-of-its-kind in the PRC, will play an important role in China's efforts in implementing integrated resource utilization and low carbon emission measures. To ensure a sustainable growth path for the business, the Group remains committed to its research and development efforts in new type shift catalyst and desulphurization equipment technology. The Group's order book as of 30 June 2015 was approximately RMB164.8 million (31 March 2015: RMB172.3 million).

- 11) Dividend**

(a) Current financial period reported on

The Company does not recommend any dividend for the financial period ended 30 June 2015.

(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 2014.

(c) Date payable

Not applicable.

(d) Books closure date

Not applicable.

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

The Company does not recommend any dividend for the financial period ended 30 June 2015.

- 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 June 2015, the net proceeds from the Company's initial public offering have been utilized as follows:

Usage of IPO Proceeds	Amount allocated	Amount utilized	Balance
	RMB'000	RMB'000	RMB'000
(A) Expand our production facilities and capacities	95,936	15,134	80,802
(B) Enhance our R&D capabilities and widen our range of innovative and cost-effective solutions	15,479	911	14,568
(C) Working capital purposes	22,074	14,309	7,765
Total	133,489	30,354	103,135

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 second quarter financial results for the period ended 30 June 2015 to be false or misleading in any material respects.

By Order of the Board

Xie Ming
 Executive Director and CEO
 14 August, 2015