



Anchun International Holdings Ltd.

(Incorporated in Singapore)

(Company registration number: 200920277C)

Unaudited Results for the Fourth Quarter and the Year Ended 31 December 2019

INTRODUCTION

Anchun International Holdings Ltd. ("Anchun") is a leading integrated EPC provider of process technology, design, manufacturing and engineering services to the PRC environmental protection industry, and petrochemical and chemical industries, in particular, ammonia and methanol industries.

Anchun's integrated business model is anchored on strong R&D capabilities and registered patents for our key technologies, and allows us to capture value across the value chain from system design, system manufacturing and project management, and after-sales. Based on core principles of production efficiency, energy saving and environmental protection, our range of integrated chemical systems engineering and technology solutions can be broadly categorised as follows:

- (i) Chemical systems engineering and technology design services ("**Engineering Services**");
- (ii) Chemical systems and components, including reactors applicable in a wide range of various reactions, pressure vessels and other auxiliary equipment; along with chemical process technologies such as alcohol-hydrocarbon reactor technology, ammonia synthesis reactor technology and methanol synthesis reactor technology, gasification technology and CO shift technology ("**CSC Business**"); and
- (iii) Catalysts and pre-reduced catalysts and other products ("**Catalysts Business**")

Anchun's chemical systems are generally used by our customers to produce ammonia and methanol, which are subsequently used as crucial feedstock in our customers' production system to produce other downstream products such as urea, compound fertiliser, methanol fuel, formaldehyde, dimethyl ether and explosives.

Anchun has received several enterprise awards and accolades, including status of designated company for technological support for China Petroleum & Chemical Industry in Environmental Protection and Green Production (中国石油和化工行业环境保护与清洁生产重点支撑技术单位) and 2013 outstanding technological advancement award (工业科技进步奖) conferred by both China Fertilizer Industry Association (中国氮肥工业协会) and China Petroleum and Chemical Industries Association (中国石油和化学工业联合会).

PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR RESULTS

1(a)(i) An income statement and statement of comprehensive income or a statement of comprehensive income (for the Group) together with a comparative statement 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	Audited	Change
	3 months ended			12 months ended		
	31/12/2019	31/12/2018		31/12/2019	31/12/2018	
	RMB'000	RMB'000	%	RMB'000	RMB'000	%
Revenue	43,694	35,677	22	170,999	111,205	54
Cost of sales	(37,105)	(23,366)	59	(136,562)	(86,785)	57
Gross profit	6,589	12,311	(46)	34,437	24,420	41
Other item of income						
Finance and other income	2,821	2,551	11	7,710	12,628	(39)
Write-back of impairment losses on financial assets, net	481	2,513	(81)	1,102	11,236	(90)
Other items of expenses						
Marketing and distribution expenses	(1,177)	(2,781)	(58)	(5,346)	(5,786)	(8)
Administrative expenses	(5,462)	(7,874)	(31)	(19,323)	(26,036)	(26)
Research expenses	(2,142)	(3,842)	(44)	(6,981)	(6,440)	8
Other operating expense	(360)	(118)	205	(360)	(118)	205
Finance costs						
- Bank charges	(1)	-	N.M	(3)	(2)	50
- Interest on Lease Liability	(4)	-	N.M	(4)	-	N.M
- Loans from former shareholders	-	-	-	-	(38)	(100)
Profit before tax	745	2,760	(73)	11,232	9,864	14
Income taxation	900	361	149	372	628	(41)
Profit for the period/year, representing total comprehensive income for the period attributable to owners of the Company	1,645	3,121	(47)	11,604	10,492	11

N.M. - not meaningful

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- 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	Audited	Change
	3 months ended			12 months ended		
	31/12/2019	31/12/2018	31/12/2019	31/12/2018		
RMB'000	RMB'000	%	RMB'000	RMB'000	%	
Depreciation of property, plant and equipment and right of use asset	2,528	2,767	(9)	10,277	11,676	(12)
Depreciation of investment property	126	126	–	501	366	37
Amortisation of land use rights	91	91	–	365	365	–
Amortisation of intangible assets	29	79	(63)	92	319	(71)
Write-back of losses on financial assets, net	(481)	(2,513)	(81)	(1,102)	(11,236)	(90)
Write-back of inventory obsolescence	(391)	–	N.M	(391)	–	N.M
Gain on disposal of property, plant and equipment	–	(35)	(100)	(78)	(470)	(83)
Write-off of property, plant and equipment	172	28	514	213	30	610
Net foreign exchange loss/(gain)	3	(3)	N.M	(11)	(95)	(88)
(Write-back of)/Allowance for provision on onerous contracts	(157)	59	N.M	3	59	(95)
Finance income	(1,290)	(944)	37	(2,796)	(3,209)	(13)
Finance costs	5	–	N.M	7	40	(83)
Performance share plan expenses	14	15	(7)	57	21	171

N.M. - not meaningful

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

	Group		Company	
	Unaudited 31/12/2019 RMB'000	Audited 31/12/2018 RMB'000	Unaudited 31/12/2019 RMB'000	Audited 31/12/2018 RMB'000
ASSETS				
Non-current assets				
Property, plant and equipment	64,710	74,037	–	–
Intangible assets	204	185	–	–
Land use rights	12,979	13,344	–	–
Investment in a subsidiary	–	–	75,539	75,482
Investment property	1,931	2,432	–	–
Right of use asset	177	–	177	–
Prepayments	1	24	–	–
Deferred tax asset	842	628	–	–
	80,844	90,650	75,716	75,482
Current assets				
Inventories	26,348	28,672	–	–
Trade and other receivables	31,605	28,420	47,257	35,846
Contract assets	102,546	62,856	–	–
Bills receivable	25,804	22,279	–	–
Prepayments	3,110	16,180	56	102
Investment	–	20,000	–	–
Cash and cash equivalents	107,592	114,518	14,523	19,086
	297,005	292,925	61,836	55,034
Total assets	377,849	383,575	137,552	130,516
EQUITY AND LIABILITIES				
Current liabilities				
Trade and other payables	40,211	30,973	11,932	11,625
Contract liabilities	17,625	44,809	–	–
Other liabilities	19,188	16,478	786	836
Lease liability	134	–	134	–
Provisions	62	59	–	–
Income tax payable	6,196	6,560	–	–
	83,416	98,879	12,852	12,461
Net current assets	213,589	194,046	48,984	42,573
Non-current liabilities				
Deferred tax liabilities	–	100	–	–
Lease liability	45	–	45	–
	45	100	45	–
Total liabilities	83,461	98,979	12,897	12,461
Net assets	294,388	284,596	124,655	118,055
Equity attributable to owners of the Company				
Share capital	149,278	149,278	149,278	149,278
Employee benefit trust shares	(66)	(66)	(66)	(66)
Treasury shares	(2,354)	(538)	(2,354)	(538)
Other reserves	123,384	121,981	142	85
Accumulated profits/(losses)	24,146	13,941	(22,345)	(30,704)
Total equity	294,388	284,596	124,655	118,055
Total equity and liabilities	377,849	383,575	137,552	130,516

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

The Group has no outstanding borrowings and debt securities as at 31 December 2019 (31 December 2018: nil).

1(c) A statement of cash flows (for the Group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Group		Group	
	Unaudited 3 months ended 31/12/2019	Unaudited 31/12/2018	Unaudited 12 months ended 31/12/2019	Audited 12 months ended 31/12/2018
Note	RMB'000	RMB'000	RMB'000	RMB'000
Operating activities				
Profit before tax	745	2,760	11,232	9,864
<u>Adjustments for:</u>				
Depreciation of property, plant and equipment and right of use asset	2,528	2,767	10,277	11,676
Depreciation of investment property	126	126	501	366
Amortisation of intangible assets	29	79	92	319
Amortisation of land use rights	91	91	365	365
Gain on disposal of property, plant and equipment	-	(35)	(78)	(470)
Write-back of losses on financial assets, net	(481)	(2,513)	(1,102)	(11,236)
Write-off of property, plant and equipment (Write-back of)/Allowance for provision on onerous contracts	(157)	59	3	59
Write-back of inventory obsolescence	(391)	-	(391)	-
Performance share plan expense	14	15	57	21
Net foreign exchange loss/(gain)	3	(3)	(11)	(95)
Finance costs	5	-	7	40
Finance income	(1,290)	(944)	(2,796)	(3,209)
Operating cash flows before changes in working capital	1,394	2,430	18,369	7,730
<u>Changes in working capital</u>				
Decrease/(increase) in:				
Inventories	5,550	(607)	2,715	(8,384)
Trade and other receivables	2,639	6,548	(2,083)	21,462
Contract assets	(12,479)	(21,952)	(39,690)	(41,581)
Bills receivable	(18,316)	1,999	(3,525)	11,463
Prepayments	12,008	(5,666)	13,070	(9,598)
(Decrease)/increase in:				
Trade and other payables	1,438	1,306	9,295	2,455
Contract liabilities	4,432	13,139	(27,184)	27,316
Other liabilities	3,231	4,299	2,657	2,098
Total changes in working capital	(1,497)	(934)	(44,745)	5,231
Cash flows (used in)/generated from operations	(103)	1,496	(26,376)	12,961
Interest received	1,290	944	2,796	3,209
Interest paid	(5)	(37)	(7)	(40)
Income tax refunded	(599)	-	(306)	-
Net cash (used in)/generated from operating activities	583	2,403	(23,893)	16,130

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1(c) A statement of cash flows (for the Group), together with a comparative statement for the corresponding period of the immediately preceding financial year. (cont'd)

	Group		Group	
	Unaudited 3 months ended 31/12/2019	Unaudited 31/12/2018	Unaudited 12 months ended 31/12/2019	Audited 31/12/2018
Note	RMB'000	RMB'000	RMB'000	RMB'000
Investing activities				
Proceed from sale of property, plant and equipment	-	11	224	933
Purchase of Intangible assets - software	-	-	(112)	(240)
Purchase of property, plant and equipment	(189)	(176)	(1,254)	(783)
Net cash used in investing activities	(189)	(165)	(1,142)	(90)
Financing activities				
Purchase of treasury shares	(1,813)	(143)	(1,816)	(316)
Withdraw/(purchase) of investment at fair value through profit or loss managed by a fund manager	50,000	15,000	20,000	(20,000)
Payment of principal portion of lease liabilities	(86)	-	(86)	-
Repayment of loans from former shareholders of a subsidiary	-	-	-	(17,990)
Net cash generated from/(used in) financing activities	48,101	14,857	18,098	(38,306)
Net increase/(decrease) in cash and cash equivalents	48,495	17,095	(6,937)	(22,266)
Cash and cash equivalents at beginning of period/year	59,100	97,420	114,518	136,689
Effect of exchange rate changes on cash and cash equivalents	(3)	3	11	95
Cash and cash equivalents at end of period/year	107,592	114,518	107,592	114,518

Note A:

Purchase of property, plant and equipment

	Group		Group	
	Unaudited 3 months ended 31/12/2019	Unaudited 31/12/2018	Unaudited 12 months ended 31/12/2019	Audited 31/12/2018
	RMB'000	RMB'000	RMB'000	RMB'000
Current period additions to property, plant and equipment	152	377	1,220	873
Less: Payable to creditors for current period purchases	(9)	(33)	(120)	(196)
Prepayment made in prior period	(42)	(172)	(23)	(18)
Add: Payments for prior period purchase	87	4	177	118
Prepayments made in current period	1	-	-	6
Net cash outflow for purchase of property, plant and equipment	189	176	1,254	783

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1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

Statement of Changes in Equity

Attributable to owners of the Company

	Share Capital	Employee benefit trust shares	Performance share plan reserve	Gain on reissuance of EBT shares	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	RMB'000	RMB'000	RMB'000
Group Audited											
Balance at 1 January 2018	149,278	(66)	—	64	(222)	1,725	38,691	5,521	75,000	4,426	274,417
Profit for the year, representing total comprehensive income.	—	—	—	—	—	—	—	—	—	10,492	10,492
Grant of equity-settled performance shares to employees	—	—	21	—	—	—	—	—	—	—	21
Purchase of treasury share	—	—	—	—	(316)	—	—	—	—	—	(316)
<u>Others</u>											
Transfer to statutory reserve – safety production reserve	—	—	—	—	—	—	—	420	—	(420)	—
Transfer to Statutory Reserve Fund	—	—	—	—	—	—	539	—	—	(539)	—
Transfer to Staff Welfare Payable	—	—	—	—	—	—	—	—	—	(18)	(18)
Balance at 31 December 2018	149,278	(66)	21	64	(538)	1,725	39,230	5,941	75,000	13,941	284,596
Group Unaudited											
Balance at 1 January 2019	149,278	(66)	21	64	(538)	1,725	39,230	5,941	75,000	13,941	284,596
Profit for the year, representing total comprehensive income	—	—	—	—	—	—	—	—	—	11,604	11,604
Grant of equity-settled performance shares to employees	—	—	57	—	—	—	—	—	—	—	57
Purchase of treasury share	—	—	—	—	(1,816)	—	—	—	—	—	(1,816)
<u>Others</u>											
Utilisation of statutory reserve	—	—	—	—	—	—	—	(231)	—	231	—
Transfer to Statutory Reserve Fund	—	—	—	—	—	—	1,577	—	—	(1,577)	—
Transfer to Staff Welfare Payable	—	—	—	—	—	—	—	—	—	(53)	(53)
Balance at 31 December 2019	149,278	(66)	78	64	(2,354)	1,725	40,807	5,710	75,000	24,146	294,388

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1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

Statement of Changes in Equity (cont'd)

	Attributable to owners of the Company						Total equity
	Share Capital	Employee benefit trust shares	Performance share plan reserve	Gain on reissuance of EBT shares	Treasury shares	Accumulated losses	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Company Audited							
Balance at 1 January 2018	149,278	(66)	–	64	(222)	(27,972)	121,082
Loss for the year, representing total comprehensive loss for the year	–	–	–	–	–	(2,732)	(2,732)
<u>Contributions by and distribution to owners</u>							
Grant of equity-settled performance shares to employees	–	–	21	–	–	–	21
Purchase of treasury share	–	–	–	–	(316)	–	(316)
Balance at 31 December 2018	149,278	(66)	21	64	(538)	(30,704)	118,055
Company Unaudited							
Balance at 1 January 2019	149,278	(66)	21	64	(538)	(30,704)	118,055
Profit for the year, representing total comprehensive income for the year	–	–	–	–	–	8,359	8,359
<u>Contributions by and distribution to owners</u>							
Grant of equity-settled performance shares to employees	–	–	57	–	–	–	57
Purchase of treasury share	–	–	–	–	(1,816)	–	(1,816)
Balance at 31 December 2019	149,278	(66)	78	64	(2,354)	(22,345)	124,655

1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State the number of shares that may be issued on conversion of all the outstanding convertibles, if any, against the total number of issued shares excluding treasury shares and subsidiary holdings of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year. State also the number of shares held as treasury shares and the number of subsidiary holdings, if any, and the percentage of the aggregate number of treasury shares and subsidiary holdings held against the total number of shares outstanding in a class that is listed as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

Ordinary shares

	Number of Shares	Amount RMB'000
Ordinary shares including employee benefit trust ("EBT") shares & treasury shares as at 31 December 2019 and 31 December 2018	50,500,000	149,278

Convertibles

The Company did not have outstanding options, convertibles or subsidiary holdings as at 31 December 2019 and 31 December 2018.

EBT shares

The Company had 26,000 EBT shares, approximately 0.051% of the total number of issued shares, as at 31 December 2019. There were 26,000 EBT shares as at 31 December 2018.

Of the aforesaid 26,000 EBT shares, no EBT shares remained available for allocation as at 31 December 2019 and 31 December 2018.

Treasury shares

The Company had 1,809,100 treasury shares (approximately 3.58% of the total number of issued shares) as at 31 December 2019 (31 December 2018: 417,400).

The Company had granted an award comprising 160,000 treasury shares to an eligible employee of our Group on 13 December 2018 and these shares will be transferred to the relevant employee upon the fulfilment of the 3 years' service condition of the award granted.

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.

The movement of treasury shares as at 31 December 2019 is as follow:

	As at 31/12/19	As at 31/12/18
Number of ordinary shares issued and fully paid	50,500,000	50,500,000
Treasury shares	(1,809,100)	(417,400)
EBT shares	⁽¹⁾ (26,000)	⁽¹⁾ (26,000)
Total number of ordinary shares issued and fully paid (excluding Treasury shares and EBT shares)	48,664,900	50,056,600

Notes:

- (1) The Company granted a total of 26,000 EBT shares (comprising 17,000 EBT shares and 9,000 EBT shares) to eligible employees of the Group on 29 December 2017 and 13 September 2018, respectively. The employee will become beneficially interested in their respective EBT shares after fulfilling the three years' service condition under the grant of the awards

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

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

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

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

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

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

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

Not applicable.

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

Except for the adoption of the FRSs and Amendments to FRSs applicable for the financial period beginning on or after 1 January 2019, the same accounting policies and methods of computation have been applied. A summary of the effect on the financial performance or position of the Group and the Company on adoption of FRSs beginning on or after 1 January 2019 is disclosed in Note 5 below.

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 adoption of the new and revised accounting standards referred to in paragraph 4 did not give rise to any significant changes to the financial performance or position of the Group except for the following:

Adoption of SFRS(I) 16 Leases

SFRS(I) 16 is effective for financial years beginning on or after 1 January 2019. The Group has applied the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

SFRS(I) 16 has resulted in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term leases and leases of low value assets. The accounting for lessors has not changed significantly.

Leased assets are measured using the cost model and are carried at cost less accumulated depreciation and accumulated impairment loss, if any, subsequent to initial recognition. The carrying amount for lease liabilities subsequent to initial recognition would take into account interest on the lease liabilities, lease payments made and any reassessment or lease modifications

In compliance with SFRS(I) 16 Leases, the Group has applied the practical expedients to recognise the amount of ROU assets equal to the lease liabilities, adjusted by the amount of accrued lease payment related to that lease recognized, there is no significant deferred tax impact or adjustment to opening balance of retained earnings as at 1 January 2019.

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 31/12/2019	3 months ended 31/12/2018	12 months ended 31/12/2019	12 months ended 31/12/2018
Profit net of tax attributable to owners of the Company (RMB '000)	1,645	3,121	11,604	10,492
Weighted average number of ordinary shares (excluding EBT shares) ('000) on issue	49,408	50,070	49,894	50,249
Weighted average number of ordinary shares (including EBT shares) ('000) on issue	49,594	50,256	50,080	50,317
Basic earnings per share (RMB cents)	3.33	6.23	23.26	20.88
Diluted earnings per share (RMB cents)	3.32	6.21	23.17	20.85

Basic earnings per share for the 12 months ended 31 December 2019 and 31 December 2018 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 12 months ended 31 December 2019 and 31 December 2018 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. The EBT shares have a dilutive effect on earnings per share.

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

	Group		Company	
	31/12/2019	31/12/2018	31/12/2019	31/12/2018
Net asset value per share (RMB per share)	6.05	5.69	2.56	2.36

Net asset value per ordinary share as at 31 December 2019 and as at 31 December 2018 were calculated based on the existing number of shares in issue excluding EBT shares and treasury shares of 48,664,900 and 50,056,600 ordinary shares as at 31 December 2019 and 31 December 2018 respectively.

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

A) Income Statements

Revenue

12M2019 VS 12M2018

Revenue increased by RMB59.8 million or 54% from RMB111.2 million in 12M2018 to RMB171 million in 12M2019. The increase was mainly due to the increase of revenue from CSC business and Catalyst business, partially offset by the decrease of revenue from Engineering services, further described as follows:

Revenue from our Catalyst Business

Revenue from our Catalyst business increased by RMB10.2 million or 157% from RMB6.5 million in 12M2018 to RMB16.7 million in 12M2019 mainly due to increase of revenue from various product types of catalysts, including catalyst processing business, reduced catalysts, hydrocarbon catalysts and ammonia catalyst.

Revenue from our Engineering Services

Revenue from our Engineering services decreased by RMB3.4 million or 36% from RMB9.5 million in 12M2018 to RMB6.1 million in 12M2019. This was mainly due to lower percentage of completion for service contracts in 12M2019.

Revenue from our CSC Business

Revenue from our CSC business increased by RMB53 million or 56% from RMB95.2 million in 12M2018 to RMB148.2 million in 12M2019. The increase was due to higher percentage of completion for CSC contracts and increase in number of contracts in progress during the period of 12M2019.

4Q2019 vs 4Q2018

The Group's revenue increased by RMB8 million or 22% from RMB35.7 million in 4Q2018 to RMB43.7million in 4Q2019. This was mainly due to more contracts in progress and higher percentage of completion for CSC business of RMB12.1 million partially offset by the decrease of revenue from Catalyst business of RMB0.7 million and Engineering services of RMB3.4 million in 4Q2019 compared to 4Q2018.

Gross profit and gross profit margin

12M2019 VS 12M2018

Our overall gross profit increased by RMB10 million or 41% from RMB24.4 million in 12M2018 to RMB34.4 million in 12M2019 and our gross profit margin decreased from 22% in 12M2018 to 20% in 12M2019.

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

- 1) The gross profit of our Catalyst business increased by RMB3.9 million from RMB 3.2 million in 12M2018 to RMB7.1 million in 12M2019 mainly due to increase of revenue from various product types of catalysts, including catalyst processing business, reduced catalysts, hydrocarbon catalysts and ammonia catalyst. The gross profit margin decreased by 7% from 49% in 12M2018 to 42% in 12M2019, mainly attributable to increase in the proportion of ammonia catalysts sold which contributed lower gross margin in 12M2019.

A) Income Statements (cont'd)

Gross profit and gross profit margin (cont'd)

- 2) Gross profit of our CSC business increased by RMB10.5 million from RMB14.6 million in 12M2018 to RMB25.1 million in 12M2019 mainly attributable to more contracts in progress and higher percentage of completion for CSC contracts during the period of 12M2019. The gross profit margin increased by 2% from 15% in 12M2018 to 17% in 12M2019 mainly attributable to increase of revenue from patented technologies, including isothermal CO shift technology, propionaldehyde reactor, low- pressure methanol ammonia technology and ammonia synthesis technology which contributed higher gross margin.
- 3) The gross profit of our engineering design decreased by RMB4.4 million from RMB6.6 million in 12M2018 to RMB2.2 million in 12M2019. The gross profit margin decreased by 33% from 70% in 12M2018 to 37% in 12M2019 mainly attributable to decrease of revenue from environmental protection engineering services which contributed higher gross margin.

4Q2019 vs 4Q2018

Our overall gross profit decreased by RMB5.7 million or 46% from RMB12.3 million in 4Q2018 to RMB6.6 million in 4Q2019 and our gross profit margin decreased from 35% in 4Q2018 to 15% in 4Q2019.

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

- 1) Gross profit of Catalyst business decreased by RMB0.6 million from RMB0.7 million in 4Q2018 to RMB0.1 million in 4Q2019. The gross profit margin decreased from 48% in 4Q2018 to 14% in 4Q2019, mainly attributable to decrease of revenue from reduced hydrocarbon catalyst which contributed higher gross margin in 4Q2019.
- 2) Gross profit of our CSC business decreased by RMB1.8 million from RMB7.2 million in 4Q2018 to RMB5.4 million in 4Q2019. The gross profit margin decreased by 12% from 25% in 4Q2018 to 13% in 4Q2019, mainly attributable to more revenue recognised in 4Q2019 from non-patented products.
- 3) Gross profit of our engineering design decreased by RMB3.3 million from RMB4.4 million in 4Q2018 to RMB1.1 million in 4Q2019. The gross profit margin decreased by 30% from 74% in 4Q2018 to 44% in 4Q2019 mainly attributable to decrease of revenue from the environmental protection engineering services completed in the current quarter which contributed higher gross margin.

Finance and other income

12M2019 VS 12M2018

Finance and other income decreased by RMB4.9 million or 39% from RMB12.6 million in 12M2018 to RMB7.7 million in 12M2019. The decrease was mainly due to the decrease of sales of scrap metal of RMB2.8 million, government grants of RMB0.5 million and financial income of RMB0.4 million, property rental income of RMB0.3 million and sales of accessories of RMB0.3 million, gain on disposal of PPE of RMB0.4 million and gain from contract penalty of RMB0.2 million.

4Q2019 vs 4Q2018

Finance and other income increased by RMB0.3 million or 12% from RMB2.5 million in 4Q2018 to RMB2.8 million in 4Q2019. The increase was mainly due to the increase of government grants by RMB0.4 million, financial income by RMB0.4 million and property rental income by RMB0.2 million offsets by the decrease sales of scrap metal by RMB0.7 million.

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A) Income Statements (cont'd)

Marketing and distribution expenses

12M2019 VS 12M2018

Marketing and distribution expenses decreased by RMB0.4 million or 8% from RMB5.7 million in 12M2018 to RMB5.3 million in 12M2019. The decrease was mainly attributable to decrease of sales staff's bonus.

4Q2019 vs 4Q2018

Marketing and distribution expenses decreased by RMB1.6 million or 58% from RMB2.8 million in 4Q2018 to RMB1.2 million in 4Q2019. The decrease was mainly attributable to decrease of sales staff's bonus in total of RMB1.4 million for 4Q2019 mainly attributable to no further provision for bonuses is required in 4Q 2019.

Administrative expenses

12M2019 VS 12M2018

Administrative expenses decreased by RMB6.7 million or 26% from RMB26 million in 12M2018 to RMB19.3 million in 12M2019 as explained below:

Item by nature	12M2019	12M2018	12M2019 vs.12M2018 (Change)		Comments
	RMB'000	RMB'000	RMB'000	%	
Unallocated manufacturing overheads allocated in administrative expenses	1,903	5,166	(3,263)	(63)	The decrease is due to higher production volumes and lower labor cost resulting in lower unallocated manufacturing overhead recorded under administrative expenses in 12M2019 over 12M2018.
Professional fees	1,358	2,395	(1,037)	(43)	Decrease due to the renewal fees for engineering design qualifications.
Factory repair and maintenance	169	951	(782)	(82)	Decrease of repair and maintenance cost incurred for factory.
Depreciation and amortisation expense	2,224	2,618	(394)	(15)	Decrease due to fully depreciated fixed assets and disposals in 12M2019.
Salaries, bonuses and fees	7,476	8,620	(1,144)	(13)	Include salaries of executive directors and heads of department deployed in administrative functions. Decrease due to higher provision of bonuses in FY2018 and there were lower headcount of labor in 12M2019 over 12M2018.
Recruiting fees	193	93	100	108	Increase due to more network recruitment activities for engineering design staff.
Other expenses	6,000	6,193	(193)	(3)	Other expenses are an aggregation of expenses of less than RMB0.09 million each. It includes meeting expenses, travelling expenses, etc.
Total	19,323	26,036	(6,713)	(26)	

A) Income Statements (cont'd)

Administrative expenses (cont'd)

4Q2019 vs 4Q2018

Administrative expenses decreased by RMB2.5 million or 32% from RMB7.9million in 4Q2018 to RMB5.4million in 4Q2019 as explained below:

Item by nature	4Q2019	4Q2018	4Q2019 vs.4Q2018 (Change)		Comments
	RMB'000	RMB'000	RMB'000	%	
Unallocated manufacturing overheads allocated in administrative expenses	981	1,097	(116)	(11)	The decrease is due to higher production volumes and lower labor cost resulting in lower unallocated manufacturing overhead recorded under administrative expenses in 4Q2019 over 4Q2018.
Depreciation and amortisation expense	549	668	(119)	(18)	Decrease due to fully depreciated fixed assets and disposals in 4Q2019.
Salaries, bonuses and fees	2,033	3,864	(1,831)	(47)	Include salaries of executive directors and heads of department deployed in administrative functions. Decrease due to no further provision for bonuses is required in 4Q 2019.
Factory repair and maintenance	53	181	(128)	(71)	Decrease of repair and maintenance cost incurred for factory.
Other expenses	1,846	2,064	(218)	(11)	Other expenses are an aggregation of expenses of less than RMB0.09 million each. It includes maintenance expenses, litigation costs, etc.
Total	5,462	7,874	(2,412)	(31)	

Research expenses

12M2019 VS 12M2018

Research expenses increased by RMB0.5 million or 8% from RMB6.4 million in 12M2018 to RMB6.9 million in 12M2019. This was mainly attributable to higher expenses incurred for general design of RMB0.5 million in 12M2019.

4Q2019 vs 4Q2018

Research expenses decreased by RMB1.7 million or 45% from RMB3.8 million in 4Q2018 to RMB2.1 million in 4Q2019. This was mainly attributable to lower expenses incurred for new isothermal shift reactor improvement efforts of RMB1.9 million.

A) Income Statements (cont'd)

Finance costs

12M2019 VS 12M2018

Finance costs decreased by RMB0.03 million or 97% from RMB0.04 million in 12M2018 to RMB0.01 million in 12M2019. The decrease was mainly due to the decrease in interest expenses as a result of the full repayment of the loan from the former shareholders of our subsidiary in 1Q2018.

4Q2019 vs 4Q2018

Finance costs increased by RMB0.01 million from nil in 4Q2018 to RMB0.01 million in 4Q2019.

Income tax expenses

12M2019 VS 12M2018

Tax credit income decreased by RMB0.3 million from RMB0.6 million in 12M2018 to RMB0.3 million in 12M2019 was mainly due to the provision of withholding income tax for dividend.

4Q2019 vs 4Q2018

Tax credit income increased by RMB0.5 million from negative RMB0.4 million in 4Q2018 to negative RMB0.9 million in 4Q2019 due to deferred tax asset recognized on unused tax losses arising from a subsidiary in 4Q2019.

Net profit attributable to owners of the Company

12M2019 VS 12M2018

The net profit attributable to owners of the Company increased by RMB1.1 million from RMB10.5 million in 12M2018 to RMB11.6 million in 12M2019 as explained above.

4Q2019 vs 4Q2018

The net profit attributable to owners of the Company has decreased by RMB1.5 million from a net profit of RMB3.1 million in 4Q2018 to a net profit of RMB1.6 million in 4Q2019 as explained above.

B) Balance Sheet Statements

Non-current assets

Non-current assets decreased by RMB10 million or 11% from RMB90.6 million as at 31 December 2018 to RMB80.8 million as at 31 December 2019. Non-current assets comprised of property, plant and equipment, investment property, intangible assets, land use rights, deferred tax assets, right of use asset and prepayments.

Property, plant and equipment decreased by RMB9.3 million or 13% from RMB74.0 million as at 31 December 2018 to RMB64.7 million as at 31 December 2019, which is mainly due to depreciation charged in 12M2019.

Current assets

Current assets increased by RMB4.1 million or 1.4% from RMB292.9 million as at 31 December 2018 to RMB297 million as at 31 December 2019. The increase was mainly due to the following:

- a) The decrease in inventories of RMB2.3 million was mainly due to raw materials used to fulfil the CSC business contract orders.
- b) The increase in trade and other receivables of RMB3.2 million is due to increase of contractual milestone billings.
- c) The increase in contract assets of RMB39.6 million is due to increase in number of on-going contracts during the year and a higher percentage of completion on these contracts, for which contractual milestone billings have not been reached.

B) Balance Sheet Statements (cont'd)

Current assets (cont'd)

- d) The increase in bills receivable of RMB3.5 million is due to receive more bills receivable.
- e) The decrease in prepayments of RMB13 million was mainly due to less payment was made to the vendors for purchasing raw materials.
- f) The decrease in cash and cash equivalents of RMB6.9 million was due to withdrawal of investment at fair value through profit or loss managed by a fund manager of RMB20 million, purchase of property, plant and equipment of RMB1.1 million purchase of treasury shares of RMB1.8 million and decrease of cash in flow from operating activities of RMB24 million.
- g) The decrease in investment of RMB20 million is due to withdrawal of investment at fair value through profit or loss managed by a fund manager.

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

Item by nature	31/12/2019 RMB'000	< 6 months RMB'000	6-12 months RMB'000	1-2years RMB'000	>2years RMB'000
Trade Receivables					
Receivables from sales	56,479	12,082	19,651	3,429	21,317
Less: Impairment losses on trade receivables, net	(26,509)	(2,004)	(3,259)	(1,598)	(19,648)
Sub-total	29,970	10,078	16,392	1,831	1,669
Other Receivables					
A. Operation cash advances	198	198	-	-	-
B. Bid bonds	1,382	1,382	-	-	-
C. Rental deposit	29	-	-	29	-
D. GST receivables	26	26	-	-	-
Total	31,605	11,684	16,392	1,860	1,669

The breakdown and aging of items of contract assets are as follows:

Item by nature	31/12/2019 RMB'000	< 6 months RMB'000	6-12 months RMB'000	1-2years RMB'000	>2years RMB'000
Contract Assets					
Contract Assets	109,520	61,272	13,228	28,046	6,974
Less: Impairment losses contract assets, net	(6,974)	-	-	-	(6,974)
Total	102,546	61,273	13,228	28,046	-

B) Balance Sheet Statements

Current liabilities

Current liabilities decreased by RMB15.5 million or 16% from RMB98.9 million as at 31 December 2018 to RMB83.4 million as at 31 December 2019.

B) Balance Sheet Statements (cont'd)

Current liabilities(cont'd)

- a) The decrease in contract liabilities of RMB27.2 million was due to contract liabilities are 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 RMB9.2 million was due to the increase of purchase of raw materials for new sale contracts.
- c) The increase in other liabilities of RMB2.7 million were mainly due to increase in payable items to transportation companies and sub-contractors due to settlement timing differences.
- d) The decrease in income tax payable of RMB0.3 million were mainly due to increase of income tax refunded for overprovision of tax in previous year.

C) Cash Flow Statements

12M2019

Cash and cash equivalents decreased by RMB6.9 million in 12M2019, which was mainly attributed to cash used in operating activities of RMB23.9 million, net cash used in investing activities of RMB1.1 million and cash generated from financing activities of RMB18.1 million.

4Q2019

Cash and cash equivalents increased by RMB48.5 million in 4Q2019, which was mainly attributed to cash generated from operating activities of RMB0.5 million, net cash used in investing activities of RMB0.1 million and cash generated from financing activities of RMB48.1 million.

9) 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.

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.

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. This coupled with nitrogen fertilizer and urea prices remaining low, the Group expects the next 12 months to continue to be challenging for the Nitrogen Fertilizer Industry and the majority of basic chemical producers in PRC.

In addition, the current outbreak of the 2019 Novel Coronavirus ("Covid-19") has delayed the commencement of operations at the Group's production facilities in the Changsha after the Lunar New Year/Spring Festival holidays as directed by the relevant Chinese authorities. The Group is closely monitoring the situation for any impact on the financial results of the Group for FY2020.

The Group has continued its efforts to diversify into non-fertiliser industries, which has resulted in revenue of RMB66.8 million for the 12M2019 representing 39% (RMB37.3 million for 12M2018 representing 34%) of total revenue. The Group will continue to remain vigilant over its costs structure and continue its research efforts to enhance and improve its portfolio of patented products and further build its technical competency so as to be more competitive in the market and be better positioned to take advantage of opportunities when they arise. The Group's order book as of 31 December 2019 was approximately RMB86.8million (30 September 2019: RMB95.6 million) out of which of RMB43.2 million (30 September 2019: RMB 20.5 million) is from non-fertiliser industries. We are cautiously optimistic that we will be able to make further inroads in this direction.

11) Dividend

(a) Current financial period reported on

There is no FY2019 interim dividend paid in the current financial year.

The final dividend declared for the current financial year FY 2019 is as follows:

Name of dividend	FY 2019 Final Dividend (proposed)
Dividend type	Cash
Dividend rate	RMB\$0.12 per share
Tax rate	Tax-exempt (one-tier)

(b) Corresponding period of the immediately preceding financial year

The Company did not recommend or declare any dividend for the financial year ended 31 December 2018.

(c) Date payable

To be announced in due course.

(d) Books closure date

To be announced in due course.

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

Not applicable.

13) If the Group has obtained a general mandate from shareholders for IPTs, the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.

The Group has not obtained a general mandate from shareholders for Interested Person Transactions.

14) Update on usage of IPO proceeds

As at 31 December 2019, the net proceeds from the Company's initial public offering have been utilized as follows:

Usage of IPO Proceeds	Amount allocated RMB'000	Amount utilized RMB'000	Balance RMB'000
(A) Expand our production facilities and capacities	84,238	18,465	65,773
(B) Enhance our R&D capabilities and widen our range of innovative and cost-effective solutions	15,479	15,479	-
(C) Working capital purposes	33,772	22,074	11,698
Total	133,489	55,500	77,471

The amount of RMB15.5 million utilized for R&D capabilities, innovative and cost-effective solutions are mainly attributable to works on a sulfur removal reactor, a new type of isothermal methanol reactor and shift catalyst production research.

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The breakdown of working capital utilization is as follows:

Usage of IPO proceeds for working capital	Amount Utilized (RMB'000)
For CO shift catalyst unit and technology implementations	(15,868)
For expanding sales and marketing capabilities and initiatives	(6,206)
Total	(22,074)

- 15) **Segmented revenue and results for operating segments (of the group) in the form presented in the issuer's most recently audited annual financial statements, with comparative information for the immediately preceding year.**

	Engineering Services RMB'000	CSC Business RMB'000	Catalyst Business RMB'000	Total RMB'000
31 December 2019				
Revenue				
External customers	6,020	148,272	16,707	170,999
Total revenue	6,020	148,272	16,707	170,999
Results				
Segment gross profit	2,234	25,138	7,065	34,437
Finance income				2,796
Other income				4,914
Write-back of impairment losses on financial assets, net				1,102
Marketing and distribution expense				(5,346)
Administrative expense				(19,323)
Research expense				(6,981)
Other expenses				(360)
Finance cost				(7)
Profit before tax				11,232
Depreciation and amortization				11,235
Other material non-cash items				
Write-back of impairment losses on financial assets, net				1,102
Allowance for provision on onerous contracts				3

- 15) Segmented revenue and results for operating segments (of the group) in the form presented in the issuer's most recently audited annual financial statements, with comparative information for the immediately preceding year. (cont'd)

	Engineering Services RMB'000	CSC Business RMB'000	Catalyst Business RMB'000	Total RMB'000
31 December 2018				
Revenue				
External customers	9,449	95,233	6,523	111,205
Total revenue	9,449	95,233	6,523	111,205
Results				
Segment gross profit	6,644	14,606	3,170	24,420
Finance income				3,209
Other income				9,419
Write-back of impairment losses on financial assets, net				11,236
Marketing and distribution expense				(5,786)
Administrative expense				(26,036)
Research expense				(6,440)
Other expenses				(118)
Finance cost				(40)
Profit before tax				9,864
Depreciation and amortization				12,726
Other material non-cash items				
Write-back of impairment losses on financial assets, net				11,236
Allowance for provision on onerous contracts				59

- 16) In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the operating segments.

See note 8 above.

- 17) A breakdown of sales

	Group		
	FY2019 RMB'000	FY2018 RMB'000	Increase/ (Decrease) %
(a) Sales reported for the first half of the year	74,067	48,660	52
(b) Operating profit after tax for the first half year	313	850	(63)
(c) Sales reported for the second half of the year	96,932	62,545	55
(d) Operating profit after tax for the second half year	11,291	9,642	17

- 18) A breakdown of the total annual dividend (in dollar value) for the issuer's latest full year and its previous full year.**

Not applicable.

- 19) Disclosure of person occupying a managerial position in the issuer or any of its principal subsidiaries who is a relative of a director or chief executive officer or substantial shareholder of the issuer pursuant to Rule 704(11) in the format below. If there are no such persons, the issuer must make an appropriate negative statement.**

Pursuant to Rule 704(13) of the Listing Manual of the Singapore Exchange Securities Trading Limited, we confirm that, none of the persons occupying managerial positions in Anchun International Holdings Limited ("the Company") or any of its principal subsidiaries is a relative of a director or chief executive officer or substantial shareholder of the Company.

- 20) Confirmation that the issuer has procured undertakings from all its directors and executive officers (in the format set out in Appendix 7.7) under Rule 720(1)**

The Company has obtained undertakings from all its directors and executive officers (in the format set out in Appendix 7.7) under Rule 720(1).

By Order of the Board

Xie Ming
Executive Chairman
29 February 2020