



Anchun International Holdings Ltd.

(Incorporated in Singapore)
(Company registration number: 200920277C)

Unaudited Results for the Fourth Quarter and the Year Ended 31 December 2016

INTRODUCTION

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

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

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

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

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

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

1(a)(i) An income statement and statement of comprehensive income or a statement of comprehensive income (for the Group) together with a comparative statements for the corresponding period of the immediately preceding financial year.

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

	<u>Group</u>			<u>Group</u>		
	<u>Unaudited</u>	<u>Unaudited</u>	<u>Change</u>	<u>Unaudited</u>	<u>Audited</u>	<u>Change</u>
	<u>3 months ended</u>			<u>12 months ended</u>		
	<u>31/12/2016</u>	<u>31/12/2015</u>	<u>%</u>	<u>31/12/2016</u>	<u>31/12/2015</u>	<u>%</u>
	<u>RMB'000</u>	<u>RMB'000</u>		<u>RMB'000</u>	<u>RMB'000</u>	
Revenue	13,358	44,566	-70%	78,520	123,505	-36%
Cost of sales	(7,724)	(26,507)	-71%	(51,192)	(72,686)	-30%
Gross Profit	5,634	18,059	-69%	27,328	50,819	-46%
Other item of income						
Finance and other income	3,466	862	302%	6,390	14,737	-57%
Other items of expenses						
Marketing and distribution expenses	(2,296)	(2,318)	-1%	(5,571)	(6,256)	-11%
Administrative expenses	(10,680)	(10,751)	-1%	(37,168)	(38,404)	-3%
Research expenses	(1,779)	(841)	112%	(4,328)	(8,387)	-48%
Other operating expense	(4,763)	(450)	958%	(4,763)	(674)	607%
Finance costs	(132)	(143)	-8%	(556)	(850)	-35%
(Loss)/profit before tax	(10,550)	4,418	N.M.	(18,668)	10,985	N.M.
Income tax expense	(153)	(872)	-82%	(99)	(2,158)	-95%
Loss/(profit) for the period/year, representing total comprehensive income for the period attributable to owners of the Company	(10,703)	3,546	N.M.	(18,767)	8,827	N.M.

N.M. - not meaningful

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

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

	Group			Group		
	Unaudited	Unaudited	Change	Unaudited	Audited	Change
	3 months ended			12 months ended		
31/12/2016	31/12/2015	%	31/12/2016	31/12/2015	%	
	RMB'000	RMB'000		RMB'000	RMB'000	
Depreciation of property, plant and equipment	3,580	3,637	-2%	14,467	14,169	2%
Depreciation of investment property	44	44	0%	176	176	0%
Amortisation of land use rights	91	91	0%	365	365	0%
Amortisation of intangible assets	83	27	207%	333	73	356%
Allowance for impairment of trade receivables	4,528	3,220	41%	6,354	5,927	7%
Write-back of impairment of trade receivables	(271)	(2,380)	-89%	(2,097)	(5,927)	-65%
Write-back of prepayment	–	(3)	-100%	–	(3)	-100%
Write-off of trade receivables	–	568	-100%	–	598	-100%
(Write-back of)/allowance for inventory obsolescence	(236)	972	-124%	(309)	896	-134%
Loss/(gain) on disposal of property, plant and equipment	94	–	N.M.	84	(3)	N.M.
Net foreign exchange (gain)/loss	(75)	(87)	N.M.	(262)	76	N.M.
Write-back of after-sale expenses	–	–	N.M.	–	(35)	N.M.
Finance income	(1,260)	(742)	70%	(2,865)	(3,208)	-11%
Finance costs	132	143	-8%	556	850	-35%
Performance share plan expenses	48	46	4%	181	168	8%

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 31/12/2016 RMB'000	Audited 31/12/2015 RMB'000	Unaudited 31/12/2016 RMB'000	Audited 31/12/2015 RMB'000
ASSETS				
Non-current assets				
Property, plant and equipment	100,222	114,704	–	–
Intangible assets	598	293	–	–
Land use rights	14,075	14,440	–	–
Deferred tax assets	–	53	–	–
Investment in a subsidiary	–	–	75,353	75,166
Investment property	612	788	–	–
Prepayments	–	1,788	–	–
	<u>115,507</u>	<u>132,066</u>	<u>75,353</u>	<u>75,166</u>
Current assets				
Inventories	50,566	65,388	–	–
Trade and other receivables	67,767	64,230	35,788	35,766
Bills receivable	16,371	30,129	–	–
Prepayments	8,481	6,250	82	85
Cash and cash equivalents	148,697	155,363	24,576	27,223
	<u>291,882</u>	<u>321,360</u>	<u>60,446</u>	<u>63,074</u>
Total assets	<u>407,389</u>	<u>453,426</u>	<u>135,799</u>	<u>138,240</u>
EQUITY AND LIABILITIES				
Current liabilities				
Trade and other payables	43,679	59,225	11,252	11,074
Advances from customers	34,564	42,647	–	–
Other liabilities	13,455	16,838	1,035	1,085
Income tax payable	6,560	7,099	–	–
	<u>98,258</u>	<u>125,809</u>	<u>12,287</u>	<u>12,159</u>
Net current assets	<u>193,624</u>	<u>195,551</u>	<u>48,159</u>	<u>50,915</u>
Non-current liability				
Deferred tax liabilities	100	–	–	–
	<u>100</u>	<u>–</u>	<u>–</u>	<u>–</u>
Total liabilities	<u>98,358</u>	<u>125,809</u>	<u>12,287</u>	<u>12,159</u>
Net assets	<u>309,031</u>	<u>327,617</u>	<u>123,512</u>	<u>126,081</u>
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	120,388	119,399	349	168
Accumulated profits/(loss)	39,795	59,370	(25,685)	(22,935)
Total equity	<u>309,031</u>	<u>327,617</u>	<u>123,512</u>	<u>126,081</u>
Total equity and liabilities	<u>407,389</u>	<u>453,426</u>	<u>135,779</u>	<u>138,240</u>

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

The Group has loans from former shareholders of our subsidiary amounting to RMB18.0 million (31 December 2015: RMB22.5 million) as at 31 December 2016 with an interest rate of 2.5% per annum and which are unsecured with no fixed term of repayment.

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

	Group Unaudited 3 months ended		Group Unaudited 12 months ended	
	31/12/2016	31/12/2015	31/12/2016	31/12/2015
Note	RMB'000	RMB'000	RMB'000	RMB'000
Operating activities				
(Loss)/profit before tax	(10,550)	4,418	(18,668)	10,985
<u>Adjustment for:</u>				
Depreciation of property, plant and equipment	3,580	3,637	14,467	14,169
Depreciation of investment property	44	44	176	176
Amortisation of intangible assets	83	27	333	73
Amortisation of land use rights	91	91	365	365
Allowance for impairment of trade receivables, net	4,257	840	4,257	–
Write-off of trade receivables	–	568	–	598
Allowance for/(write-back of) after-sale expenses	–	–	–	(35)
(Loss)/gain on disposal of property, plant and equipment	94	–	84	(3)
(Write-back of)/allowance for inventory obsolescence	(236)	972	(309)	896
Write-back of prepayment	–	(3)	–	(3)
Performance share plan expense	48	46	181	168
Net foreign exchange (gain)/loss	(75)	(87)	(262)	76
Finance costs	132	143	556	850
Finance income	(1,260)	(742)	(2,865)	(3,208)
Operating cash flows before changes in working capital	(3,792)	9,954	(1,685)	25,107
<u>Changes in working capital</u>				
Decrease/(increase) in:				
Inventories	409	12,337	15,131	5,331
Trade and other receivables	(462)	2,175	(7,794)	(5,776)
Bill receivable	4,183	(3,837)	13,758	10,261
Prepayments	(762)	2,840	(451)	408
(Decrease)/increase in:				
Trade and other payables	(1,518)	(6,540)	(9,440)	(7,517)
Advances from customers	904	(19,705)	(8,083)	(10,138)
Other liabilities	3,814	2,009	(2,579)	(1,922)
Total changes in working capital	6,568	(10,721)	542	(9,353)
Cash flows generated from/(used in) operations	2,776	(767)	(1,143)	15,754
Interest received	1,260	742	2,865	3,208
Interest paid	(515)	(8)	(1,360)	(1,422)
Income taxes paid	(539)	(93)	(485)	(93)
Net cash generated from/(used in) operating activities	2,982	(126)	(123)	17,447

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. (cont'd)

	Group Unaudited 3 months ended		Group Unaudited Audited 12 months ended	
	31/12/2016	31/12/2015	31/12/2016	31/12/2015
	RMB'000	RMB'000	RMB'000	RMB'000
Investing activities				
Proceed from sale of property, plant and equipment	–	–	45	56
Purchase of Intangible assets - software	–	(103)	(638)	(304)
Purchase of property, plant and equipment	A (693)	3,388	(1,714)	(4,065)
Net cash (used in)/generated from investing activities	(693)	3,285	(2,307)	(4,313)
Financing activity				
Repayment of loans from former shareholders of a subsidiary	(4,498)	–	(4,498)	(22,379)
Net cash used in financing activity	(4,498)	–	(4,498)	(22,379)
Net (decrease)/increase in cash and cash equivalents	(2,209)	3,159	(6,928)	(9,245)
Cash and cash equivalents at beginning of period	150,831	152,117	155,363	164,684
Effect of exchange rate changes on cash and cash equivalents	75	87	262	(76)
Cash and cash equivalents at end of period	148,697	155,363	148,697	155,363

Note A:

Purchase of property, plant and equipment

	Group Unaudited 3 months ended		Group Unaudited Audited 12 months ended	
	31/12/2016	31/12/2015	31/12/2016	31/12/2015
	RMB'000	RMB'000	RMB'000	RMB'000
Current period additions to property, plant and equipment	38	706	114	7,143
Less: Payable to creditors for current period purchases	(3)	(2)	(9)	(2,570)
Prepayment made in prior period	–	(3,968)	(8)	(2,971)
Add: Payments for prior period purchase	658	(916)	1,617	2,455
Prepayments made in current period	–	792	–	8
Net cash outflow for purchase of property, plant and equipment	693	(3,388)	1,714	4,065

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

Statement of Changes in Equity

	Attributable to owners of the Company								
	Share Capital	Employee benefit trust Shares	Performance share plan reserve	Contribution from shareholder	Statutory reserve fund	Statutory reserve fund - safety production reserve	Merger reserve	Accumulated profits	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Group Audited									
Balance at 1 January 2015	149,278	(430)	–	1,725	37,975	3,195	75,000	51,879	318,622
Profit for the year, representing total comprehensive income for the year	–	–	–	–	–	–	–	8,827	8,827
Others									
Grant of equity-settled performance shares to employees	–	–	168	–	–	–	–	–	168
Transfer to statutory reserve – safety production reserve	–	–	–	–	–	982	–	(982)	–
Transfer to statutory reserve fund	–	–	–	–	354	–	–	(354)	–
Total others	–	–	–	–	354	982	–	(1,336)	168
Balance at 31 December 2015	149,278	(430)	168	1,725	38,329	4,177	75,000	59,370	327,617
Group Unaudited									
Balance at 1 January 2016	149,278	(430)	168	1,725	38,329	4,177	75,000	59,370	327,617
Loss of the year, representing total comprehensive loss for the year	–	–	–	–	–	–	–	(18,767)	(18,767)
Others									
Grant of equity-settled performance shares to employees	–	–	181	–	–	–	–	–	181
Transfer to statutory reserve – safety production reserve	–	–	–	–	–	808	–	(808)	–
Total others	–	–	181	–	–	808	–	(808)	181
Balance at 31 December 2016	149,278	(430)	349	1,725	38,329	4,985	75,000	39,795	309,031

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

Statement of Changes in Equity (cont'd)

	Attributable to owners of the Company				
	Share Capital	Employee benefit trust Shares	Performance share plan reserve	Accumulated losses	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Company Audited					
Balance at 1 January 2015	149,278	(430)	–	(20,072)	128,776
Loss of the period, representing total comprehensive expense for the year	–	–	–	(2,863)	(2,863)
Grant of equity-settled performance shares to employees	–	–	168	–	168
Balance at 31 December 2015	149,278	(430)	168	(22,935)	126,081
Company Unaudited					
Balance at 1 January 2016	149,278	(430)	168	(22,935)	126,081
Loss of the period, representing total comprehensive loss for the year	–	–	–	(2,750)	(2,750)
Grant of equity-settled performance shares to employees	–	–	181	–	181
Balance at 31 December 2016	149,278	(430)	349	(25,685)	123,512

N.M. - not meaningful

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 31 December 2016 (after share consolidation)	50,500,000	149,278
Ordinary shares including employee benefit trust ("EBT") shares as at 31 December 2015	505,000,000	149,278

The proposed share consolidation was approved by the EGM on 29 April, 2016, and pursuant to the proposed share consolidation, the Company consolidated every ten (10) Shares registered in the name of each Shareholder, as at the Books Closure Date, into one (1) Consolidated Share in May 2016.

Convertibles

The Company did not have outstanding convertibles as at 31 December 2016 and as at 31 December 2015.

EBT shares

The Company had 170,000 EBT shares as at 31 December 2016 after the completion of a 10-for-1 share consolidation, and 1,700,000 EBT shares as at 31 December 2015.

1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.

	As at 31.12.16	As at 31.12.15
Total number of issued shares excluding EBT shares	50,330,000	503,300,000

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

Not applicable.

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

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

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

Not applicable.

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

Except for the adoption of the FRSs and Amendments to FRSs applicable for the financial period beginning on or after 1 January 2016, the same accounting policies and methods of computation have been applied. The adoption of new FRSs and Amendments to FRSs did not have any effect on the financial performance or position of the Group and the Company.

5) **If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.**

The Group and the Company have adopted all the new FRSs and Amendments to FRSs that are effective for the periods beginning on or after 1 January 2016. The adoption of these standards and interpretations did not have any effect on the financial performance or position of the Group and the Company.

6) **Earnings per ordinary share of the group for the current period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends**

	Group			
	3 months ended 31/12/2016	3 months ended 31/12/2015	12 months ended 31/12/2016	12 months ended 31/12/2015
(Loss)/Profit net of tax attributable to owners of the Company (RMB '000)	(10,703)	3,546	(18,767)	8,827
Weighted average number of ordinary shares ('000) on issue applicable to basic EPS	50,330	503,300	50,330	503,300
Basic (loss)/earnings per share (RMB cents)	<u>(21.27)</u>	<u>0.70</u>	<u>(37.29)</u>	<u>1.75</u>

Basic (loss)/earnings per share for the 12 months ended 31 December 2016 and 31 December 2015 are computed by dividing the (loss)/profit net of tax attributable to owners of the Company by the weighted average number of ordinary shares excluding EBT shares.

The diluted (loss)/earnings per share are the same as the basic (loss)/earnings per share as the Company does not have any dilutive potential ordinary shares for the financial years ended 31 December 2016 and 31 December 2015.

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

	Group		Company	
	31/12/2016	31/12/2015	31/12/2016	31/12/2015
Net asset value per share (RMB per share)	6.14	0.65	2.45	0.25

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

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

A) Income Statements

Revenue

FY2016 vs FY2015

Revenue decreased by RMB45.0 million or 36% from RMB123.5 million in FY2015 to RMB78.5 million in FY2016. The decrease was mainly due to the decrease of revenue from our engineering services and CSC business and partially offset by the increase of revenue from catalyst business, further described as follows:

Revenue from our Catalyst Business

Revenue from our Catalyst Business increased by RMB3.1 million or 18% from RMB17.5 million in FY2015 to RMB20.6 million in FY2016. The increase was mainly due to increase in demands from chemical producers in FY2016. Facing weak market prices for their finished products, many of these chemical producers have postponed their plant and equipment replacement programmes. Thus, as an alternative to incurring the capital expenditure, chemical producers have increased the replacement frequency of catalysts in their efforts to maintain plant productivity.

With the new production capacity on stream in FY2015 and new development of shift reaction catalyst, the Group has been able to meet the higher demands of our customers.

Revenue from our Engineering Services

Revenue from our Engineering Services decreased by RMB7.4 million or 64% from RMB11.6 million in FY2015 to RMB4.2 million in FY2016. The decrease was mainly due to customers' postponement of the capital expenditure projects in FY2016.

Revenue from our CSC Business

Revenue from our CSC Business decreased by RMB40.7 million or 43% from RMB94.4 million in FY2015 to RMB53.7 million in FY2016. In view of the on-going macro-economic structure reform in People's Republic of China ("PRC") coupled with worldwide low oil and gas prices and basic chemical prices including methanol and urea, some of the Group's customers did not proceed with their capital expenditure investment plan in FY2016. As the Group's CSC and engineering business are in the capital goods market, the above market factors intensified market competition further in FY2016 and thus contributed to the decline in demand for the Group. Furthermore, in view of the increased degree of uncertainty in the macro-economic environment, as part of its credit-risk management the Group is also careful in its evaluation of potential business opportunities.

4Q2016 vs 4Q2015

The Group's revenue decreased by RMB31.2 million or 70% from RMB44.6 million in 4Q2015 to RMB13.4 million in 4Q2016. This was mainly due to decrease in our CSC sales, catalyst sales and engineering services of RMB29.2 million, RMB1.5 million and RMB0.5 million respectively in 4Q2016 compared to 4Q2015.

A) Income Statements (cont'd)

Gross profit and gross profit margin (cont'd)

FY2016 vs FY2015

Our overall gross profit decreased by RMB23.5 million or 46% from RMB50.8 million in FY2015 to RMB27.3 million in FY2016 and our gross profit margin decreased from 41% in FY2015 to 35% in FY2016.

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

- 1) Gross profit of our Catalyst business increased by RMB1.5 million from RMB7.8 million in FY2015 to RMB9.3 million in FY2016. The increase of gross profit was attributable to the increase in revenues;
- 2) Gross profit of our CSC business decreased by RMB19.2 million from RMB34.7 million in FY2015 to RMB15.5 million in FY2016. This was mainly attributable to decrease of sales revenue and low profit margin from the resale of some chemical system equipments, where customers had previously cancelled their contracts, at lower selling price due to market conditions. Furthermore, these chemical system equipments incurred higher manufactured costs when they were manufactured in FY2013. The raw materials used were steel plate, steel tube and steel forging, which were acquired at higher purchase prices at that time.
- 3) Gross profit of engineering design decreased by RMB5.8 million from RMB8.3 million in FY2015 to RMB2.5 million in FY2016. The gross profit decrease was mainly attributable to the revenue decrease in FY2016.

4Q2016 vs 4Q2015

Our overall gross profit decreased by RMB12.4 million or 69% from RMB18.1 million in 4Q2015 to RMB5.7 million in 4Q2016 and our gross profit margin increased from 41% in 4Q2015 to 42% in 4Q2016. The gross profit of our Catalyst business decreased by RMB1.0 million from RMB2.8 million in 4Q2015 to RMB1.8 million in 4Q2016 corresponding to the decrease in the sales revenue. The gross profit of CSC business decreased by RMB11.3 million from RMB13.2 million in 4Q2015 to RMB1.9 million in 4Q2016, this was mainly attributable to decrease in the sales revenue of CSC in 4Q2016. The gross profit of engineering design decreased by RMB0.1 million from RMB2.1 million in 4Q2015 to RMB2.0 million in 4Q2016, this was mainly attributable to the decrease in engineering service revenue in 4Q2016.

Finance and other income

FY2016 vs FY2015

Finance and other income decreased by RMB8.3 million or 57% from RMB14.7 million in FY2015 to RMB6.4 million in FY2016. The decrease was mainly due to the lower net gain arising from sale of chemical equipment from research and development activities and decrease of interest income in FY2016.

4Q2016 vs 4Q2015

Finance and other income increased by RMB2.6 million or 302% from RMB0.9 million in 4Q2015 to RMB3.5 million in 4Q2016. The increase was mainly attributable to the contract penalty income from the vendors and fixed asset disposal income.

A) Income Statements (cont'd)

Marketing and distribution expenses

FY2016 vs FY2015

Marketing and distribution expenses decreased by RMB0.7 million or 11% from RMB6.3 million in FY2015 to RMB5.6 million in FY2016. The decrease was mainly attributable to decrease of sales incentive bonus and travelling expense partially offset by the increase of after sales expense.

4Q2016 vs 4Q2015

Marketing and distribution expenses amounts to RMB2.3 million in 4Q2016 and this is almost the same as in 4Q2015.

Administrative expenses

FY2016 vs FY2015

Administrative expenses decreased by RMB1.2 million or 3% from RMB38.4 million in FY2015 to RMB37.2 million in FY2016. The decrease was mainly due to the decrease of maintenance expense and labor service expense, partially offset by more unallocated manufacturing overhead was allocated to administrative expenses due to low production utilization and the compensation expenses incurred for early terminations of staff contracts. Since plant production capacity utilization is lower in FY2016 than in FY2015, there is more overhead allocated to administrative expense in FY2016.

4Q2016 vs 4Q2015

Administrative expenses decreased by RMB0.1 million or 1% from RMB10.8 million in 4Q2015 to RMB10.7 million in 4Q2016. The decrease was mainly attributable to the decrease of annual bonus partially offset by the increase of allocation of manufacturing overhead to administrative expenses in 4Q2016.

Research expenses

FY2016 vs FY2015

Research expenses decreased by RMB4.1 million or 48% from RMB8.4 million in FY2015 to RMB4.3 million in FY2016. The decrease was mainly due to lower research expenditure incurred in FY2016.

4Q2016 vs 4Q2015

Research expenses increased by RMB1.0 million or 112% from RMB0.8 million in 4Q2015 to RMB1.8 million in 4Q2016, this was mainly attributable to more research and development activities practiced in 4Q2016.

Other operating expense

FY2016 vs FY2015

Other operating expense increased by RMB4.1 million or 607% from RMB0.7 million in FY2015 to RMB4.8 million in FY2016. The increase was mainly due to the increase in the allowance for the impairment of trade receivables made in FY2016.

4Q2016 vs 4Q2015

Other operating expense increased by RMB4.4 million or 958% from RMB0.4 million in 4Q2015 to RMB4.8 million in 4Q2016. The increase was mainly due to the increase in the allowance for the impairment of trade receivables made in 4Q2016.

A) Income Statements (cont'd)

Finance costs

FY2016 vs FY2015

Finance costs decreased by RMB0.3 million or 35% from RMB0.8 million in FY2015 to RMB0.5 million in FY2016. 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.

4Q2016 vs 4Q2015

Finance costs amounts to RMB0.1million in 4Q2016 and this is same as the finance costs in 4Q2015.

Income tax expenses

FY2016 vs FY2015

Income tax expenses decreased by RMB2.1 million or 95% from RMB2.2 million in FY2015 to RMB0.1 million in FY2016. The decrease was due to the losses incurred of our subsidiary in FY2016, and write off of deferred tax assets of RM0.15 million.

4Q2016 vs 4Q2015

Income tax expenses decreased by RMB0.7 million or 82% from RMB0.9 million in 4Q2015 to RMB0.2 million in 4Q2016. The decrease was due to the losses incurred of our subsidiary in 4Q2016, and the income tax expense in 4Q2016 was due to write-off of the deferred tax asset of RM0.15 million.

Net profit attributable to owners of the Company

FY2016 vs FY2015

The net profit attributable to owners of the Company decreased by RMB27.6 million from a net profit of RMB8.8 million in FY2015 to a loss of RMB18.8 million in FY2016 as explained above.

4Q2016 vs 4Q2015

The net profit attributable to owners of the Company decreased by RMB14.2 million from a net profit of RMB3.5 million in 4Q2015 to a loss of RMB10.7 million in 4Q2016 as explained above.

B) Balance Sheet Statements

Non-current assets

Non-current assets decreased by RMB16.6 million or 12.5% from RMB132.1 million as at 31 December 2015 to RMB115.5 million as at 31 December 2016. Non-current assets comprised of property, plant and equipment, investment property, intangible assets, land use rights, deferred tax assets and prepayments for property, plant and equipment.

Property, plant and equipment decreased by RMB14.5 million or 12.6% from RMB114.7 million as at 31 December 2015 to RMB100.2 million as at 31 December 2016, mainly due to depreciation charges in FY2016. The decrease was partially offset by additions during the period.

Current assets

Current assets decreased by RMB29.5 million or 9.2% from RMB321.4 million as at 31 December 2015 to RMB291.9 million as at 31 December 2016. The decrease was mainly due to the decrease in inventories, bills receivable and cash and cash equivalents of RMB14.8 million, RMB13.8 million and RMB6.7 million respectively. The decrease of inventories was due to the resale of some finished goods from contracts previously cancelled by customers and the decrease of raw materials. The decreases were partially offset by the increases in the trade and other receivables of RMB3.5 million. The increase was mainly due to contractual payment milestones that have not been reached. Considering the typical progress payment milestones for the Group's CSC business, trade receivables at 31 December 2016 not only include the receivables arising from sales in 4Q2016, but also include receivables attributable to sales in earlier periods. Also project development cycles are notably slower as customers push back commissioning of the upstream and downstream units, resulting in longer cycle time to reach normal operations for the plant. This effectively extended the contractual payment milestones.

The breakdown and aging of items of trade and other receivables as the follows.

R

Item by nature	31/12/2016 RMB'000	6months RMB'000	6-12months RMB'000	1-2years RMB'000	>2years RMB'000
Trade Receivables					
Receivables from sales	66,379	36,677	6,196	15,902	7,604
Other Receivables					
A. Operation cash advances	247	247			
B. Bid bonds	1,095	1,095			
C. Rental deposit	29			29	
D. VAT receivables	17	17			
Total	67,767	38,036	6,196	15,931	7,604

B) Balance Sheet Statements (Cont'd)

Current liabilities

Current liabilities decreased by RMB27.5 million or 21.9% from RMB125.8 million as at 31 December 2015 to RMB98.3 million as at 31 December 2016. The decrease was mainly attributed to the decrease in advance from customers, trade and other payables, other liabilities, and income tax payable of RMB8.1 million, RMB15.5 million, RMB3.4 million and RMB0.5 million respectively. The decrease in trade payables and other liabilities were mainly due to settlements with our suppliers and repayment of loan from former shareholders.

C) Cash Flow Statements

FY2016

Cash and cash equivalents decreased by RMB6.7 million in FY2016, which was mainly attributed to net cash used in operating activities, financing activities and investing activities. RMB0.1 million was used in operating activities while RMB4.4 million was used in the repayment of loan of former shareholders, and RMB2.3 million was used in investing activities for the purchase of property, plant and equipment and intangible assets.

4Q2016

Cash and cash equivalents decreased by RMB2.2 million in 4Q2016 which was mainly due to net cash used in financing activities and investment activities of RMB4.4 million and RMB0.7 million respectively. The net cash used in financing activities was for the repayment of loan of former shareholders. The decrease was partially offset by net cash generated in operating activities of RMB2.9 million.

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

The financial results for the period 4Q2016 reflects the challenging and competitive market conditions in the 4Q2016, and there was no variance for the business including catalyst business, engineering service and CSC business in the 4Q2016 as compared to the commentary of the industry in which the Group operates and the factors that would affect the business made in the paragraph 10 of 3Q2016 financial announcements.

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

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

Demand for the Catalyst Business depends on customers' catalyst replacement frequencies and reload quantities in the chemical system to maintain the production. Barring unforeseen circumstances, the Group expects the revenue and profit for its Catalyst business segment in FY 2017 to be comparable to those of FY 2016.

Demand for the Engineering Services and CSC Business is largely dependent on customers in chemical industry activation of their new plant investment projects. In view of the on-going macro-economic structural reform in PRC and the worldwide low basic chemical prices including methanol and urea, some of the Group's customers have postponed their new plant investment projects in FY2016. The Group's ability to secure future contracts will largely depend on the macroeconomic conditions in PRC.

As part of ongoing efforts to remain competitive, the Group will continue to enhance the operating efficiencies and manage costs, remain vigilant and respond prudently to any macroeconomic changes. The Group's order book as of 31 December 2016 was approximately RMB84.0 million (30 September 2016: RMB93.9 million).

11) Dividend

(a) Current financial period reported on

The Company does not recommend any dividend for the financial year ended 31 December 2016.

(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 2015.

(c) Date payable

Not applicable.

(d) Books closure date

Not applicable.

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

The Company does not recommend any dividend for the financial period ended 31 December 2016.

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

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

14) Update on usage of IPO proceeds

As at 31 December 2016, 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	18,171	77,765
(B) Enhance our R&D capabilities and widen our range of innovative and cost-effective solutions	15,479	3,682	11,797
(C) Working capital purposes	22,074	20,426	1,648
Total	133,489	42,279	91,210

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	(15,440)
For expanding sales and marketing capabilities and initiatives	(4,986)
Total	(20,426)

- 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 2016				
Revenue				
External customers	4,170	53,706	20,644	78,520
Total revenue	4,170	53,706	20,644	78,520
Results				
Segment gross profit	2,500	15,483	9,345	27,328
Finance income				2,865
Other income				3,525
Marketing and distribution expense				(5,571)
Administrative expense				(37,168)
Research expense				(4,328)
Other expenses				(4,763)
Finance cost				(556)
loss before tax				(18,668)
Depreciation and amortisation				15,341
Other material non-cash items				
Allowance for impairment of trade receivables, net				4,257
Write-back of allowance for inventory obsolescence				(309)

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 2015				
Revenue				
External customers	11,623	94,385	17,497	123,505
Total revenue	11,623	94,385	17,497	123,505
Results				
Segment gross profit	8,330	34,647	7,842	50,819
Finance income				3,208
Other income				11,529
Marketing and distribution expense				(6,256)
Administrative expense				(38,404)
Research expense				(8,387)
Other expenses				(674)
Finance cost				(850)
Profit before tax				10,985
Depreciation and amortisation				14,783
Other material non-cash items				
Write down of inventory to net realisable value				896
Bad debts written off				598

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		
	FY2016 RMB'000	FY2015 RMB'000	Increase/ (Decrease) %
(a) Sales reported for the first half of the year	35,539	54,643	-35.0%
(b) Operating (loss)/profit after tax for the first half year	(11,340)	2,924	N.M.
(c) Sales reported for the second half of the year	42,981	68,862	-37.6%
(d) Operating (loss)/profit after tax for the second half year	(7,427)	5,903	N.M.

N.M. - not meaningful

- 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 Director and CEO

27 February, 2017