



Anchun International Holdings Ltd.

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

Unaudited Results for the Third Quarter and Nine Months Ended 30 September 2017

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.

	Group			Group		
	Unaudited	Unaudited	Change	Unaudited	Unaudited	Change
	3 months ended			9 months ended		
	30/09/2017	30/09/2016	%	30/09/2017	30/09/2016	%
	RMB'000	RMB'000		RMB'000	RMB'000	
Revenue	22,639	29,623	-24%	55,431	65,162	-15%
Cost of sales	(16,109)	(16,850)	-4%	(40,207)	(43,468)	-8%
Gross Profit	6,530	12,773	-49%	15,224	21,694	-30%
Other item of income						
Finance and other income	1,482	749	98%	3,586	2,924	23%
Other items of expenses						
Marketing and distribution expenses	(972)	(1,041)	-7%	(2,791)	(3,275)	-15%
Administrative expenses	(5,840)	(7,950)	-27%	(18,290)	(26,488)	-31%
Research expenses	(447)	(1,114)	-60%	(1,905)	(2,549)	-25%
Finance costs	(113)	(141)	-20%	(340)	(424)	-20%
Profit/(loss) before tax	640	3,276	-80%	(4,516)	(8,118)	-44%
Income taxation	-	-	0%	-	54	-100%
Profit/(loss) from operation, net of tax, representing total comprehensive income/(loss) for the period attributable to owners of the Company	640	3,276	-80%	(4,516)	(8,064)	-44%

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

	Group			Group		
	Unaudited	Unaudited	Change	Unaudited	Unaudited	Change
	3 months ended			9 months ended		
	30/09/2017	30/09/2016	30/09/2017	30/09/2016		
RMB'000	RMB'000	%	RMB'000	RMB'000	%	
Depreciation of property, plant and equipment	3,288	3,621	-9%	9,930	10,887	-9%
Depreciation of investment property	44	44	0%	132	132	0%
Amortisation of land use rights	91	91	0%	274	274	0%
Amortisation of intangible assets	84	84	0%	252	250	1%
Allowance for impairment of trade receivables	–	1,826	-100%	–	1,826	-100%
Write-back of impairment of trade receivables	–	(1,826)	-100%	–	(1,826)	-100%
Write-back of inventory obsolescence	–	(37)	-100%	(98)	(73)	34%
Loss/(gain) on disposal of property, plant and equipment	–	15	-100%	–	(10)	-100%
Write-off of property, plant and equipment	2	–	N.M.	53	–	N.M.
Exchange loss/(gain)	10	(5)	N.M.	(41)	(187)	-78%
Finance income	(930)	(434)	114%	(2,502)	(1,605)	56%
Finance costs	113	141	-20%	340	424	-20%
Performance share plan expenses	44	45	-2%	134	133	1%

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 30/09/2017 RMB'000	Audited 31/12/2016 RMB'000	Unaudited 30/09/2017 RMB'000	Audited 31/12/2016 RMB'000
ASSETS				
Non-current assets				
Property, plant and equipment	90,909	100,222	–	–
Intangible assets	346	598	–	–
Land use rights	13,801	14,075	–	–
Investment in a subsidiary	–	–	75,487	75,353
Investment property	480	612	–	–
	<u>105,536</u>	<u>115,507</u>	<u>75,487</u>	<u>75,353</u>
Current assets				
Inventories	56,815	50,566	–	–
Trade and other receivables	77,220	67,767	35,814	35,788
Bills receivable	12,737	16,371	–	–
Prepayments	10,547	8,481	111	82
Cash and cash equivalents	141,858	148,697	22,723	24,576
	<u>299,177</u>	<u>291,882</u>	<u>58,648</u>	<u>60,446</u>
Total assets	<u>404,713</u>	<u>407,389</u>	<u>134,135</u>	<u>135,799</u>
EQUITY AND LIABILITIES				
Current liabilities				
Trade and other payables	41,823	42,719	11,392	11,252
Advances from customers	41,445	34,564	–	–
Other liabilities	10,149	14,415	909	1,035
Income tax payable	6,560	6,560	–	–
	<u>99,977</u>	<u>98,258</u>	<u>12,301</u>	<u>12,287</u>
Net current assets	<u>199,200</u>	<u>193,624</u>	<u>46,347</u>	<u>48,159</u>
Non-current liability				
Deferred tax liabilities	100	100	–	–
	<u>100</u>	<u>100</u>	<u>–</u>	<u>–</u>
Total liabilities	<u>100,077</u>	<u>98,358</u>	<u>12,301</u>	<u>12,287</u>
Net assets	<u>304,636</u>	<u>309,031</u>	<u>121,834</u>	<u>123,512</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)
Treasury shares	13	–	13	–
Other reserves	121,105	120,388	483	349
Accumulated profits/(losses)	34,696	39,795	(27,484)	(25,685)
Total equity	<u>304,636</u>	<u>309,031</u>	<u>121,834</u>	<u>123,512</u>
Total equity and liabilities	<u>404,713</u>	<u>407,389</u>	<u>134,135</u>	<u>135,799</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 2016: RMB18.0 million) as at 30 September 2017 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 comparative statement for the corresponding period of the immediately preceding financial year.

	Group Unaudited 3 months ended		Group Unaudited 9 months ended	
	30/09/2017	30/09/2016	30/09/2017	30/09/2016
Note	RMB'000	RMB'000	RMB'000	RMB'000
Operating activities				
Profit/(loss) before tax	640	3,276	(4,516)	(8,118)
<u>Adjustments for:</u>				
Depreciation of property, plant and equipment	3,288	3,621	9,930	10,887
Depreciation of investment property	44	44	132	132
Amortisation of intangible assets	84	84	252	250
Amortisation of land use rights	91	91	274	274
Loss/(gain) on disposal of property, plant and equipment	–	15	–	(10)
Write-off of property, plant and equipment	2	–	53	–
Write-back of inventory obsolescence	–	(37)	(98)	(73)
Performance share plan expense	44	45	134	133
Net foreign exchange loss/(gain)	10	(5)	(41)	(187)
Finance costs	113	141	340	424
Finance income	(930)	(434)	(2,502)	(1,605)
Operating cash flows before changes in working capital	3,386	6,841	3,958	2,107
<u>Changes in working capital</u>				
Decrease/(increase) in:				
Inventories	(3,641)	7,565	(6,151)	14,722
Trade and other receivables	(11,452)	(2,660)	(9,453)	(7,332)
Bills receivable	4,143	(7,567)	3,634	9,575
Prepayments	(934)	(186)	(2,066)	311
(Decrease)/increase in:				
Trade and other payables	1,458	(494)	(569)	(6,780)
Advances from customers	(229)	(7,178)	6,881	(8,987)
Other liabilities	33	(547)	(4,603)	(6,393)
Total changes in working capital	(10,622)	(11,067)	(12,327)	(4,884)
Cash flows used in operations	(7,236)	(4,226)	(8,369)	(2,777)
Interest received	930	434	2,502	1,605
Interest paid	(1)	(1)	(3)	(845)
Income tax refund	–	–	–	54
Net cash used in operating activities	(6,307)	(3,793)	(5,870)	(1,963)

1c) 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 Unaudited 3 months ended		Group Unaudited 9 months ended	
	30/09/2017	30/09/2016	30/09/2017	30/09/2016
	RMB'000	RMB'000	RMB'000	RMB'000
Investing activities				
Proceed from sale of property, plant and equipment	–	3	7	45
Purchase of Intangible assets - software	–	–	–	(638)
Purchase of property, plant and equipment	(436)	(1,009)	(1,004)	(2,163)
Net cash used in investing activities	(436)	(1,006)	(997)	(2,756)
Financing activity				
Purchase of treasury shares	(13)	–	(13)	–
Net cash used in financing activity	(13)	–	(13)	–
Net decrease in cash and cash equivalents	(6,756)	(4,799)	(6,880)	(4,719)
Cash and cash equivalents at beginning of period	148,624	155,625	148,697	155,363
Effect of exchange rate changes on cash and cash equivalents	(10)	5	41	187
Cash and cash equivalents at end of period	141,858	150,831	141,858	150,831

Note A:

Purchase of property, plant and equipment

	Group Unaudited 3 months ended		Group Unaudited 9 months ended	
	30/09/2017	30/09/2016	30/09/2017	30/09/2016
	RMB'000	RMB'000	RMB'000	RMB'000
Current period additions to property, plant and equipment	447	77	677	76
Less: Payable to creditors for current period purchases	74	932	(32)	(475)
Prepayment made in prior period	(85)	–	–	(8)
Add: Payments for prior period purchase	–	–	359	2,570
Net cash outflow for purchase of property, plant and equipment	436	1,009	1,004	2,163

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 Unaudited									
Balance at 1 January 2016	149,278	(430)	168	1,725	38,329	4,177	75,000	59,370	327,617
Loss for the period, representing total comprehensive loss for the period	-	-	-	-	-	-	-	(8,064)	(8,064)
Others									
Grant of equity-settled performance shares to employees	-	-	133	-	-	-	-	-	133
Transfer to statutory reserve – safety production reserve	-	-	-	-	-	743	-	(743)	-
Total others	-	-	133	-	-	743	-	(743)	133
Balance at 30 September 2016	149,278	(430)	301	1,725	38,329	4,920	75,000	50,563	319,686
Group Unaudited									
Balance at 1 January 2017	149,278	(430)	349	1,725	38,329	4,985	75,000	39,795	309,031
Loss for the period, representing total comprehensive loss for the period	-	-	-	-	-	-	-	(4,516)	(4,516)
Others									
Grant of equity-settled performance shares to employees	-	-	134	-	-	-	-	-	134
Transfer to statutory reserve – safety production reserve	-	-	-	-	-	583	-	(583)	-
Purchase of treasury shares	-	(13)	-	-	-	-	-	-	(13)
Total others	-	(13)	134	-	-	583	-	(583)	121
Balance at 30 September 2017	149,278	(443)	483	1,725	38,329	5,568	75,000	34,696	304,636

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 Unaudited					
Balance at 1 January 2016	149,278	(430)	168	(22,935)	126,081
Loss for the period, representing total comprehensive loss for the period	–	–	–	(2,196)	(2,196)
Grant of equity-settled performance shares to employees	–	–	133	–	133
Balance at 30 September 2016	149,278	(430)	301	(25,131)	124,018
Company Unaudited					
Balance at 1 January 2017	149,278	(430)	349	(25,684)	123,513
Loss for the period, representing total comprehensive loss for the period	–	–	–	(1,800)	(1,800)
Grant of equity-settled performance shares to employees	–	–	134	–	134
Purchase of treasury shares		(13)			(13)
Balance at 30 September 2017	149,278	(443)	483	(27,484)	121,834

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, 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 30 September 2017 and 30 September 2016	50,500,000	149,278

Convertibles

The Company did not have outstanding options, convertibles or subsidiary holdings as at 30 September 2017 and 30 September 2016.

EBT shares

The Company had 170,000 EBT shares (approximately 0.337% of the total number of issued shares) as at 30 September 2017 and 30 September 2016.

Treasury shares

The Company had 9,700 treasury shares (approximately 0.019% of the total number of issued shares) as at 30 September 2017 and did not have treasury shares as at 30 September 2016.

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

	As at 30.09.17	As at 31.12.16
Total number of issued shares excluding EBT shares and treasury shares	50,320,300	50,330,000

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 2017, 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 2017. The adoption of these standards and interpretations did not have any effect on the financial performance or position of the Group and the Company.

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

	Group			
	3 months ended 30/09/2017	3 months ended 30/09/2016	9 months ended 30/09/2017	9 months ended 30/09/2016
Profit/(loss) net of tax attributable to owners of the Company (RMB '000)	640	3,276	(4,516)	(8,064)
Weighted average number of ordinary shares (excluding EBT and treasury shares) ('000) on issue applicable to basic and diluted EPS	50,326	50,330	50,328	50,330
Weighted average number of ordinary shares (including EBT and treasury shares) ('000) on issue applicable to basic and diluted EPS	50,500	50,500	50,500	50,500
Basic earnings/(loss) per share (RMB cents)	1.27	6.51	(8.97)	(16.02)
Diluted earnings/(loss) per share (RMB cents)	1.27	6.49	(8.97)	(16.02)

Basic earnings per share for the 3 months ended 30 September 2017 and 30 September 2016 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 and treasury shares.

The diluted earnings per share for the 3 months ended 30 September 2017 and 30 September 2016 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 and treasury shares. The EBT and treasury shares have a dilutive effect on the 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	
	30/09/2017	31/12/2016	30/09/2017	31/12/2016
Net asset value per share (RMB per share)	6.05	6.14	2.42	2.45

Net asset value per ordinary share as at 30 September 2017 was calculated based on the existing number of shares in issue excluding EBT and treasury shares of 50,320,300 and 50,330,000 ordinary shares as at 30 September 2017 and 31 December 2016 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

9M2017 VS 9M2016

Revenue decreased by RMB9.7 million or 15% from RMB65.1 million in 9M2016 to RMB55.4 million in 9M2017. The decrease was mainly due to the decrease of revenue from catalyst business and CSC business, partially offset by the increase of revenue from engineering services, further described as follows:

Revenue from our Catalyst Business

Revenue from our Catalyst Business decreased by RMB5.7 million or 33% from RMB17.3 million in 9M2016 to RMB11.6 million in 9M2017. This was mainly due to the absence of sales of hydrocarbon catalysts, partially offset by the increase of revenue from pre-reduced catalysts.

Revenue from our Engineering Services

Revenue from our Engineering Services increased by RMB1.4 million or 78% from RMB1.8 million in 9M2016 to RMB3.2 million in 9M2017. The increase was mainly attributable to increase from environmental protection engineering services of RMB1.2 million.

Revenue from our CSC Business

Revenue from our CSC Business decreased by RMB5.4 million or 12% from RMB46.0 million in 9M2016 to RMB40.6 million in 9M2017. This decrease was mainly attributable to decrease in sales of patented equipment of methanol reactor and isothermal shift reactor amounting to RMB6.9 million.

3Q2017 VS 3Q2016

The Group's revenue decreased by RMB7.0 million or 24% from RMB29.6 million in 3Q2016 to RMB22.6 million in 3Q2017 attributable to the following:

- a) Catalyst Business revenue increased by RMB 1.0 million mainly attributable to increase in sales of hydrocarbon catalyst and methanol catalyst. Revenue from the hydrocarbon catalyst and methanol catalyst increased by RMB4.1 million or 342% from RMB1.2 million in 3Q2016 to RMB5.8 million in

A) Income Statements (cont'd)

Revenue (cont'd)

3Q2017. Revenue from the hydrocarbon catalyst decreased by RMB3.0million or 100% with no sales in 3Q2017.

- b) The CSC Business revenue decreased by RMB8.9 million mainly attributable to decrease in sales of isothermal shift reactor and ammonia converter internals partially offset by an increase in sales of methanol reactor and other equipment. Revenue from isothermal shift reactor and ammonia converter internals decreased by RMB20.5 million or 96% from RMB21.3 million in 3Q2016 to RMB0.8 million in 3Q2017. Revenue from methanol reactor increased by RMB11.5 million or 100% from nil in 3Q2016 to RMB11.5 million in 3Q2017.
- c) Engineering Services revenue increased by RMB0.9 million due to increase from environmental protection engineering services.

Gross profit and gross profit margin

9M2017 VS 9M2016

Our overall gross profit decreased by RMB6.5 million or 30% from RMB21.7 million in 9M2016 to RMB15.2 million in 9M2017 and our gross profit margin decreased from 33% in 9M2016 to 27% in 9M2017.

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

- a) Gross profit of Catalyst business decreased by RMB5.0 million from RMB7.5 million in 9M2016 to RMB2.5 million in 9M2017 was mainly attributable to the absence of revenue from hydrocarbon catalysts which contributed RMB5.3 million to 9M2016 offset by RMB0.7 million from the increase in sales of the ammonia synthesis catalyst and pre-reduced catalyst. The gross profit margin decreased by 21 percentage points from 43% in 9M2016 to 22% in 9M2017 principally due to the absence of revenue from hydrocarbon catalysts which contributed higher gross margin than ammonia synthesis and pre-reduced catalysts.
- b) Gross profit of CSC business decreased by RMB2.8 million from RMB13.5 million in 9M2016 to RMB10.7 million in 9M2017. This was mainly attributable to decrease in gross profit of RMB11.0 million from sales of isothermal shift reactor offset by increase of RMB8.6 million in sales of methanol reactor and the pressure vessel. Overall average gross profit margin achieved in 9M2017 was 26% compared to 29% in 9M2016. The decline in gross profit margin by 3 percentage points mainly attributable to costs overrun in one contract.
- c) Gross profit of Engineering Services increased by RMB1.2 million from RMB0.6 million in 9M2016 to RMB1.8 million in 9M2017. The gross profit increase was mainly attributable to the revenue increase in 9M2017. The overall average gross profit margin increased by 23 percentage points from 34% in 9M2016 to 57% in 9M2017. The gross profit margin increase was contributed by better pricing of some design contracts particularly the environmental protection engineering services completed in 3Q2017.

Property tax, land use tax and stamp duty totalling RMB1.4 million have been reclassified from administrative expenses to cost of sales in 9M2017 in accordance to the circular on provisions on the accounting treatment for value added tax issued by Ministry of Finance in PRC effective 2017.

3Q2017 VS 3Q2016

Our overall gross profit decreased by RMB6.2 million or 49% from RMB12.7 million in 3Q2016 to RMB6.5 million in 3Q2017 and our gross profit margin decreased from 43% in 3Q2016 to 29% in 3Q2017.

A) Income Statements (cont'd)

Gross profit and gross profit margin (cont'd)

- a) Gross profit of Catalyst business decreased by RMB1.4 million from RMB2.6 million in 3Q2016 to RMB1.2 million in 3Q2017. The gross profit margin decreased by 33% from 54% in 3Q2016 to 21% in 3Q2017 was mainly attributable to the absence of revenue from hydrocarbon catalysts which contributed higher gross margin than ammonia synthesis and pre-reduced catalysts.
- b) The gross profit of CSC business decreased by RMB5.5 million from RMB9.7 million in 3Q2016 to RMB4.2 million in 3Q2017, which was mainly attributable to higher margin methanol synthesis reactor sales in 3Q2017 compared to 3Q2016. This was mainly attributable to decrease in gross profit of RMB10.1 million from sales of isothermal shift reactor and ammonia converter internals offset by increase of RMB4.3 million in sales of methanol reactor. Overall average gross profit margin achieved in 3Q2017 was 27% compared to 40% in 3Q2016. The decline in gross profit margin by 13 percentage points mainly attributable to costs overrun in one contract.
- c) The gross profit of engineering design increased by RMB0.7 million from RMB0.4 million in 3Q2016 to RMB1.1 million in 3Q2017 mainly contributed by revenue from environmental protection engineering services completed in the current quarter which also contributed to the overall increase in gross profit margin from 56% in 3Q2016 to 69%.

Property tax, land use tax and stampy duty totalling RMB0.46 million have been reclassified from administrative expenses to cost of sales in 3Q2017 in accordance to the circular on provisions on the accounting treatment for value added tax issued by Ministry of Finance in PRC effective 2017.

Finance and other income

9M2017 VS 9M2016

Finance and other income increased by RMB0.7 million or 23% from RMB2.9 million in 9M2016 to RMB3.6 million in 9M2017. The increase was mainly due to increase of interest income of RMB0.9 million from higher interest rates and increase of other operating income of RMB0.3 million offset by decrease of RMB0.5 million from contract penalties imposed on suppliers, government grants and exchange loss.

3Q2017 VS 3Q2016

Finance and other income increased significantly by RMB0.8 million or 98% from RMB0.7 million in 3Q2016 to RMB1.5 million in 3Q2017. The increase was mainly attributable to increase of interest income of RMB0.5 million from higher interest rates and increase of other operating income of RMB0.3 million.

Marketing and distribution expenses

9M2017 VS 9M2016

Marketing and distribution expenses decreased by RMB0.5 million or 15% from RMB3.3 million in 9M2016 to RMB2.8 million in 9M2017. The decrease was mainly attributable to decrease of sales incentive bonus of RMB0.3 million and after-sales maintenance of RMB0.2 million.

3Q2017 VS 3Q2016

Marketing and distribution expenses decreased slightly by RMB0.1 million or 7% from RMB1.1 million in 3Q2016 to RMB1.0 million in 3Q2017 mainly due to a decrease of RMB0.05 million of salary expense and RMB0.05 million of after-sales maintenance.

Administrative expenses

9M2017 VS 9M2016

Administrative expenses decreased by RMB8.2 million or 31% from RMB26.5 million in 9M2016 to RMB18.3 million in 9M2017. The decrease was partly due lower unallocated manufacturing overheads of RMB4.0 million charged to profit or loss under administrative expenses, RMB1.0 million lower salaries,

A) Income Statements (cont'd)

Administrative expenses (cont'd)

bonuses and fees and RMB0.8 million lower compensation expenses incurred for early terminations of staff contracts in 9M2017 VS 9M2016.

Item by nature	9M2016	9M2017	9M17 vs.9M16 (Change)		Comments
	RMB'000	RMB'000	RMB'000	%	
Unallocated manufacturing overheads allocated in administrative expenses	9,244	5,277	(3,967)	(43)	Allocation of manufacturing overheads relates to production. Allocation method is evaluated every two years based on production. Decrease due to overall decrease in manufacturing overheads principally due to lower manpower and its related costs in 9M2017 over 9M2016.
Land rights taxes,land use taxes,stamp duty	1,396	–	(1,396)	(100)	Reclassified to Cost of Sales in accordance with the circular on provisions on the accounting treatment for value added tax issued by Ministry of Finance in PRC effective 2017.
Salaries, bonuses and fees	5,833	4,873	(960)	(16)	Include salaries of executive directors and heads of department deployed in administrative functions and director's fees. There were lower headcount in 9M2017 over 9M2016.
Staff compensation for early termination	903	91	(812)	(90)	Decrease in compensation expenses incurred due to lesser terminations of staff contracts.
Depreciation	1,794	1,214	(580)	(32)	Decrease due to fully depreciated fixed assets and disposals in 9M2016.
Other expenses	7,318	6,835	(483)	(7)	Other expenses is an aggregation of expenses of less than RMB0.5 million each. It includes professional fees, litigation costs, staff welfare expenses, etc. Decrease is principally due to reduced staff expenses this year.
Total	26,488	18,290	(8,198)	(31)	

3Q2017 VS 3Q2016

Administrative expenses decreased by RMB2.1 million or 27% from RMB8.0 million in 3Q2016 to RMB5.9 million in 3Q2017. The decrease was partly due lower unallocated manufacturing overheads of RMB1.5 million charged to profit or loss under administrative expenses .

A) Income Statements (cont'd)

Administrative expenses (cont'd)

Item by nature	3Q2016	3Q2017	3Q17 vs.3Q16 Change		Comments
	RMB'000	RMB'000	RMB'000	%	
Unallocated manufacturing overheads allocated in administrative expenses	3,052	1,499	(1,553)	(51)	Allocation of manufacturing overheads relates to production. Allocation method is evaluated every two years based on production. Decrease due to overall decrease in manufacturing overheads principally due to lower manpower and its related costs in 3Q2017 over 3Q2016.
Land rights taxes,land use taxes,stamp duty	459	–	(459)	(100)	Reclassified to Cost of Sales in accordance with the circular on provisions on the accounting treatment for value added tax issued by Ministry of Finance in PRC effective 2017.
Depreciation	598	399	(199)	(33)	Decrease due to fully depreciated fixed assets and disposals in 3Q2016.
Salaries, bonuses and fees	1,510	1,455	(55)	(4)	Include salaries of executive directors and heads of department deployed in administrative functions and director's fees. There were lower headcount in 3Q2017 over 3Q2016.
Other expenses	2,331	2,487	156	7	Other expenses is an aggregation of expenses of less than RMB0.2 million each. It includes maintenance expenses, litigation costs, etc. Increase is principally due to reduce staff expenses this year.
Total	7,950	5,840	(2,110)	(27)	

Research expenses

9M2017 VS 9M2016

Research expenses decreased by RMB0.6 million or 25% from RMB2.5 million in 9M2016 to RMB1.9 million in 9M2017 mainly attributable to lower expenses incurred for catalyst process improvement efforts in 9M2017.

3Q2017 VS 3Q2016

Research expenses decreased by RMB0.7 million or 60% from RMB1.1 million in 3Q2016 to RMB0.4 million in 3Q2017, which was mainly attributable to lower expenses incurred for catalyst process improvement efforts in 3Q2017 compared to 3Q2016.

A) Income Statements (cont'd)

Finance costs

9M2017 VS 9M2016

Finance costs decreased by RMB0.1 million or 20% from RMB0.4 million in 9M2016 to RMB0.3 million in 9M2017. The decrease was mainly due to the decrease in interest expenses as a result of the partial repayment of the loan from former shareholders of our subsidiary in prior year.

3Q2017 VS 3Q2016

Finance costs decreased by RMB0.03 million or 20% from RMB0.14 million in 3Q2016 to RMB0.11 million in 3Q2017. The decrease was mainly due to the decrease in interest expenses as a result of the partial repayment of the loan from former shareholders of our subsidiary in prior year.

Income tax expenses

9M2017 VS 9M2016

Income taxation decreased by RMB0.1 million from negative RMB0.1 million in 9M2016 to nil in 9M2017. There was no income tax expense in 9M2017 due to the losses incurred by the Group's subsidiary in 9M2017 and the Company's income tax refund in 9M2016.

3Q2017 VS 3Q2016

Income tax expenses of 3Q2017 are the same as that of 3Q2016 with nil balance due to losses incurred by the Group's subsidiary in 3Q2017 and 3Q2016.

Net profit/(loss) attributable to owners of the Company

9M2017 VS 9M2016

The net loss attributable to owners of the Company decreased by RMB3.6 million or 44% from a loss of RMB8.1 million in 9M2016 to a loss of RMB4.5 million in 9M2017 as explained above.

3Q2017 VS 3Q2016

The net profit attributable to owners of the Company has decreased by RMB2.6 million or 80% from RMB3.3 million in 3Q2016 to RMB0.7 million in 3Q2017. The decrease was mainly due to the decrease of revenue with details as explained above.

B) Balance Sheet Statements

Non-current assets

Non-current assets decreased by RMB10.0 million or 8.7% from RMB115.5 million as at 31 December 2016 to RMB105.5 million as at 30 September 2017. Non-current assets comprised of property, plant and equipment, investment property, intangible assets and land use rights.

Property, plant and equipment decreased by RMB9.3 million or 9.3% from RMB100.2 million as at 31 December 2016 to RMB90.9 million as at 30 September 2017, mainly due to depreciation charges in 9M2017.

Current assets

Current assets increased by RMB7.3 million or 2.5% from RMB291.9 million as at 31 December 2016 to RMB299.2 million as at 30 September 2017. The increase was mainly due to the following:

- a) The increase in inventories of RMB6.2 million was due to increase in raw materials to fulfill new order received, work-in-progress and goods in transit partially offset by decrease in finished goods due to delivery.

B) Balance Sheet Statements (cont'd)

Current assets (cont'd)

- b) The increase in prepayments of RMB2.1 million was mainly due to payments before delivery of raw materials.
- c) The decrease in bills receivable of RMB3.6 million was mainly due to settlement of the bills receivable
- d) The increase in trade and other receivables of RMB 9.5 million is due to progressive billings. As the Group's customers are primarily in the People's Republic of China, the slowdown of the China economy results in more payment delays. Management conducts monthly cross-functional meetings to monitor outstanding debts closely and assess the needs to make any provision for doubtful debts.

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

Item by nature	30/09/2017 RMB'000	6months RMB'000	6-12months RMB'000	1-2years RMB'000	>2years RMB'000
Trade Receivables					
Receivables from sales	76,320	40,460	11,122	21,515	3,223
Other Receivables					
A. Operation cash advances	413	413			
B. Bid bonds	424	424			
C. Rental deposit	29			29	
D. GST receivables	34	34			
Total	77,220	41,331	11,122	21,544	3,223

The details of the underlying contracts and reasons for the material amount of receivables are as follows:

Trade receivables mainly relate to receivables from chemical system and component business ("CSC Business"). For CSC Business, the Group enters into contracts with customers with specific terms and conditions. Amongst the terms and conditions are payment terms, with typical progress payment milestones as follows:

- 1) Upon contract initiation and/or material ordering;
- 2) Upon delivery of the chemical systems to customer;
- 3) Upon the acceptance of the chemical systems by customer;
- 4) Upon the successful commission of the chemical systems; and
- 5) Upon expiry of the quality assurance warranty period which could be typically in 1 or 1.5 years after the successful commissioning of the chemical systems.

Revenue of standard equipment of CSC products is recognized upon delivery. Revenue of custom made equipment of CSC products is recognized upon customer's acceptance.

Other Receivables consist of:

- 1) Operation cash advances, rendered based on operational needs so that the Group's employees do not need to bear too much expenses until a reimbursement cycle completes;
- 2) Bid bonds, which are deposits relating to contracts biddings;
- 3) Rental deposit for the Singapore office; and
- 4) Singapore GST receivables.

B) Balance Sheet Statements (cont'd)

Current liabilities

Current liabilities increased by RMB1.7 million or 1.7% from RMB98.3 million as at 31 December 2016 to RMB100.0 million as at 30 September 2017. The increase was mainly due to the following:

- a) The increase in advances from customers of RMB6.9 million due to amount from customer for new contract signed during the year;
- b) The decrease in trade and other payables of RMB0.9 million was due to settlements with our suppliers; and
- c) The decrease in other liabilities of RMB 4.3 million was mainly due to a reduction in employee bonuses.

C) Cash Flow Statements

9M2017

Cash and cash equivalents decreased by RMB6.8 million in 9M2017, which was mainly attributed to cash used in operating activities. RMB5.8 million was used in operating activities while RMB1.0 million was used in the purchase of property, plant and equipment.

3Q2017

Cash and cash equivalents decreased by RMB6.8 million in 3Q2017 which was mainly attributed to cash used in operating activities. RMB6.3 million was used in operating activities while RMB0.5 million was used in investing activities for the purchase of property, plant and equipment.

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

The Company did not make any forecast and prospect statement in respect of its results for 30 September 2017.

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.

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. The Group's ability to secure future contracts will largely depend on the macroeconomic conditions in PRC. 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.

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 30 September 2017 was approximately RMB92.6 million (30 June 2017: RMB106.5 million).

11) Dividend

(a) Current financial period reported on

The Company does not recommend any dividend for the financial period ended 30 September 2017.

(b) Corresponding period of the immediately preceding financial year

The Company did not recommend or declare any dividend for the financial period ended 30 September 2016.

(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 30 September 2017.

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 30 September 2017, 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	95,936	18,465	77,471
(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	22,032	42
Total	133,489	44,179	89,310

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	15,826
For expanding sales and marketing capabilities and initiatives	6,206
Total	22,032

15) 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).

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 financial results for the third quarter and the period ended 30 September 2017 to be false or misleading in any material respects.

By Order of the Board

Xie Ming

Executive Director and CEO

13 November 2017