



Anchun International Holdings Ltd.
(Incorporated in Singapore)
(Company registration number: 200920277C)

Unaudited Results for the Second Quarter and Half Year Ended 30 June 2014

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 the China Fertilizer Industry Association (中国氮肥工业协会) and the China Petroleum and Chemical Industries Association (中国石油和化学工业联合会).

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

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

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

| | Group | | | Group | | |
|--|----------------|---------------|-------------|----------------|---------------|-------------|
| | Unaudited | Unaudited | Change | Unaudited | Unaudited | Change |
| | 3 months ended | | | 6 months ended | | |
| | 30/06/2014 | 30/06/2013 | | 30/06/2014 | 30/06/2013 | |
| | RMB'000 | RMB'000 | % | RMB'000 | RMB'000 | % |
| Revenue | 28,106 | 40,952 | -31% | 46,342 | 82,790 | -44% |
| Cost of sales | (15,791) | (25,620) | -38% | (25,494) | (52,138) | -51% |
| Gross Profit | 12,315 | 15,332 | -20% | 20,848 | 30,652 | -32% |
| Other item of income | | | | | | |
| Finance and other income | 1,519 | 2,250 | -32% | 4,762 | 3,459 | 38% |
| Other items of expenses | | | | | | |
| Marketing and distribution expenses | (995) | (862) | 15% | (1,773) | (2,093) | -15% |
| Administrative expenses | (11,806) | (8,685) | 36% | (22,021) | (20,516) | 7% |
| Finance costs | (405) | (406) | 0% | (811) | (857) | -5% |
| Profit before tax | 628 | 7,629 | -92% | 1,005 | 10,645 | -91% |
| Income tax (expense)/credit | (269) | 555 | N.M. | (467) | (160) | 193% |
| Profit from operations, net of tax | 359 | 8,184 | -96% | 538 | 10,485 | -95% |
| Total comprehensive income for the period attributable to owners of the Company | 359 | 8,184 | -96% | 538 | 10,485 | -95% |

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

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

| | Group | | | Group | | |
|--|----------------|------------|------------|----------------|-----------|--------|
| | Unaudited | Unaudited | Change | Unaudited | Unaudited | Change |
| | 3 months ended | | | 6 months ended | | |
| | 30/06/2014 | 30/06/2013 | 30/06/2014 | 30/06/2013 | | |
| RMB'000 | RMB'000 | % | RMB'000 | RMB'000 | % | |
| Depreciation of property, plant and equipment ("PPE") | 3,184 | 3,226 | -1% | 6,329 | 6,580 | -4% |
| Depreciation of investment property | 44 | 44 | 0% | 88 | 88 | 0% |
| Amortisation of land use rights | 91 | 92 | -1% | 183 | 184 | -1% |
| Amortisation of intangible assets | - | 15 | -100% | 11 | 36 | -69% |
| (Write-back)/allowance for impairment of trade receivables - net | (430) | 587 | -171% | (1,146) | 577 | -299% |
| Write-back for inventory obsolescence | (84) | - | N.M | (88) | - | N.M |
| Loss on disposal of PPE | 1 | 9 | -89% | (14) | 11 | 227% |
| Exchange loss/(gain) | (29) | 195 | -115% | (220) | 317 | -169% |
| (Write-back) /allowance for after-sale Expenses | (49) | 8 | -713% | (45) | 19 | -337% |
| Research and development ("R&D") expenses | 1,562 | 517 | 202% | 2,317 | 1,239 | 87% |
| Finance income | (770) | (1,124) | -31% | (1,601) | (1,769) | -9% |
| Finance costs | 405 | 406 | 1% | 811 | 857 | -5% |

N.M. - not meaningful

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

| | Group | | Company | |
|---|------------------------------------|----------------------------------|------------------------------------|----------------------------------|
| | Unaudited 30/06/2014 RMB'000 | Audited 31/12/2013 RMB'000 | Unaudited 30/06/2014 RMB'000 | Audited 31/12/2013 RMB'000 |
| ASSETS | | | | |
| Non-current assets | | | | |
| Property, plant and equipment | 121,509 | 122,613 | – | – |
| Intangible assets | – | 11 | – | – |
| Land use rights | 14,988 | 15,172 | – | – |
| Deferred tax assets | 153 | 153 | – | – |
| Investment in a subsidiary | – | – | 75,000 | 75,000 |
| Investment property | 1,052 | 1,140 | – | – |
| Prepayments | 5,508 | 2,775 | – | – |
| | 143,210 | 141,864 | 75,000 | 75,000 |
| Current assets | | | | |
| Inventories | 75,932 | 62,265 | – | – |
| Trade and other receivables | 50,899 | 47,741 | 35,782 | 25,504 |
| Bills receivable | 33,600 | 22,372 | – | – |
| Prepayments | 5,374 | 3,176 | 35 | 83 |
| Cash and cash equivalents | 169,449 | 189,829 | 31,331 | 33,406 |
| | 335,254 | 325,383 | 67,148 | 58,993 |
| Total assets | 478,464 | 467,247 | 142,148 | 133,993 |
| EQUITY AND LIABILITIES | | | | |
| Current liabilities | | | | |
| Trade and other payables | 97,416 | 99,089 | 10,627 | – |
| Advances from customers | 52,916 | 35,006 | – | – |
| Other liabilities | 10,200 | 16,180 | 1,068 | 1,429 |
| Provision for after-sale expenses | 18 | 63 | – | – |
| Income tax payable | 3,901 | 3,434 | – | – |
| | 164,451 | 153,772 | 11,695 | 1,429 |
| Net current assets | 170,803 | 171,611 | 55,453 | 57,564 |
| Non-current liability | | | | |
| Deferred tax liabilities | 100 | 100 | – | – |
| | 100 | 100 | – | – |
| Total liabilities | 164,551 | 153,872 | 11,695 | 1,429 |
| Net assets | 313,913 | 313,375 | 130,453 | 132,564 |
| Equity attributable to owners of the Company | | | | |
| Share capital | 149,278 | 149,278 | 149,278 | 149,278 |
| Treasury shares | (430) | (430) | (430) | (430) |
| Other reserves | 116,520 | 115,880 | – | – |
| Accumulated profits/(loss) | 48,545 | 48,647 | (18,395) | (16,284) |
| Total equity | 313,913 | 313,375 | 130,453 | 132,564 |
| Total equity and liabilities | 478,464 | 467,247 | 142,148 | 133,993 |

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

The Group has loans from former shareholders of our subsidiary amounting to RMB64.82 million (31 December 2013: RMB64.95 million) as at 30 June 2013 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 6 months ended | |
|---|-----------------------------------|----------------|-----------------------------------|-----------------|
| | 30/06/2014 | 30/06/2013 | 30/06/2014 | 30/06/2013 |
| Note | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Operating activities | | | | |
| Profit before tax | 628 | 7,629 | 1,005 | 10,645 |
| <u>Adjustment for:</u> | | | | |
| Depreciation of property, plant and equipment | 3,184 | 3,226 | 6,329 | 6,580 |
| Depreciation of investment property | 44 | 44 | 88 | 88 |
| Amortisation of intangible assets | – | 15 | 11 | 36 |
| Amortisation of land use rights | 91 | 92 | 183 | 184 |
| Allowance for impairment of trade receivables | – | 587 | – | 577 |
| Allowance for after-sale services | (49) | 8 | (45) | 19 |
| Write-back of trade receivables | (430) | – | (1,146) | – |
| (Gain)/loss on disposal of PPE | 1 | 9 | (14) | 11 |
| Write-back for inventory obsolescence | (84) | – | (88) | – |
| Net foreign exchange loss / (gain) | (29) | 195 | (220) | 317 |
| Finance costs | 405 | 406 | 811 | 857 |
| Finance income | (770) | (1,124) | (1,601) | (1,769) |
| Operating cash flows before changes in working capital | 2991 | 11,087 | 5,313 | 17,545 |
| <u>Changes in working capital</u> | | | | |
| Decrease/(increase) in: | | | | |
| Inventories | (4,736) | (3,324) | (13,580) | 6,957 |
| Trade, bill and other receivables | (6,926) | (21,625) | (13,241) | (42,039) |
| Prepayments | (1,975) | 965 | (2,198) | (1,212) |
| (Decrease)/increase in: | | | | |
| Trade and other payables | (3,046) | 666 | (1,967) | (5,440) |
| Advances from customers | 9,991 | 6,150 | 17,911 | (4,729) |
| Other liabilities | (1,010) | 1,649 | (4,311) | (3,070) |
| Total changes in working capital | (7,702) | (15,519) | (17,386) | (49,533) |
| Cash flows used in operations | (4,711) | (4,432) | (12,073) | (31,988) |
| Interest received | 770 | 1,124 | 1,601 | 1,769 |
| Income taxes paid | – | – | (1,669) | – |
| Net cash used in operating activities | (3,941) | (3,308) | (12,141) | (30,219) |

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

| | Group Unaudited 3 months ended | | Group Unaudited 6 months ended | |
|--|--------------------------------------|----------------|--------------------------------------|-----------------|
| | 30/06/2014 | 30/06/2013 | 30/06/2014 | 30/06/2013 |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Investing activities | | | | |
| Proceed from sale of property, plant and equipment | – | – | 42 | – |
| Purchase of property, plant and equipment | (3,076) | (1,132) | (8,370) | (3,314) |
| Net cash used in investing activities | (3,076) | (1,132) | (8,328) | (3,314) |
| Financing activity | | | | |
| Repayment of loans from the then existing shareholders of a subsidiary, representing net cash used in financing activity | (100) | – | (131) | (21,600) |
| Net cash used in financing activity | (100) | – | (131) | (21,600) |
| Net decrease in cash and cash equivalents | (7,116) | (4,440) | (20,600) | (55,133) |
| Cash and cash equivalents at beginning of period | 176,537 | 172,204 | 189,829 | 223,019 |
| Effect of exchange rate changes on cash and cash equivalents | 29 | (195) | 220 | (317) |
| Cash and cash equivalents at end of period | 169,449 | 167,569 | 169,449 | 167,569 |

Note A: Property, plant and equipment

| | Group Unaudited 3 months ended | | Group Unaudited 6 months ended | |
|---|--------------------------------------|--------------|--------------------------------------|--------------|
| | 30/06/2014 | 30/06/2013 | 30/06/2014 | 30/06/2013 |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Current period additions to property, plant and equipment | 1,911 | 404 | 5,253 | 2,308 |
| Less: Payable to creditors for current period purchases - net of reclassification | (163) | (184) | (414) | (361) |
| Prepayment made in prior period | (1,106) | (147) | (2,789) | (193) |
| Add: Payments for prior period purchase | 255 | 140 | 800 | 552 |
| Prepayments made in current period | 2,179 | 919 | 5,520 | 1,008 |
| Net cash outflow for purchase of property, plant and equipment | 3,076 | 1,132 | 8,370 | 3,314 |

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 | 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 |
| Group | | | | | | | | |
| Balance at 1 January 2013 | 149,278 | (430) | 1,725 | 36,024 | 1,036 | 75,000 | 43,622 | 306,255 |
| Total comprehensive income for the period | - | - | - | - | - | - | 10,485 | 10,485 |
| Others | | | | | | | | |
| Safety production expenditure incurred for the period | - | - | - | - | (14) | - | 14 | - |
| Transfer to statutory reserve – safety production expenditure | - | - | - | - | 762 | - | (762) | - |
| Transfer to statutory reserve fund | - | - | - | 1,156 | - | - | (1,156) | - |
| Total others | - | - | - | 1,156 | 748 | - | (1,904) | - |
| Balance at 30 June 2013 | 149,278 | (430) | 1,725 | 37,180 | 1,784 | 75,000 | 52,203 | 316,740 |
| Group | | | | | | | | |
| Balance at 1 January 2014 | 149,278 | (430) | 1,725 | 37,008 | 2,147 | 75,000 | 48,647 | 313,375 |
| Total comprehensive income for the period | - | - | - | - | - | - | 538 | 538 |
| Others | | | | | | | | |
| Transfer to statutory reserve – safety production expenditure | - | - | - | - | 375 | - | (375) | - |
| Transfer to statutory reserve fund | - | - | - | 265 | - | - | (265) | - |
| Total others | - | - | - | 265 | 375 | - | (640) | - |
| Balance at 30 June 2014 | 149,278 | (430) | 1,725 | 37,273 | 2,522 | 75,000 | 48,545 | 313,913 |

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 | Treasury Shares | Accumulated losses | Total equity |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Company | | | | |
| Balance at 1 January 2013 | 149,278 | (430) | (12,515) | 136,333 |
| Total comprehensive income for the period | – | – | (1,075) | (1,075) |
| Balance at 30 June 2013 | 149,278 | (430) | (13,590) | 135,258 |
| Company | | | | |
| Balance at 1 January 2014 | 149,278 | (430) | (16,284) | 132,564 |
| Total comprehensive income for the period | – | – | (2,111) | (2,111) |
| Balance at 30 June 2014 | 149,278 | (430) | (18,395) | 130,453 |

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

Ordinary shares

| | Number of Shares | Amount RMB '000 |
|---|---------------------|--------------------|
| Ordinary shares including treasury shares as at 30 June 2014 and 31 December 2013 | 505,000,000 | 149,278 |

Convertibles

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

Treasury shares

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

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

| | As at 30.06.14 | As at 31.12.13 |
|---|-------------------|-------------------|
| Total number of issued shares excluding treasury shares | 503,300,000 | 503,300,000 |

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

No treasury shares were transferred, disposed, cancelled and/or used as at the end of the current financial period reported on.

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

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

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

Not applicable.

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

Except for the adoption of the FRSs and Amendments to FRSs applicable for the financial year beginning on or after 1 January 2014, the same accounting policies and methods of computation have been applied. The adoption of Amendments to FRSs did not have any effect on the financial performance or position of the Group and the Company.

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

The Group and the Company have adopted all the Amendments to FRSs that are effective for annual periods beginning on or after 1 January 2014. The adoption of these standards and interpretations did not have any effect on the financial performance or position of the Group and the Company.

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

| | | | | |
|--|---------|---------|---------|---------|
| Profit net of tax attributable to owners of the Company (RMB '000) | 359 | 8,184 | 538 | 10,485 |
| Weighted average number of ordinary shares ('000) | 503,300 | 503,300 | 503,300 | 503,300 |
| Basic earnings per share (RMB cents) | 0.07 | 1.63 | 0.11 | 2.08 |
| Diluted earnings per share (RMB cents) | 0.07 | 1.63 | 0.11 | 2.08 |

Basic earnings per share for the 3 months and 6 months ended 30 June 2014 and 30 June 2013 are computed by dividing the profit net of tax attributable to owners of the Company by the weighted average number of ordinary shares excluding treasury shares.

Diluted earnings per share is similar to basic earnings per share as there are no potential dilutive ordinary shares.

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

| | Group | | Company | |
|--|------------|------------|------------|------------|
| | 30/06/2014 | 31/12/2013 | 30/06/2014 | 31/12/2013 |
| Net asset value per share (RMB cents per share) | 62.37 | 62.26 | 25.92 | 26.34 |

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

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

A) Income Statements

Revenue

1H2014 vs 1H2013

Revenue decreased by RMB36.45 million or 44% from RMB82.79 million in 1H2013 to RMB46.34 million in 1H2014. This decrease was mainly due to the reduced revenue from our CSC Business and Catalyst Business, further described as follows:

- (i) Revenue from our Engineering Services

Revenue from our Engineering Services increased by RMB2.49million, or 53%, from RMB4.73 million in 1H2013 to RMB7.22 million in 1H2014. This increase was mainly due to the completion of the majority of design work of three engineering projects in 1H2014.

- (ii) Revenue from our CSC Business

Revenue from our CSC Business decreased by RMB26.63 million or 41% from RMB 64.73 million in 1H2013 to RMB 38.10 million in 1H2014. This was mainly due to certain customers' requests for postponement of delivery of the finished goods coupled with new projects being in the engineering and design stage.

- (iii) Revenue from our Catalyst Business

Revenue from our Catalyst Business Revenue from our Catalyst Business decreased by RMB12.31 million or 92% from RMB13.33 million in 1H2013 to RMB1.02 million in 1H2014. The ongoing catalyst expansion has caused some disruptions to our normal production coupled with the changes of our product mix from our CSC Business causing the dropped sales in the related catalyst products.

2Q2014 vs 2Q2013

The Group's revenue decreased significantly by RMB12.84 million or 31% from RMB40.95 million in 2Q2013 to RMB28.11 million in 2Q2014. This was mainly due to certain customers' requests for postponement of delivery of the finished goods coupled with new projects being in the engineering and design stage.

A) Income Statements (cont'd)

Gross profit margin

1H2014 vs 1H2013

Our overall gross profit significantly decreased by RMB9.80 million or 32% from RMB30.65 million in 1H2013 to RMB20.85 million in 1H2014. The decrease was mainly due to decreased sales from our CSC Business, but our gross profit margin increased from 37% in 1H2013 to 45% in 1H2014. The increase was mainly due to increased revenue contribution from our Engineering Services coupled with the changes of our product mix from our CSC Business.

2Q2014 vs 2Q2013

Our gross profit for 2Q2014 decreased by RMB3.01 million or 20% from RMB15.33 million in 2Q2013 to RMB12.32 million in 2Q2014. The decrease was mainly due to decreased sales from our CSC Business. Our gross profit margin increased from 37% in 2Q2013 to 44% in 2Q2014. The increase was mainly due to the increased revenue contribution from our Engineering Services coupled with the changes of product mix from our CSC Business.

Finance and other income

1H2014 vs 1H2013

Finance and other income increased by RMB1.30 million or 38% from RMB3.46 million in 1H2013 to RMB4.76 million in 1H2014. The increase was mainly due to the increase on gain on sale of equipment arising from research and development efforts and reversals of trade receivable write-off. The increase was offset by the decrease in government subsidy.

2Q2014 vs 2Q2013

Finance and other income decreased by RMB0.73 million or 32% from RMB2.25 million in 2Q2013 to RMB1.52 million in 2Q2014. The decrease was mainly due to the decrease in government subsidy and finance income in 2014.

Marketing and distribution expenses

1H2014 vs 1H2013

Marketing and distribution expenses decreased by RMB0.32 million or 15% from RMB2.09 million in 1H2013 to RMB1.77 million in 1H2014. The decrease was mainly due to the decrease in advertising expenses and entertainment expenses.

2Q2014 vs 2Q2013

Marketing and distribution expenses increased by RMB0.14 million or 16% from RMB0.86 million in 2Q2013 to RMB1.00 million in 2Q2014. The increase was mainly due to the increase in travel expenses in 2Q2014.

Administrative expenses

1H2014 vs 1H2013

Administrative expenses increased by RMB1.50 million or 7% from RMB20.52 million in 1H2013 to RMB22.02 million in 1H2014. The increase was mainly due to the increase in R&D expenses and property tax.

A) Income Statements (cont'd)

2Q2014 vs 2Q2013

Administrative expenses increased by RMB3.12 million or 36% from RMB8.69 million in 2Q2013 to RMB11.81 million in 2Q2014. The increase was mainly due to the increase in R&D expenses and property tax.

Finance costs

1H2014 vs 1H2013

Finance costs decreased by RMB 0.05 million or 6% from RMB 0.86 million in 1H2013 to RMB0.81 million in 1H2014. The decrease was mainly due to the decrease in interest expenses arising from the loan from the former shareholders of our subsidiary which was partially repaid in February 2013.

2Q2014 vs 2Q2013

Finance costs decreased by RMB 0.001 million or 0.2% from RMB 0.406 million in 2Q2013 to RMB0.405million in 2Q2014. The decrease was mainly due to the decrease in interest expenses arising from the loan from the former shareholders of our subsidiary which was partially repaid in February 2013.

Income tax expenses/(credit)

1H2014 vs 1H2013

Income tax expenses increased by RMB0.31 million or 194% from 0.16 million in 1H2013 to RMB0.47 million in 1H2014. The increase was mainly due to the absence of the write-back of RMB1.89 million tax expense upon settlement of the withholding tax liabilities with PRC tax authority in 1H2014. The increase was offset by the decreased tax expenses due to lower profit of the subsidiary in 1H2014.

2Q2014 vs 2Q2013

Income tax expenses increased by RMB0.83 million from (RMB0.56) million in 2Q2013 to RMB0.27 million in 2Q2014. The increase was mainly due to the absence of the write back of RMB1.89million upon settlement of the withholding tax liabilities with PRC tax authority in 2Q2014. The increase was offset by the decreased in tax expenses due to lower profit of the subsidiary in 2Q2014.

Net profit attributable to owners of the Company

1H2014 vs 1H2013

The Group recorded a net profit attributable to owners of the Company of RMB0.54 million in 1H2014 compared to RMB10.49 million in 1H2013. The decrease was mainly due to significant decrease in revenue in 1H2014.

2Q2014 vs 2Q2013

The Group recorded a net profit attributable to owners of the Company of RMB0.36 million in 2Q2014 compared to RMB8.18 million in 2Q2013. The decrease was mainly due to significant decrease in revenue in 2Q2014.

B) Balance Sheet Statements

Non-current assets

Non-current assets increased by RMB1.35 million or 1% from RMB141.86 million as at 31 December 2013 to RMB143.21 million as at 30 June 2014. Non-current assets comprised of property, plant and equipment ("PPE"), investment property, intangible assets, land use rights, deferred tax assets and prepayments for PPE.

PPE decreased by RMB1.10 million or 0.9% from RMB122.61 million as at 31 December 2013 to RMB121.51 million as at 30 June 2014 mainly due to depreciation charges. The decrease was partially offset by additions (including prepayments) during the period.

Current assets

Current assets increased by RMB9.87 million or 3% from RMB325.38 million as at 31 December 2013 to RMB335.25 million as at 30 June 2014 mainly due to the increase in inventories, trade and other receivables, bills receivables and prepayments by RMB13.66 million, RMB3.16 million, RMB11.23 million and RMB2.19 million respectively.

The increase in bills receivable was mainly because more customers used bills receivable as the mode of payments. The increase in inventories was mainly due to the increase in finished goods as a result of certain customers' request for postponement of delivery. The increase in prepayments was mainly due to the increase in payments made by customers because of new orders.

Current liabilities

Current liabilities increased by RMB10.68 million or 7% from RMB153.77 million as at 31 December 2013 to RMB164.45 million as at 30 June 2014. The increase was mainly attributed to the increase in advances from customers and income tax payable amounting to RMB17.91 million, and RMB0.47 million respectively. The increase was partially offset by the decrease in other liabilities as well as trade and other payables amounting to RMB5.98 million and RMB1.67 million respectively.

Non-current liabilities

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

C) Cash Flow Statements

1H2014

Cash and cash equivalents decreased by RMB20.60 million in 1H2014 which was mainly attributed to cash used in operating activities, investing activities and financing activity. RMB12.14 million was used in operating activities while RMB8.33 million was used in investing activities for the purchase of property, plant and equipment. RMB0.13 million used in financing activities was for repayment of loan due to the former shareholders of our subsidiary.

2Q2014

Cash and cash equivalents decreased by RMB7.12 million in 2Q2014 which was mainly attributed to cash used in operating activities, investing activities and financing activity. RMB3.94 million was used in operating activities while RMB3.08 million was used in investing activities for the purchase of property, plant and equipment. RMB0.10 million used in financing activities was for repayment of loan due to the former shareholders of our subsidiary.

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

The Company did not make any forecast and prospect statement in respect of its results for 30 June 2014.

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

Group expects business outlook to remain challenging. After our new technology, the Isothermal Low Temperature High CO Shift Technology, was successfully commercialised in a fertiliser manufacturing plant last year, we have secured three contracts in 1H2014 with total value of RMB43.93 million. The Group believes that this new technology will be one of the key drivers of our future revenue.

The Group's order book as of 30 June 2014 is approximately RMB146.9 million (31 March 2014: RMB160 million).

11) Dividend

(a) Current financial period reported on

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

(b) Corresponding period of the immediately preceding financial year

The Company did not recommend or declare any dividend for the financial period ended 30 June 2014.

(c) Date payable

Not applicable.

(d) Books closure date

Not applicable.

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

The Company does not recommend or declare any dividend for the financial period ended 30 June 2014.

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

The Group has not obtained a general mandate from shareholders for IPTs.

14) Update on usage of IPO proceeds

As at- 31 July 2014, the net proceeds from the Company's initial public offering have been utilised as follows:

| Usage of IPO Proceeds | Amount allocated | Amount utilised | Balance |
|---|---------------------|-----------------------|----------------|
| | RMB'000 | RMB'000 | RMB'000 |
| Expand our production facilities and capacities | 110,936 | 10,215 ^(A) | 100,721 |
| Enhance our R&D capabilities and widen our range of innovative and cost-effective solutions | 15,479 | 720 | 14,759 |
| Working capital purposes | 7,074 | 7,074 | - |
| Total | 133,489 | 18,009 | 115,480 |

(A): It is used to increase production capacity and upgrade the processing capability of the pre-reduced catalyst production plant. The IPO proceed earmarked for this expansion is RMB18 million. The annual processing capability of the pre-reduced catalyst production plant will increase from 500 tonnes to 1,500 tonnes upon the completion of this expansion.”

By Order of the Board
 Xie Ding Zhong
 Non-Executive Chairman
 13 August 2014

CONFIRMATION BY THE BOARD

The Directors confirm that, to the best of their knowledge, nothing has come to the attention of the Board of Directors of the Company which may render the unaudited second quarter financial results for the period ended 30 June 2014 to be false or misleading in any material respects.

By Order of the Board

Xie Ming

Executive Director and CEO

13 August 2014