



## **Anchun International Holdings Ltd.**

(Incorporated in Singapore)

(Company registration number: 200920277C)

---

### **Unaudited Results for the Third Quarter and Nine Months Ended 30 September 2015**

---

#### **INTRODUCTION**

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

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

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

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

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

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

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

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

	<u>Group</u>			<u>Group</u>		
	<u>Unaudited</u>	<u>Unaudited</u>	<u>Change</u>	<u>Unaudited</u>	<u>Unaudited</u>	<u>Change</u>
	<u>3 months ended</u>			<u>9 months ended</u>		
	<u>30/09/2015</u>	<u>30/09/2014</u>		<u>30/09/2015</u>	<u>30/09/2014</u>	
	<u>RMB'000</u>	<u>RMB'000</u>	<u>%</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>%</u>
<b>Revenue</b>	24,296	37,117	-35%	78,939	83,459	-5%
Cost of sales	(15,305)	(20,577)	-26%	(46,179)	(46,071)	0%
<b>Gross Profit</b>	<b>8,991</b>	<b>16,540</b>	<b>-46%</b>	<b>32,760</b>	<b>37,388</b>	<b>-12%</b>
<b>Other item of income</b>						
Finance and other income	9,309	1,875	396%	13,875	6,637	109%
<b>Other items of expenses</b>						
Marketing and distribution expenses	(1,348)	(1,181)	14%	(3,938)	(2,954)	33%
Administrative expenses	(9,415)	(8,180)	15%	(27,653)	(27,884)	-1%
Research expenses	(4,304)	(2,918)	47%	(7,546)	(5,235)	44%
Other operating expense	(224)	–	100%	(224)	–	100%
Finance costs	(141)	(322)	-56%	(707)	(1,133)	-38%
<b>Profit before tax</b>	<b>2,868</b>	<b>5,814</b>	<b>-51%</b>	<b>6,567</b>	<b>6,819</b>	<b>-4%</b>
Income tax expense	(511)	(982)	-48%	(1,286)	(1,449)	-11%
<b>Profit for the period, representing total comprehensive income for the period attributable to owners of the Company</b>	<b>2,357</b>	<b>4,832</b>	<b>-51%</b>	<b>5,281</b>	<b>5,370</b>	<b>-2%</b>

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

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

	Group			Group		
	Unaudited	Unaudited	Change	Unaudited	Unaudited	Change
	3 months ended			9 months ended		
	30/09/2015	30/09/2014	30/09/2015	30/09/2014		
RMB'000	RMB'000	%	RMB'000	RMB'000	%	
Depreciation of property, plant and equipment	3,624	3,218	13%	10,532	9,547	10%
Depreciation of investment property	44	44	0%	132	132	0%
Amortisation of land use rights	92	91	1%	274	274	0%
Amortisation of intangible assets	22	–	N.M.	46	11	318%
(Write-back of)/ allowance for impairment of trade receivables, net	(840)	1,663	N.M.	(840)	517	N.M.
Write-off of trade receivables	30	–	N.M.	30	–	N.M.
Write-back of inventory obsolescence	(76)	–	N.M.	(76)	(88)	-14%
Gain on disposal of property, plant and equipment	(14)	(530)	-97%	(3)	(544)	-99%
Net foreign exchange loss/(gain)	38	68	-44%	163	(152)	N.M.
Allowance for/(write-back of) after-sale expenses	–	9	N.M.	(35)	(36)	-3%
Finance income	(725)	(826)	-12%	(2,466)	(2,427)	2%
Finance costs	141	322	-56%	707	1,133	-38%
Performance share plan expenses	41	–	N.M.	122	–	N.M.

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 30/09/2015 RMB'000	Audited 31/12/2014 RMB'000	Unaudited 30/09/2015 RMB'000	Audited 31/12/2014 RMB'000
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant and equipment	117,635	121,783	–	–
Intangible assets	217	62	–	–
Land use rights	14,531	14,805	–	–
Deferred tax assets	153	153	–	–
Investment in a subsidiary	–	–	75,122	75,000
Investment property	832	964	–	–
Prepayments	4,964	4,751	–	–
	<b>138,332</b>	<b>142,518</b>	<b>75,122</b>	<b>75,000</b>
<b>Current assets</b>				
Inventories	78,697	71,615	–	–
Trade and other receivables	67,813	59,052	35,771	35,802
Bills receivable	26,292	40,390	–	–
Prepayments	9,087	6,655	78	80
Cash and cash equivalents	152,117	164,684	27,863	29,930
	<b>334,006</b>	<b>342,396</b>	<b>63,712</b>	<b>65,812</b>
<b>Total assets</b>	<b>472,338</b>	<b>484,914</b>	<b>138,834</b>	<b>140,812</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Current liabilities</b>				
Trade and other payables	65,554	89,006	11,004	10,873
Advances from customers	62,352	52,785	–	–
Other liabilities	13,987	19,332	940	1,163
Provision for after-sale expenses	–	35	–	–
Income tax payable	6,320	5,034	–	–
	<b>148,213</b>	<b>166,192</b>	<b>11,944</b>	<b>12,036</b>
<b>Net current assets</b>	<b>185,793</b>	<b>176,204</b>	<b>51,768</b>	<b>53,776</b>
<b>Non-current liability</b>				
Deferred tax liabilities	100	100	–	–
	<b>100</b>	<b>100</b>	<b>–</b>	<b>–</b>
<b>Total liabilities</b>	<b>148,313</b>	<b>166,292</b>	<b>11,944</b>	<b>12,036</b>
<b>Net assets</b>	<b>324,025</b>	<b>318,622</b>	<b>126,890</b>	<b>128,776</b>
<b>Equity attributable to owners of the Company</b>				
Share capital	149,278	149,278	149,278	149,278
Employee benefit trust shares	(430)	(430)	(430)	(430)
Other reserves	119,299	117,895	122	–
Accumulated profits/(loss)	55,878	51,879	(22,080)	(20,072)
<b>Total equity</b>	<b>324,025</b>	<b>318,622</b>	<b>126,890</b>	<b>128,776</b>
<b>Total equity and liabilities</b>	<b>472,338</b>	<b>484,914</b>	<b>138,834</b>	<b>140,812</b>

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

The Group has loans from former shareholders of our subsidiary amounting to RMB22.5 million (31 December 2014: RMB44.9 million) as at 30 September 2015 with an interest rate of 2.5% per annum and which are unsecured with no fixed term of repayment.

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

	Group Unaudited 3 months ended		Group Unaudited 9 months ended	
	30/09/2015	30/09/2014	30/09/2015	30/09/2014
Note	RMB'000	RMB'000	RMB'000	RMB'000
<b>Operating activities</b>				
Profit before tax	2,868	5,814	6,567	6,819
<u>Adjustment for:</u>				
Depreciation of property, plant and equipment	3,624	3,218	10,532	9,547
Depreciation of investment property	44	44	132	132
Amortisation of intangible assets	22	–	46	11
Amortisation of land use rights	92	91	274	274
(Write-back of)/allowance for impairment of trade receivables, net	(840)	1,663	(840)	517
Write-off of trade receivables	30	–	30	–
Allowance for/(write-back of) after-sale expenses	–	9	(35)	(36)
Gain on disposal of property, plant and equipment	(14)	(530)	(3)	(544)
Write-back of inventory obsolescence	(76)	–	(76)	(88)
Performance share plan expense	41	–	122	–
Net foreign exchange loss/(gain)	38	68	163	(152)
Finance costs	141	322	707	1,133
Finance income	(725)	(826)	(2,466)	(2,427)
<b>Operating cash flows before changes in working capital</b>	<b>5,245</b>	<b>9,873</b>	<b>15,153</b>	<b>15,186</b>
<u>Changes in working capital</u>				
Decrease/(increase) in:				
Inventories	3,259	251	(7,006)	(13,329)
Trade and other receivables	(3,841)	(10,486)	(7,951)	(12,499)
Bill receivable	23,221	11,284	14,098	56
Prepayments	(739)	(26)	(2,432)	(2,224)
(Decrease)/increase in:				
Trade and other payables	2,706	4,151	(977)	2,184
Advances from customers	(1,522)	(4,513)	9,567	13,398
Other liabilities	358	693	(3,931)	(3,618)
Total changes in working capital	23,442	1,354	1,368	(16,032)
<b>Cash flows generated from/(used in) operations</b>	<b>28,687</b>	<b>11,227</b>	<b>16,521</b>	<b>(846)</b>
Interest received	725	826	2,466	2,427
Interest paid	–	–	(1,414)	(1,669)
<b>Net cash generated from/(used in) operating activities</b>	<b>29,412</b>	<b>12,053</b>	<b>17,573</b>	<b>(88)</b>

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 9 months ended	
	30/09/2015	30/09/2014	30/09/2015	30/09/2014
	RMB'000	RMB'000	RMB'000	RMB'000
<b>Investing activities</b>				
Proceed from sale of property, plant and equipment	55	575	56	617
Purchase of Intangible assets - software	(47)	–	(201)	–
Purchase of property, plant and equipment	(1,842)	(2,648)	(7,453)	(11,018)
<b>Net cash used in investing activities</b>	<b>(1,834)</b>	<b>(2,073)</b>	<b>(7,598)</b>	<b>(10,401)</b>
<b>Financing activity</b>				
Repayment of loans from former shareholders of a subsidiary	(22,379)	(19,954)	(22,379)	(20,085)
<b>Net cash used in financing activity</b>	<b>(22,379)</b>	<b>(19,954)</b>	<b>(22,379)</b>	<b>(20,085)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>5,199</b>	<b>(9,974)</b>	<b>(12,404)</b>	<b>(30,574)</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>146,956</b>	<b>169,449</b>	<b>164,684</b>	<b>189,829</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>(38)</b>	<b>(68)</b>	<b>(163)</b>	<b>152</b>
<b>Cash and cash equivalents at end of period</b>	<b>152,117</b>	<b>159,407</b>	<b>152,117</b>	<b>159,407</b>

Note A:

Purchase of property, plant and equipment

	Group Unaudited 3 months ended		Group Unaudited 9 months ended	
	30/09/2015	30/09/2014	30/09/2015	30/09/2014
	RMB'000	RMB'000	RMB'000	RMB'000
Current period additions to property, plant and equipment	622	1,502	6,437	6,755
Less: Payable to creditors for current period purchases	(154)	(943)	(2,568)	(1,357)
Prepayment made in prior period	(478)	(1,068)	(783)	(3,857)
Add: Payments for prior period purchase	1,325	556	3,371	1,356
Prepayments made in current period	527	2,601	996	8,121
<b>Net cash outflow for purchase of property, plant and equipment</b>	<b>1,842</b>	<b>2,648</b>	<b>7,453</b>	<b>11,018</b>

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

**Statement of Changes in Equity**

Attributable to owners of the Company

	Share Capital	Employee benefit trust Shares	Performance share plan reserve	Contribution from shareholder	Statutory reserve fund	Statutory reserve fund - safety production reserve	Merger reserve	Accumulated profits	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Group</b>									
Balance at 1 January 2014	149,278	(430)	–	1,725	37,008	2,147	75,000	48,647	313,375
Profit for the period, representing total comprehensive income for the period	–	–	–	–	–	–	–	5,370	5,370
<b>Others</b>									
Transfer to statutory reserve fund - safety production reserve	–	–	–	–	–	624	–	(624)	–
Transfer to statutory reserve fund	–	–	–	–	821	–	–	(821)	–
<b>Total others</b>	–	–	–	–	821	624	–	(1,445)	–
<b>Balance at 30 September 2014</b>	<b>149,278</b>	<b>(430)</b>	<b>–</b>	<b>1,725</b>	<b>37,829</b>	<b>2,771</b>	<b>75,000</b>	<b>52,572</b>	<b>318,745</b>
<b>Group</b>									
Balance at 1 January 2015	149,278	(430)	–	1,725	37,975	3,195	75,000	51,879	318,622
Profit of the period, representing total comprehensive income for the period	–	–	–	–	–	–	–	5,281	5,281
<b>Others</b>									
Grant of equity-settled performance shares to employees	–	–	122	–	–	–	–	–	122
Transfer to statutory reserve – safety production reserve	–	–	–	–	–	553	–	(553)	–
Transfer to statutory reserve fund	–	–	–	–	729	–	–	(729)	–
<b>Total others</b>	–	–	122	–	729	553	–	(1,282)	122
<b>Balance at 30 September 2015</b>	<b>149,278</b>	<b>(430)</b>	<b>122</b>	<b>1,725</b>	<b>38,704</b>	<b>3,748</b>	<b>75,000</b>	<b>55,878</b>	<b>324,025</b>

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

Statement of Changes in Equity (cont'd)

Attributable to owners of the Company

	Share Capital	Employee benefit trust Shares	Performance share plan reserve	Accumulated losses	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Company</b>					
Balance at 1 January 2014	149,278	(430)	–	(16,284)	132,564
Loss for the period, representing total comprehensive income for the period	–	–	–	(2,839)	(2,839)
<b>Balance at 30 September 2014</b>	<b>149,278</b>	<b>(430)</b>	<b>–</b>	<b>(19,123)</b>	<b>129,725</b>
<b>Company</b>					
Balance at 1 January 2015	149,278	(430)	–	(20,072)	128,776
Loss of the period, representing total comprehensive income for the period	–	–	–	(2,008)	(2,008)
Grant of equity-settled performance shares to employees	–	–	122	–	122
<b>Balance at 30 September 2015</b>	<b>149,278</b>	<b>(430)</b>	<b>122</b>	<b>(22,080)</b>	<b>126,890</b>



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

Ordinary shares

	Number of shares	Amount RMB '000
Ordinary shares including employee benefit trust ("EBT") shares as at 30 September 2015 and 31 December 2014	505,000,000	149,278

Convertibles

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

EBT shares

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

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

	As at 30.09.15	As at 31.12.14
Total number of issued shares excluding EBT shares	503,300,000	503,300,000

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

Not applicable.

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

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

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

Not applicable.

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

Except for the adoption of the FRSs and Amendments to FRSs applicable for the financial period beginning on or after 1 January 2015, the same accounting policies and methods of computation have been applied. The adoption of new FRSs and Amendments to FRSs did not have any effect on the financial performance or position of the Group and the Company.

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

The Group and the Company have adopted all the new FRSs and Amendments to FRSs that are effective for the periods beginning on or after 1 January 2015. The adoption of these standards and interpretations did not have any effect on the financial performance or position of the Group and the Company.

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

	Group			
	3 months ended 30/09/2015	3 months ended 30/09/2014	9 months ended 30/09/2015	9 months ended 30/09/2014
Profit net of tax attributable to owners of the Company (RMB '000)	2,357	4,832	5,281	5,370
Weighted average number of ordinary shares ('000) on issue applicable to basic EPS	503,300	503,300	503,300	503,300
Weighted average number of ordinary shares ('000) on issue applicable to diluted EPS	505,000	505,000	505,000	505,000
Basic earnings per share (RMB cents)	0.47	0.96	1.05	1.07
Diluted earnings per share (RMB cents)	0.47	0.96	1.05	1.07

Basic earnings per share for the 9 months ended 30 September 2015 and 30 September 2014 are computed by dividing the profit net of tax attributable to owners of the Company by the weighted average number of ordinary shares excluding EBT shares.

Diluted earnings per share for the 9 months ended 30 September 2015 and 30 September 2014 are computed by dividing the profit net of tax attributable to owners of the Company by the weighted average number of ordinary shares including EBT shares.

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

	Group		Company	
	30/09/2015	31/12/2014	30/09/2015	31/12/2014
Net asset value per share (RMB cents per share)	64.38	63.31	25.21	25.59

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

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

#### **A) Income Statements**

##### **Revenue**

###### 9M2015 vs 9M2014

Revenue decreased by RMB4.6 million or 5% from RMB83.5 million in 9M2014 to RMB78.9 million in 9M2015. The decrease was mainly due to the decrease in revenue from our engineering service and CSC business and partially offset by the increase in revenue from catalyst business further described as follows:

###### Revenue from our Catalyst Business

Revenue from our Catalyst Business increased significantly by RMB7.4 million or 142% from RMB5.2 million in 9M2014 to RMB12.6 million in 9M2015. The increase was mainly due to more orders filled with production capacity on stream and finished goods delivered in 9M2015.

###### Revenue from our Engineering Services

Revenue from our Engineering Services decreased by RMB1.6 million or 15% from RMB10.4 million in 9M2014 to RMB8.8 million in 9M2015, this was mainly due to lower percentage of completion for service contracts during the period of 9M2015.

###### Revenue from our CSC Business

Revenue from our CSC Business decreased by RMB10.4 million or 15% from RMB67.9 million in 9M2014 to RMB57.5 million in 9M2015. This decrease was mainly attributable to less chemical equipments delivered in accordance with the progress of customers' project in 9M2015.

###### 3Q2015 vs 3Q2014

The Group's revenue decreased by RMB12.8 million or 35% from RMB37.1 million in 3Q2014 to RMB24.3 million in 3Q2015. This was mainly due to decrease in our CSC and Engineering service sales of RMB11.6 million and RMB1.3 million respectively, partially offset by the increase in catalyst sales of RMB0.1 million in 3Q2015 compared to 3Q2014.

##### **Gross profit and gross profit margin**

###### 9M2015 vs 9M2014

Our overall gross profit decreased by RMB4.6 million or 12% from RMB37.4 million in 9M2014 to RMB32.8 million in 9M2015 and our gross profit margin decreased slightly from 45% in 9M2014 to 42% in 9M2015.

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

- 1) The gross profit of our Catalyst business increased significantly by RMB3.3 million from RMB1.7 million in 9M2014 to RMB5.0 million in 9M2015. The increase of gross profit was attributable to the increase in sales revenue;
- 2) The gross profit of our CSC business decreased by RMB6.5 million from RMB28.0 million in 9M2014 to RMB21.5 million in 9M2015, in tandem with the revenue decrease of CSC in 9M2015;

## **A) Income Statements (cont'd)**

### **Gross profit and gross profit margin (cont'd)**

- 3) The gross profit of Engineering Service decreased by RMB1.4 million from RMB7.7 million in 9M2014 to RMB6.3 million in 9M2015. The gross profit decrease was mainly attributable to the revenue decrease in 9M2015.

#### 3Q2015 vs 3Q2014

Our overall gross profit decreased by RMB7.5 million or 46% from RMB16.5 million in 3Q2014 to RMB9.0 million in 3Q2015 and our gross profit margin decreased from 45% in 3Q2014 to 37% in 3Q2015. The gross profit of our Catalyst business increased by RMB0.1 million from RMB1.4 million in 3Q2014 to RMB1.5 million in 3Q2015 in tandem with the sales increase. The gross profit of CSC business decreased by RMB6.6 million from RMB13.1 million in 3Q2014 to RMB6.5 million in 3Q2015, this was mainly attributable to CSC sales decrease in 3Q2015 compared to 3Q2014. The gross profit of engineering design decreased by RMB1.0 million from RMB2.0 million in 3Q2014 to RMB1.0 million in 3Q2015, this was mainly attributable to the decrease in engineering service revenue in 3Q2015.

### **Finance and other income**

#### 9M2015 vs 9M2014

Finance and other income increased by RMB7.2 million or 109% from RMB6.6 million in 9M2014 to RMB13.8 million in 9M2015. The increase was mainly due to the more net gain from sales of equipment arising from research and development activities in 9M2015, partially offset by the decrease in interest income in 9M2015.

#### 3Q2015 vs 3Q2014

Finance and other income increased significantly by RMB7.4 million or 396% from RMB1.9 million in 3Q2014 to RMB9.3 million in 3Q2015. The increase was mainly attributable to the more net gain from sales of equipment arising from research and development activities in 3Q2015.

### **Marketing and distribution expenses**

#### 9M2015 vs 9M2014

Marketing and distribution expenses increased by RMB1.0 million or 33% from RMB3.0 million in 9M2014 to RMB4.0 million in 9M2015. The increase was mainly due to the provision for sales bonuses made in 9M2015 compared to 9M2014 and the increase in after sales service expenses.

#### 3Q2015 vs 3Q2014

Marketing and distribution expenses increased by RMB0.4 million or 14% from RMB1.2 million in 3Q2014 to RMB1.6 million in 3Q2015. The increase was mainly due to the provision for sales bonuses made in 3Q2015 and the increase in travelling expense.

### **Administrative expenses**

#### 9M2015 vs 9M2014

Administrative expenses decreased by RMB0.2 million or 1% from RMB27.9 million in 9M2014 to RMB27.7 million in 9M2015. The decrease was mainly due to the decrease in staff and staff-related cost and office expense arising from cost cutting measures by management, coupled with the decrease in property tax in 9M2015 since there was supplementary payment of owed taxes in 9M2014. The decrease was partially offset by the increase in land use rights tax in 9M2015 compared to 9M2014. The land use rights tax increase was attributable to the tax rate adjustment by the government in 2015.

#### 3Q2015 vs 3Q2014

Administrative expenses increased by RMB1.2 million or 15% from RMB8.2 million in 3Q2014 to RMB9.4 million in 3Q2015. The increase was mainly attributable due to allocation of overhead and land use rights tax in 3Q2015 compared to 3Q2014.

## **A) Income Statements (cont'd)**

### **Research expenses**

#### 9M2015 vs 9M2014

The research expenses increased by RMB2.3 million or 44% from RMB5.2 million in 9M2014 to RMB7.5 million in 9M2015. The increase was mainly due to more research expenses incurred in 9M2015 arising from research and development ("R&D") activities compared to 9M2014.

#### 3Q2015 vs 3Q2014

Research expenses increased by RMB1.4 million or 47% from RMB2.9 million in 3Q2014 to RMB4.3 million in 3Q2015, this was mainly attributable to more R&D expenses were incurred in 3Q2015 arising from the R&D activities compared to 3Q2014.

### **Other operating expense**

#### 9M2015 vs 9M2014

Other operating expense increased by RMB0.2 million or 100%. This is one-off expense for the equipments reworking.

#### 3Q2015 vs 3Q2014

Other operating expense increased by RMB0.2 million or 100%. This is one-off expense for the equipments reworking.

### **Finance costs**

#### 9M2015 vs 9M2014

Finance costs decreased by RMB0.4 million or 38% from RMB1.1 million in 9M2014 to RMB0.7 million in 9M2015. 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.

#### 3Q2015 vs 3Q2014

Finance costs decreased by RMB0.2 million or 56% from RMB0.3 million in 9M2014 to RMB0.1 million in 9M2015. The decrease was mainly due to the decrease in interest expenses as a result of the partial repayment of the loan from the former shareholders of our subsidiary in prior year.

### **Income tax expense**

#### 9M2015 vs 9M2014

Income tax expense decreased by RMB0.2 million or 11% from RMB1.5 million in 9M2014 to RMB1.3 million in 9M2015. The decrease was in line with the decrease in profit of our subsidiary. Effective tax rate for 9M2015 was 20%.

#### 3Q2015 vs 3Q2014

Income tax expense decreased by RMB0.5 million or 48% from RMB1.0 million in 3Q2014 to RMB0.5 million in 3Q2015. The decrease was in line with the decrease in profit of our subsidiary in 3Q2015.

### **Net profit attributable to owners of the Company**

#### 9M2015 vs 9M2014

The net profit attributable to owners of the Company has decreased slightly by RMB0.1 million or 2% from a profit of RMB5.4 million in 9M2014 to RMB5.3 million in 9M2015. The decrease was mainly due to the decrease of revenue from CSC business and Engineering Service business partially offset by the increase of Catalyst business and increases of finance and other income. The decrease is also attributable to marketing & distribution expense and research expenses.

#### 3Q2015 vs 3Q2014

The net profit attributable to owners of the Company has decreased by RMB2.4 million or 51% from a profit of RMB4.8 million in 3Q2014 to RMB2.4 million in 3Q2015. The decrease was mainly due to the decrease of revenue from CSC business and Engineering Service business partially offset by the

increase of finance and other income. The decrease is also attributable to the increase of marketing & distribution expense and research expense.

## **B) Balance Sheet Statements**

### **Non-current assets**

Non-current assets decreased by RMB4.2 million or 3% from RMB142.5 million as at 31 December 2014 to RMB138.3 million as at 30 September 2015. Non-current assets comprised of property, plant and equipment, investment property, intangible assets, land use rights, deferred tax assets and prepayments for property, plant and equipment.

Property, plant and equipment decreased by RMB4.2million or 3% from RMB121.8 million as at 31 December 2014 to RMB117.6 million as at 30 September 2015, mainly due to depreciation charges for the period partially offset by additions of catalyst production equipments in 9M2015.

### **Current assets**

Current assets decreased by RMB8.4 million or 3% from RMB342.4 million as at 31 December 2014 to RMB334.0 million as at 30 September 2015. The decrease was mainly due to the decrease in the cash and cash equivalents and bills receivable of RMB12.6 million and RMB14.1 million. The decrease in bills receivable was mainly attributable to the endorsement payment to the vendors and encashment of matured bills. The decrease was partially offset by the increase in inventories, trade and other receivables and prepayments of RMB7.1 million, RMB8.8 million and RMB2.4 million respectively. The increase of inventories was mainly due to the increase of work in progress which will be completed and delivered in the next quarter and the next year, and the increase of trade receivables was mainly due to the collection time not due.

### **Current liabilities**

Current liabilities decreased by RMB18.0 million or 11% from RMB166.2 million as at 31 December 2014 to RMB148.2 million as at 30 September 2015. The decrease was mainly attributable to the decrease in trade and other payables and other liabilities of RMB23.4 million and RMB5.3 million respectively. The decrease in trade payables and other liabilities were mainly due to payment made to vendors and payments to former shareholders' loan. The decrease was partially offset by the increase in advance from customers of RMB9.6 million arising from that the more contracts were fulfilled in 9M2015 compared to 9M2014.

### **Non-current liability**

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

## **C) Cash Flow Statements**

### **9M2015**

Cash and cash equivalents decreased by RMB12.4 million in 9M2015 which was mainly due to net cash used in investing activities of RMB7.6 million for the purchase of property, plant and equipment and intangible assets and net cash used in financing activities of RMB22.4 million for the repayment of loan of former shareholders. The decrease was partially offset by net cash generated in operating activities of RMB17.6 million.

### **3Q2015**

Cash and cash equivalents increased by RMB5.2 million in 3Q2015 which was mainly attributed to net cash generated in operating activities of RMB29.4 million. The increase was partially offset by net cash used in investing activities of RMB1.8 million for the purchase of property, plant and equipment and intangible assets and net cash used in financing activities of RMB22.4 million for the repayment of loan of former shareholders.

## **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 2015.

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

Economic and credit growth in the People's Republic of China ("PRC") is expected to slow given the PRC government's on-going attempts to restructure the economy and change the economic development pattern. As such the Group expects the business environment to remain competitive for the remainder of FY2015 and the next 12 months and will remain vigilant and respond prudently to any macroeconomic changes. To ensure a sustainable growth path for the business, the Group remains committed to its research and development efforts in new type shift catalyst and new equipment technology. The Group's order book as of 30 September 2015 was approximately RMB173.0 million (30 June 2015: RMB164.8 million).

- 11) Dividend**

**(a) Current financial period reported on**

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

**(b) Corresponding period of the immediately preceding financial year**

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

**(c) Date payable**

Not applicable.

**(d) Books closure date**

Not applicable.

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

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

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

The Group has not obtained a general mandate from shareholders for Interested Person Transactions ("IPTs").

14) **Update on usage of IPO proceeds**

As at 30 September 2015, the net proceeds from the Company's initial public offering have been utilized as follows:

<b>Usage of IPO Proceeds</b>	<b>Amount allocated</b>	<b>Amount utilized</b>	<b>Balance</b>
	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>
<b>(A) Expand our production facilities and capacities</b>	95,936	16,835	79,101
<b>(B) Enhance our R&amp;D capabilities and widen our range of innovative and cost-effective solutions</b>	15,479	3,646	11,833
<b>(C) Working capital purposes</b>	22,074	16,032	6,042
<b>Total</b>	<b>133,489</b>	<b>36,513</b>	<b>96,976</b>

**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 third quarter financial results for the period ended 30 September 2015 to be false or misleading in any material respects.

**By Order of the Board**

Xie Ming  
 Executive Director and CEO  
 12 November, 2015