



## **Anchun International Holdings Ltd.**

(Incorporated in Singapore)

(Company registration number: 200920277C)

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### **Unaudited Results for the First Quarter Period Ended 31 March 2019**

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#### **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.

	<b>Group</b>		<b>Change %</b>
	<b>Unaudited</b>	<b>Unaudited</b>	
	<b>3 months ended</b>		
	<b>31/3/2019</b>	<b>31/3/2018</b>	
	<b>RMB'000</b>	<b>RMB'000</b>	
<b>Revenue</b>	21,090	17,315	22%
Cost of sales	(17,314)	(13,584)	27%
<b>Gross Profit</b>	<b>3,776</b>	<b>3,731</b>	1%
<b>Other item of income</b>			
Finance and other income	1,240	4,122	-70%
<b>Other items of expenses</b>			
Marketing and distribution expenses	(822)	(827)	-1%
Administrative expenses	(4,692)	(6,541)	-28%
Research expenses	(3,932)	(1,034)	280%
Other operating expenses	(48)	(19)	153%
<b>Finance costs</b>			
- Bank charges	(1)	(2)	-50%
- Loans from former shareholders	-	(37)	-100%
<b>Loss before tax</b>	<b>(4,479)</b>	<b>(607)</b>	<b>N.M.</b>
Income taxation	-	-	N.M.
<b>Loss for the period, representing total comprehensive income for the period attributable to owners of the Company</b>	<b>(4,479)</b>	<b>(607)</b>	<b>N.M.</b>

*N.M. - not meaningful*

**ANCHUN INTERNATIONAL HOLDINGS LTD.**  
**UNAUDITED RESULTS FOR THE FIRST QUARTER PERIOD ENDED 31 MARCH 2019**

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

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

	<b>Group</b>		
	<b>Unaudited</b>	<b>Unaudited</b>	
	<b>3 months ended</b>		
	<b>31/3/2019</b>	<b>31/3/2018</b>	<b>Change</b>
	<b>RMB'000</b>	<b>RMB'000</b>	<b>%</b>
Depreciation of property, plant and equipment	2,635	3,056	-14%
Depreciation of investment property	125	44	184%
Amortisation of land use rights	91	91	-
Amortisation of intangible assets	20	82	-76%
Loss/(gain) on disposal of property, plant and equipment	118	(458)	N.M
Net foreign exchange loss	48	19	153%
Allowance for after-sale expenses	-	4	-100
Finance income	(594)	(321)	85%
Bank charges	1	2	-50%
Loans from former shareholders	-	37	-100%
Performance share plan expenses	14	2	600%

*N.M. - not meaningful*

**ANCHUN INTERNATIONAL HOLDINGS LTD.**  
**UNAUDITED RESULTS FOR THE FIRST QUARTER PERIOD ENDED 31 MARCH 2019**

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

	Group		Company	
	Unaudited 31/3/2019 RMB'000	Audited 31/12/2018 RMB'000	Unaudited 31/3/2019 RMB'000	Audited 31/12/2018 RMB'000
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant and equipment	71,562	74,037	–	–
Intangible assets	165	185	–	–
Land use rights	13,253	13,344	–	–
Investment in a subsidiary	–	–	75,496	75,482
Investment property	2,307	2,432	–	–
Prepayments	254	24	–	–
Deferred tax asset	628	628	–	–
	<b>88,169</b>	<b>90,650</b>	<b>75,496</b>	<b>75,482</b>
<b>Current assets</b>				
Inventories	43,586	28,672	–	–
Trade and other receivables	36,083	28,420	35,825	35,846
Contract assets	60,437	62,856	–	–
Bills receivable	15,900	22,279	–	–
Prepayments	18,167	16,180	127	102
Investment	45,000	20,000	–	–
Cash and cash equivalents	76,945	114,518	18,476	19,086
	<b>296,118</b>	<b>292,925</b>	<b>54,428</b>	<b>55,034</b>
<b>Total assets</b>	<b>384,287</b>	<b>383,575</b>	<b>129,924</b>	<b>130,516</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Current liabilities</b>				
Trade and other payables	37,317	30,973	11,673	11,625
Contract liabilities	47,849	44,809	–	–
Other liabilities	12,271	16,478	1,033	836
Provisions	59	59	–	–
Income tax payable	6,560	6,560	–	–
	<b>104,056</b>	<b>98,879</b>	<b>12,706</b>	<b>12,461</b>
<b>Net current assets</b>	<b>192,062</b>	<b>194,046</b>	<b>41,722</b>	<b>42,573</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>104,156</b>	<b>98,979</b>	<b>12,706</b>	<b>12,461</b>
<b>Net assets</b>	<b>280,131</b>	<b>284,596</b>	<b>117,218</b>	<b>118,055</b>
<b>Equity attributable to owners of the Company</b>				
Share capital	149,278	149,278	149,278	149,278
Employee benefit trust shares	(66)	(66)	(66)	(66)
Treasury shares	(538)	(538)	(538)	(538)
Other reserves	121,911	121,981	99	85
Accumulated profits/(losses)	9,546	13,941	(31,555)	(30,704)
<b>Total equity</b>	<b>280,131</b>	<b>284,596</b>	<b>117,218</b>	<b>118,055</b>
<b>Total equity and liabilities</b>	<b>384,287</b>	<b>383,575</b>	<b>129,924</b>	<b>130,516</b>

**ANCHUN INTERNATIONAL HOLDINGS LTD.**  
**UNAUDITED RESULTS FOR THE FIRST QUARTER PERIOD ENDED 31 MARCH 2019**

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

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

**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.**

	<b>Group Unaudited 3 months ended</b>	
	<b>31/3/2019</b>	<b>31/3/2018</b>
<b>Note</b>	<b>RMB'000</b>	<b>RMB'000</b>
<b>Operating activities</b>		
Loss before tax	(4,479)	(607)
<u>Adjustments for:</u>		
Depreciation of property, plant and equipment	2,635	3,056
Depreciation of investment property	125	44
Amortisation of intangible assets	20	82
Amortisation of land use rights	91	91
Allowance for after-sale services	–	4
Loss/(gain) on disposal of property, plant and equipment	118	(458)
Performance share plan expense	14	2
Net foreign exchange loss	48	19
Finance costs	1	39
Finance income	(594)	(321)
<b>Operating cash flows before changes in working capital</b>	<b>(2,021)</b>	<b>1,951</b>
<u>Changes in working capital</u>		
Decrease/(increase) in:		
Inventories	(14,914)	(2,180)
Trade and other receivables	(7,663)	12,821
Contract assets	2,419	(8,145)
Bill receivables	6,379	75
Prepayments	(1,987)	(3,181)
(Decrease)/increase in:		
Trade and other payables	6,241	(3,369)
Contract liabilities	3,040	2,871
Other liabilities	(4,207)	(3,551)
Total changes in working capital	(10,692)	(4,659)
<b>Cash flows used in operations</b>	<b>(12,713)</b>	<b>(2,708)</b>
Interest received	594	321
Interest paid	(1)	(2)
<b>Net cash used in operating activities</b>	<b>(12,120)</b>	<b>(2,389)</b>

**ANCHUN INTERNATIONAL HOLDINGS LTD.**  
**UNAUDITED RESULTS FOR THE FIRST QUARTER PERIOD ENDED 31 MARCH 2019**

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)**

	<b>Group Unaudited</b>	
	<b>3 months ended</b>	
	<b>31/3/2019</b>	<b>31/3/2018</b>
	<b>RMB'000</b>	<b>RMB'000</b>
<b>Investing activities</b>		
Proceeds from sale of property, plant and equipment	–	921
Purchase of Intangible assets - software	–	(120)
Purchase of property, plant and equipment	<b>A</b> (405)	(171)
Purchase of investment at fair value through profit or loss managed by a fund manager <sup>^</sup>	(25,000)	(75,000)
<b>Net cash used in investing activities</b>	<b>(25,405)</b>	<b>((74,370))</b>
<b>Financing activity</b>		
Repayment of loans from former shareholders of a subsidiary	–	(17,990)
<b>Net cash used in financing activity</b>	<b>–</b>	<b>(17,990)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(37,525)</b>	<b>(94,749)</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>114,518</b>	<b>136,689</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>(48)</b>	<b>(19)</b>
<b>Cash and cash equivalents at end of period</b>	<b>76,945</b>	<b>41,921</b>

<sup>^</sup> Comparative restated to be consistent with current period presentation.

**Note A:**

**Purchase of property, plant and equipment**

	<b>Group Unaudited</b>	
	<b>3 months ended</b>	
	<b>31/3/2019</b>	<b>31/3/2018</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Current period additions to property, plant and equipment	278	77
Less: Payable to creditors for current period purchases	(123)	(17)
Prepayment made in prior period	(23)	(18)
Add: Payments for prior period purchase	20	106
Prepayments made in current period	253	23
<b>Net cash outflow for purchase of property, plant and equipment</b>	<b>405</b>	<b>171</b>

**ANCHUN INTERNATIONAL HOLDINGS LTD.**  
**UNAUDITED RESULTS FOR THE FIRST QUARTER PERIOD ENDED 31 MARCH 2019**

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

**Statement of Changes in Equity**

Attributable to owners of the Company

	Share Capital	Employee benefit trust shares	Performance share plan reserve	Gain on reissuance of EBT shares	Treasury shares	Contribution from shareholder	Statutory reserve fund	Statutory reserve fund - safety production reserve	Merger reserve	Accumulated profits	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Group Unaudited</b>											
Balance at 1 January 2018	149,278	(66)	–	64	(222)	1,725	38,691	5,521	75,000	7,954	277,945
Loss for the period, representing total comprehensive income.	–	–	–	–	–	–	–	–	–	(607)	(607)
<u>Contributions by and distribution to owners</u>											
Grant of equity-settled performance shares to employees	–	–	2	–	–	–	–	–	–	–	2
<u>Others</u>											
Transfer to statutory reserve – safety production reserve	–	–	–	–	–	–	–	329	–	(329)	2
<b>Balance at 31 March 2018</b>	<b>149,278</b>	<b>(66)</b>	<b>2</b>	<b>64</b>	<b>(222)</b>	<b>1,725</b>	<b>38,691</b>	<b>5,850</b>	<b>75,000</b>	<b>7,018</b>	<b>277,340</b>
<b>Group Unaudited</b>											
Balance at 1 January 2019	149,278	(66)	21	64	(538)	1,725	39,230	5,941	75,000	13,941	284,596
Loss for the period, representing total comprehensive income	–	–	–	–	–	–	–	–	–	(4,479)	(4,479)
<u>Contributions by and distribution to owners</u>											
Grant of equity-settled performance shares to employees	–	–	14	–	–	–	–	–	–	–	14
<u>Others</u>											
Transfer to statutory reserve	–	–	–	–	–	–	–	(84)	–	84	–
<b>Balance at 31 March 2019</b>	<b>149,278</b>	<b>(66)</b>	<b>35</b>	<b>64</b>	<b>(538)</b>	<b>1,725</b>	<b>39,230</b>	<b>5,857</b>	<b>75,000</b>	<b>9,546</b>	<b>280,131</b>

**ANCHUN INTERNATIONAL HOLDINGS LTD.  
UNAUDITED RESULTS FOR THE FIRST QUARTER PERIOD ENDED 31 MARCH 2019**

**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	Gain on reissuance of EBT shares	Treasury shares	Accumulated losses	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Company Audited</b>							
Balance at 1 January 2018	149,278	(66)	–	64	(222)	(27,972)	121,082
Loss for the period, representing total comprehensive income	–	–	–	–	–	(664)	(664)
<u>Contributions by and distribution to owners</u>							
Grant of equity-settled performance shares to employees	–	–	2	–	–	–	2
<b>Balance at 31 March 2018</b>	<b>149,278</b>	<b>(66)</b>	<b>2</b>	<b>64</b>	<b>(222)</b>	<b>(28,636)</b>	<b>120,420</b>
<b>Company Unaudited</b>							
Balance at 1 January 2019	149,278	(66)	21	64	(538)	(30,704)	118,055
Loss for the period, representing total comprehensive income	–	–	–	–	–	(851)	(851)
<u>Contributions by and distribution to owners</u>							
Grant of equity-settled performance shares to employees	–	–	14	–	–	–	14
<b>Balance at 31 March 2019</b>	<b>149,278</b>	<b>(66)</b>	<b>35</b>	<b>64</b>	<b>(538)</b>	<b>(31,555)</b>	<b>117,218</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 the number of shares that may be issued on conversion of all the outstanding convertibles, if any, against the total number of issued shares excluding treasury shares and subsidiary holdings of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year. State also the number of shares held as treasury shares and the number of subsidiary holdings, if any, and the percentage of the aggregate number of treasury shares and subsidiary holdings held against the total number of shares outstanding in a class that is listed as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

Ordinary shares

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

Convertibles

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

EBT shares

As at 31 March 2019, there were no EBT shares (31 March 2018: 26,000 EBT shares (approximately 0.051% of the total number of issued shares) available for allocation.

Treasury shares

The Company had 417,400 treasury shares (approximately 0.83% of the total number of issued shares) as at 31 March 2019 (31 March 2018: 160,000).

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

	As at 31.3.19	As at 31.12.18
Number of ordinary shares issued and fully paid	50,500,000	50,500,000
Treasury shares	(417,400)	(417,400)
EBT shares	(26,000) <sup>(1)</sup>	(26,000) <sup>(1)</sup>
Total number of ordinary shares issued and fully paid (excluding Treasury shares and EBT shares)	50,056,600	50,056,600

**Notes:**

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

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

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

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

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

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

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

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

Not applicable.

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

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

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

The Group has not adopted any other mandatory standards, amendments and interpretations to existing standards that have been published but are only effective for the Group's accounting periods beginning or after 1 January 2019 except for FRS 116 Leases as disclosed below.

SFRS(I) 16 Leases ("SFRS(I) 16")

The Group have adopted SFRS(I) 16 on its effective date, being 1 January 2019. Under SFRS(I) 16, Right-of-use assets and lease liabilities are recognised for its leases previously classified as operating leases, with a corresponding adjustment in the opening retained earnings as of 1 January 2019.

On the adoption of SFRS(I) 16, the Group chosen on a lease-by-lease basis to measure the right-of-use asset at its carrying amount as if SFRS(I) 16 had been applied since the commencement date, but discounted using the lessee's incremental borrowing rate as of 1 January 2019.

In addition, the Group elected the following practical expedients:

- not to reassess whether a contract is, or contains a lease at the date of initial application and to apply SFRS(I) 16 to all contracts that were previously identified as leases
- to apply the exemption not to recognise right-of-use asset and lease liabilities to leases for which the lease term ends within 12 months as of 1 January 2019.

On adoption of SFRS(I) 16, the Group have considered right-of-use assets and lease liabilities for its leases previously classified as operating leases, with a corresponding adjustment in the opening retained earnings as of 1 January 2019.

**ANCHUN INTERNATIONAL HOLDINGS LTD.  
UNAUDITED RESULTS FOR THE FIRST QUARTER PERIOD ENDED 31 MARCH 2019**

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

	<u>Group</u>	
	<u>3 months ended 31/3/2019</u>	<u>3 months ended 31/3/2018</u>
Loss net of tax attributable to owners of the Company (RMB '000)	(6,849)	(607)
Weighted average number of ordinary shares ('000) on issue applicable to basic and diluted EPS	50,057	50,057
Basic and diluted loss per share (RMB cents)	<u>(13.68)</u>	<u>(1.21)</u>

Basic loss per share for the 3 months ended 31 March 2019 and 31 March 2018 are computed by dividing the loss net of tax attributable to owners of the Company by the weighted average number of ordinary shares excluding EBT shares.

Diluted loss per share are the same as the basic loss per share as the Company does not have any dilutive potential ordinary shares for the financial period ended 31 March 2019 and 31 March 2018.

- 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.**

	<u>Group</u>		<u>Company</u>	
	<u>31/3/2019</u>	<u>31/12/2018</u>	<u>31/3/2019</u>	<u>31/12/2018</u>
Net asset value per share (RMB per share)	5.60	5.69	2.34	2.36

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

- 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**

1Q2019 vs 1Q2018

Revenue increased by RMB3.8 million or 22% from RMB17.3 million in 1Q2018 to RMB21.1 million in 1Q2019. The increase was mainly due to the increase of revenue from CSC business, Engineering Services and Catalyst business, further described as follows:

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

**Revenue (cont'd)**

*Revenue from our Catalyst Business*

Revenue from our Catalyst Business increased by RMB0.5 million or 42% from RMB1.2 million in 1Q2018 to RMB1.7 million in 1Q2019. This was mainly due to the increase of processing revenue from pre-reduced ammonia synthesis catalyst catalysts.

*Revenue from our Engineering Services*

Revenue from our Engineering Services increased by RMB0.9 million or 100% from RMB0.9 million in 1Q2018 to RMB1.8 million in 1Q2019. This was mainly due to higher percentage of completion for service contracts during the period of 1Q2019.

*Revenue from our CSC Business*

Revenue from our CSC Business increased by RMB2.4 million or 15.8% from RMB15.2 million in 1Q2018 to RMB17.6 million in 1Q2019. The increase was due to higher percentage of completion for CSC contracts during the period of 1Q2019.

**Gross profit and gross profit margin**

1Q2019 vs 1Q2018

Our overall gross profit increased by RMB0.05 million or 1% from RMB3.73 million in 1Q2018 to RMB3.78 million in 1Q2019 and our gross profit margin decreased from 22% in 1Q2018 to 18% in 1Q2019.

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

- 1) Gross profit of Catalyst business increased by RMB0.09 million from RMB0.29 million in 1Q2018 to RMB0.38 million in 1Q2019. The gross profit margin decreased by 3% from 25% in 1Q2018 to 22% in 1Q2019, which can be attributed to better pricing of a contract in 1Q2018.
- 2) Gross profit of engineering design decreased by RMB0.03 million from RMB0.57 million in 1Q2018 to RMB0.54 million in 1Q2019. The gross profit margin was decreased by 33% from 63% in 1Q2018 to 30% in 1Q2019 mainly attributable to higher percentage of completion a contracts in the current quarter which contributed lower gross margin.
- 3) Gross profit of our CSC business decreased by RMB0.01 million from RMB2.87 million in 1Q2018 to RMB2.86 million in 1Q2019. The gross profit margin decreased by 3% from 19% in 1Q2018 to 16% in 1Q2019 mainly attributable to decrease of revenue from methanol reactor which contributed higher gross margin.

**Finance and other income**

1Q2019 vs 1Q2018

Finance and other income decreased by RMB2.9 million or 70% from RMB4.1 million in 1Q2018 to RMB1.2 million in 1Q2019. The decrease was mainly due to the decrease of government grants of RMB1.5 million and the decrease of sales of scrap metal of RMB1.5 million.

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

**Marketing and distribution expenses**

1Q2019 vs 1Q2018

Marketing and distribution expenses decreased by RMB0.01 million or 1% from RMB0.83 million in 1Q2018 to RMB0.82 million in 1Q2019. The decrease was mainly attributable to decrease of entertainment expenses of RMB0.01 million.

**Administrative expenses**

1Q2019 vs 1Q2018

Administrative expenses decreased by RMB1.8 million or 28% from RMB6.5million in 1Q2018 to RMB4.7 million in 1Q2019. The decrease was partly due to lower unallocated manufacturing overheads of RMB1.3 million charged to profit or loss under administrative expenses .

Item by nature	1Q2019	1Q2018	1Q2019 vs.1Q2018 (Change)		Comments
	RMB'000	RMB'000	RMB'000	%	
Unallocated manufacturing overheads allocated in administrative expenses	564	1,835	(1,271)	(69)	The decrease is due to higher production volumes and lower unallocated manufacturing overhead recorded under administrative expenses in 1Q2019 over 1Q2018.
Salaries and bonuses	913	1,440	(527)	(36)	Include salaries of executive directors and heads of department deployed in administrative functions. Decrease due to higher provision of bonuses in FY2018.
Professional fees	337	1,048	(711)	(68)	Decrease due to the renewal fees for engineering design qualifications which are renewable every three years.
Staff welfare expenses	498	162	336	207	Hunan Anchun provides lunches to its employees at its cafeteria from April 2018 to boost morale due to more orders received and tight delivery schedules.
Recruiting fees	121	12	109	908	Increase due to more network recruitment activities for engineering design staff.
Other expenses	2,259	2,044	215	10	Other expenses are an aggregation of expenses of less than RMB0.07 million each. It includes service charge, amortisation expense, etc.
<b>Total</b>	<b>4,692</b>	<b>6,541</b>	<b>(1,849)</b>	<b>(28)</b>	

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

**Research expenses**

1Q2019 vs 1Q2018

Research expenses increased by RMB2.9 million or 280% from RMB1.0 million in 1Q2018 to RMB3.9 million in 1Q2019. This was mainly attributable to higher expenses incurred for new isothermal shift reactor improvement efforts of RMB2.0 million and propionaldehyde reactor improvement efforts of RMB0.9 million in 1Q2019.

**Finance costs**

1Q2019 vs 1Q2018

Finance costs decreased by RMB0.03 million or 97% from RMB0.04 million in 1Q2018 to RMB0.01 million in 1Q2019. The decrease was mainly due to the decrease in interest expenses as a result of the full repayment of the loan from the former shareholders of our subsidiary in 1Q2018.

**Income tax expenses**

1Q2019 vs 1Q2018

There was no income tax expense in 1Q2019 due to the losses incurred by the Group's subsidiary in 1Q2019.

**Net loss attributable to owners of the Company**

1Q2019 vs 1Q2018

The net loss attributable to owners of the Company increased by RMB3.9 million from RMB0.6 million in 1Q2018 to RMB4.5 million in 1Q2019 as explained above.

**B) Balance Sheet Statements**

**Non-current assets**

Non-current assets decreased by RMB2.4 million or 2.7% from RMB90.6 million as at 31 December 2018 to RMB88.2 million as at 31 March 2019. 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 RMB2.4 million or 3.2% from RMB74.0 million as at 31 December 2018 to RMB71.6 million as at 31 March 2019, mainly due to depreciation charges in 1Q2019.

**Current assets**

Current assets increased by RMB3.2 million or 1.1% from RMB292.9 million as at 31 December 2018 to RMB296.1 million as at 31 March 2019. The increase was mainly due to the following:

- a) The increase in prepayments of RMB2.0 million was mainly due to the purchases of raw materials for new sale contracts.
- b) The increase in inventories of RMB14.9 million was mainly due to raw materials purchased for CSC business contract orders.

**B) Balance Sheet Statements (cont'd)**

**Current assets (cont'd)**

- c) The decrease in cash and cash equivalents and investments of RMB37.6 million was due to purchase of investment at fair value through profit or loss managed by a fund manager of RMB25million, purchase of property, plant and equipment of RMB0.4 million and decrease of cash inflow from operating activities of RMB12.1 million.
- d) The increase in investment of RMB25 million is due to purchase of investment at fair value through profit or loss managed by a fund manager,
- e) The increase in trade and other receivables of RMB7.7 million is due to increase of contractual milestone billings.
- f) The decrease in contract assets of RMB2.4 million is due to amounts being transferred to receivables when contractual payment milestones were reached.
- g) The decrease in bills receivable of RMB6.4 million is due to settlement of outstanding bills receivable.

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

Item by nature	31/3/2019 RMB'000	< 6 months RMB'000	6-12 months RMB'000	1-2years RMB'000	>2years RMB'000
<b>Trade Receivables</b>					
Receivables from sales	62,728	25,311	2,054	9,091	26,272
Less: Impairment losses on trade receivables, net	(28,568)	(2,148)	(185)	(3,921)	(22,314)
<b>Sub-total</b>	<b>34,160</b>	<b>23,163</b>	<b>1,869</b>	<b>5,170</b>	<b>3,958</b>
<b>Other Receivables</b>					
A. Operation cash advances	320	320	-	-	-
B. Bid bonds	1,560	1,560	-	-	-
C. Rental deposit	29	-	-	29	-
D. GST receivables	14	14	-	-	-
<b>Total</b>	<b>36,083</b>	<b>25,057</b>	<b>1,869</b>	<b>5,199</b>	<b>3,958</b>

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

Item by nature	31/03/2019 RMB'000	< 6 months RMB'000	6-12 months RMB'000	1-2years RMB'000	>2years RMB'000
<b>Contract Assets</b>					
Contract Assets	67,411	47,101	1,598	8,547	10,165
Less: Impairment losses contract assets, net	(6,974)	-	-	-	(6,974)
<b>Total</b>	<b>60,437</b>	<b>47,101</b>	<b>1,598</b>	<b>8,547</b>	<b>3,191</b>

**B) Balance Sheet Statements (cont'd)**

**Current liabilities**

Current liabilities increased by RMB5.1 million or 5.2% from RMB98.9 million as at 31 December 2018 to RMB104.0 million as at 31 March 2019.

- a) The increase in contract liabilities of RMB3.0 million due to more amounts received from customers according to the progressive payment terms contracted while revenue is recognised later according to the Group's revenue recognition policy.
- b) The increase in trade and other payables of RMB6.3 million was due to the increase of purchase of raw materials for new sale contracts.
- c) The decrease in other liabilities of RMB4.2 million were mainly due to settlement of the employee FY2018 bonuses.

**C) Cash Flow Statements**

**1Q2019 vs 1Q2018**

Cash and cash equivalents decreased by RMB37.6 million in 1Q2019, which was mainly attributed to cash used in operating activities of RMB12.1 million and net cash generated from investing activities of RMB25.4 million.

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

The Company did not make any forecast and prospect statement in respect of its results for 31 March 2019.

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

The products and services the Group provides are mostly related to capital intensive engineering projects in China. The macro-economic environment in China, particularly government policies in relation to the issue of credit and provision of utility subsidies to the industry, have a large impact on the Group's customers buying and investing decisions. This coupled with nitrogen fertilizer and urea prices remaining low, the Group expects the next 12 months to continue to be challenging for the Nitrogen Fertilizer Industry and the majority of basic chemical producers in PRC.

The Group has continued its efforts to diversify into non-fertiliser industries, which has resulted in revenue of RMB4.2 million for the 3M2019 representing 15% (RMB5.08 million for 3M2018 representing 30%) of total revenue.

The Group will continue to remain vigilant over its costs structure and continue its research efforts to enhance and improve its portfolio of patented products and further build its technical competency so as to be more competitive in the market and be better positioned to take advantage of opportunities when they arise.

The Group's order book as of 31 March 2019 was approximately RMB130.8 million (31 December 2018: RMB150.8 million) out of which of RMB50.7 million is from non-fertiliser industries. We are cautiously optimistic that we will be able to make further inroads in this direction.



**11) Dividend**

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

The Company does not recommend any dividend for the financial period ended 31 March 2019

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

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

**(c) Date payable**

Not applicable.

**(d) Books closure date**

Not applicable.

**12) If no dividend has been declared (recommended), a statement to that effect and the reason(s) for the decision**

No dividend has been declared or recommended for the financial period ended 31 March 2019 as the Company is in a net loss for 1Q2019 and accumulated loss position.

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

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

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

As at 31 March 2019, 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	18,465	77,471
<b>(B) Enhance our R&amp;D capabilities and widen our range of innovative and cost-effective solutions</b>	15,479	14,054	1,425
<b>(C) Working capital purposes</b>	22,074	22,074	0
<b>Total</b>	133,489	54,593	78,896

The amount of RMB14.05 million utilized for R&D capabilities, innovative and cost-effective solutions are mainly attributable to works on a sulfur removal reactor, a new type of isothermal methanol reactor, propionaldehyde reactor and shift catalyst production research.

**14) Update on usage of IPO proceeds (cont'd)**

The breakdown of working capital utilization is as follows:

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

**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 first quarter 2019 financial results to be false or misleading in any material respects.

**By Order of the Board**

Xie Ming  
Executive Chairman  
13 May 2019