



Anchun International Holdings Ltd.

(Incorporated in Singapore)

(Company registration number: 200920277C)

Unaudited Results for the First Quarter Period Ended 31 March 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 the 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		Change %
	Unaudited	Unaudited	
	3 months ended		
	31/03/2014	31/03/2013	
	RMB'000	RMB'000	
Revenue	18,236	41,838	-56.4%
Cost of sales	(9,703)	(26,518)	-63.4%
Gross Profit	8,533	15,320	-44.3%
Other item of income			
Finance and other income	3,243	1,209	168.2%
Other items of expenses			
Marketing and distribution expenses	(778)	(1,231)	-36.8%
Administrative expenses	(10,215)	(11,831)	-13.7%
Finance costs	(406)	(451)	-10.0%
Profit before tax	377	3,016	-87.5%
Income tax expenses	(199)	(715)	-72.2%
Profit from operations, net of tax	178	2,301	-92.3%
Total comprehensive income for the period attributable to owners of the Company	178	2,301	-92.3%

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		Change
	Unaudited	Unaudited	
	3 months ended		
	31/03/2014	31/03/2013	
	RMB'000	RMB'000	%
Depreciation of property, plant and equipment ("PPE")	3,145	3,354	-6.2%
Depreciation of investment property	44	44	-
Amortisation of land use rights	92	92	-
Amortisation of intangible assets	11	21	-47.6%
Write-back for impairment of trade receivables, net	(716)	(10)	N.M.
(Write-back) for inventory obsolescence	(4)	-	N.M.
(Gain)/loss on disposal of PPE	(15)	2	N.M.
Exchange (gain)/loss	(191)	122	N.M.
Allowance for after-sale expenses	4	11	-63.6%
Research and development ("R&D") expenses	755	722	4.6%
Finance income	(831)	(645)	28.8%
Finance costs	406	451	-10.0%

N.M. - not meaningful

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

	Group		Company	
	Unaudited 31/03/2014 RMB'000	Audited 31/12/2013 RMB'000	Unaudited 31/03/2014 RMB'000	Audited 31/12/2013 RMB'000
ASSETS				
Non-current assets				
Property, plant and equipment	122,783	122,613	–	–
Intangible assets	–	11	–	–
Land use rights	15,079	15,172	–	–
Deferred tax assets	153	153	–	–
Investment in a subsidiary	–	–	75,000	75,000
Investment property	1,096	1,140	–	–
Prepayments	4,435	2,775	–	–
	143,546	141,864	75,000	75,000
Current assets				
Inventories	71,112	62,265	–	–
Trade and other receivables	47,427	47,741	25,212	25,504
Bills receivable	29,717	22,372	–	–
Prepayments	3,399	3,176	101	83
Cash and cash equivalents	176,537	189,829	32,549	33,406
	328,192	325,383	57,862	58,993
Total assets	471,738	467,247	132,862	133,993
EQUITY AND LIABILITIES				
Current liabilities				
Trade and other payables	100,249	99,089	–	–
Advances from customers	42,926	35,006	–	–
Other liabilities	11,210	16,180	1,249	1,429
Provision for after-sale expenses	67	63	–	–
Income tax payable	3,633	3,434	–	–
	158,085	153,772	1,249	1,429
Net current assets	170,107	171,611	56,613	57,564
Non-current liability				
Deferred tax liabilities	100	100	–	–
	100	100	–	–
Total liabilities	158,185	153,872	1,249	1,429
Net assets	313,553	313,375	131,613	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	116,248	115,880	–	–
Accumulated profits/(loss)	48,457	48,647	(17,235)	(16,284)
Total equity	313,553	313,375	131,613	132,564
Total equity and liabilities	471,738	467,247	132,862	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 RMB64.9 million (31 December 2013: RMB65.0 million) as at 31 March 2014 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	
	31/03/2014	31/03/2013
Note	RMB'000	RMB'000
Operating activities		
Profit before tax	377	3,016
<u>Adjustment for:</u>		
Depreciation of property, plant and equipment	3,145	3,354
Depreciation of investment property	44	44
Amortisation of intangible assets	11	21
Amortisation of land use rights	92	92
Write-back for impairment of trade receivables, net	(716)	(10)
Write-back for inventory obsolescence	(4)	–
Allowance for after-sale services	4	11
(Gain)/loss on disposal of PPE	(15)	2
Net foreign exchange (gain)/loss	(191)	122
Finance costs	406	451
Finance income	(831)	(645)
Operating cash flows before changes in working capital	2,322	6,458
<u>Changes in working capital</u>		
Decrease (increase) in:		
Inventories	(8,843)	10,281
Trade and other receivables	1,030	(9,957)
Bills receivable	(7,345)	(10,457)
Prepayments	(223)	(2,177)
(Decrease) increase in:		
Trade and other payables	1,078	(6,106)
Advances from customers	7,920	(10,879)
Other liabilities	(3,301)	(4,719)
Total changes in working capital	(9,684)	(34,014)
Cash flows generated from/(used in) operations	(7,362)	(27,556)
Interest received	831	645
Interest paid	(1,669)	–
Net cash generated from/(used in) operating activities	(8,200)	(26,911)

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	
	31/03/2014	31/03/2013
	RMB'000	RMB'000
Investing activities		
Proceed from sale of property, plant and equipment	42	–
Purchase of property, plant and equipment	(5,294)	(2,182)
Net cash used in investing activities	(5,252)	(2,182)
Financing activities		
Repayment of loans due to the former shareholders of a subsidiary	(31)	(21,600)
Net cash used in financing activities	(31)	(21,600)
Net decrease in cash and cash equivalents	(13,483)	(50,693)
Cash and cash equivalents at beginning of period	189,829	223,019
Effect of exchange rate changes on cash and cash equivalents	191	(122)
Cash and cash equivalents at end of period	176,537	172,204

Note A: Property, plant and equipment

	Group Unaudited 3 months ended	
	31/03/2014	31/03/2013
	RMB'000	RMB'000
Current period additions to property, plant and equipment	3,342	1,904
Less: Payable to creditors for current period purchases	(251)	(177)
Prepayment made in prior period	(1,682)	(46)
Add: Payments for prior period purchase	544	412
Prepayments made in current period	3,341	89
Net cash outflow for purchase of property, plant and equipment	5,294	2,182

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	-	-	-	-	-	-	2,301	2,301
Others								
Transfer to statutory reserve fund - safety production expenditure	-	-	-	-	483	-	(483)	-
Safety production expenditure incurred for the period	-	-	-	-	(2)	-	2	-
Total others	-	-	-	-	481	-	(481)	-
Balance at 31 March 2013	149,278	(430)	1,725	36,024	1,517	75,000	45,442	308,556
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	-	-	-	-	-	-	178	178
Others								
Transfer to statutory reserve – safety production expenditure	-	-	-	-	255	-	(255)	-
Transfer to statutory reserve fund	-	-	-	113	-	-	(113)	-
Total others	-	-	-	113	255	-	(368)	-
Balance at 31 March 2014	149,278	(430)	1,725	37,121	2,402	75,000	48,457	313,553

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	–	–	(1,750)	(1,750)
Balance at 31 March 2013	149,278	(430)	(14,265)	134,583
Company				
Balance at 1 January 2014	149,278	(430)	(16,284)	132,564
Total comprehensive income for the period	–	–	(951)	(951)
Balance at 31 March 2014	149,278	(430)	(17,235)	131,613

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 31 March 2014 and 31 December 2013	505,000,000	149,278

Convertibles

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

Treasury shares

The Company had 1,700,000 treasury shares as at 31 March 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 31.03.14	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 those as disclosed under paragraph 5, the accounting policies and methods of computation applied by the Group and the Company are consistent with those used in its most recently audited financial statements for the financial year ended 31 December 2013.

- 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 the applicable new and revised Financial Reporting Standards ("FRS") and Interpretations of Financial Reporting Standards ("INT FRS") which become effective for the accounting periods beginning on or after 1 January 2014. The adoption of these new and revised FRS and INT FRS are currently assessed to have no material financial impact on the Group and the Company's financial statements.

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

	Group	
	3 months ended 31/03/2014	3 months ended 31/03/2013
Profit net of tax attributable to owners of the Company (RMB '000)	178	2,301
Weighted average number of ordinary shares ('000)	503,300	503,300
Basic earnings per share (RMB cents)	0.04	0.46
Diluted earnings per share (RMB cents)	0.04	0.46

Basic earnings per share for the 3 months ended 31 March 2014 and 31 March 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 same as 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	
	31/03/2014	31/12/2013	31/03/2014	31/12/2013
Net asset value per share (RMB cents per share)	62.30	62.26	26.11	26.34

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

- 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

1Q2014 vs 1Q2013

Revenue decreased significantly by RMB23.6 million or 56.4% from RMB41.8 million in 1Q2013 to RMB18.2 million in 1Q2014. The decrease was mainly due to the decrease in revenue contribution from CSC Business and Catalyst Business partially offset by increase in revenue from Engineering Services Business, further described as follows:-

Revenue from our Engineering Services

Revenue from our Engineering Services increased by RMB0.2 million, or 7.3%, from RMB2.4 million in 1Q2013 to RMB2.6 million in 1Q2014 mainly due to higher percentage of completion of contracts at the current balance sheet date.

Revenue from our CSC Business

Revenue from our CSC Business decreased significantly by RMB20.8 million or 57.5% from RMB36.1 million in 1Q2013 to RMB15.3 million in 1Q2014. This was mainly due to requests from some customers to postpone the delivery of our finished goods ordered by them.

Revenue from our Catalyst Business

Revenue from our Catalyst Business decreased significantly by RMB3.0 million or 90.8% from RMB3.3 million in 1Q2013 to RMB0.3 million in 1Q2014. The significant decrease was mainly due to the decrease in sales of pre-reduced catalysts and ammonia catalysts. The decrease in sales of pre-reduced catalyst was mainly due to the disruption from the expansion of its processing capability. While the decrease in sales of ammonia catalysts was in line with the decrease in sales of our equipment products.

Gross profit margin

1Q2014 vs 1Q2013

Our overall gross profit decrease significantly by RMB6.8 million or 44.3% from RMB15.3 million in 1Q2013 to RMB8.5 million in 1Q2014 and our gross profit margin increased from 36.6% in 1Q2013 to 46.8% in 1Q2014.

The significant increase in our overall gross profit margin was mainly due to the increase in margins of our CSC Business, which rose from 35.6% in 1Q2013 to 41.8% in 1Q2014 coupled with the a higher percentage contribution of gross profit from our Engineering Services from 9.8% in 1Q2013 to 23.9% in 1Q2014. The CSC Business accounted for about 84.2% of Group's total revenue in 1Q2014 and our Engineering Services typically generates higher margins as compared to other segments. The higher gross profit margin from CSC Business segment was mainly a result of higher selling prices across all equipment products. The increase in our overall gross margin was partially offset by the decrease in the gross profit margin of our Catalyst Business which fell from 29.5% in 1Q2013 to 26.9% in 1Q2014. This was mainly due to a result of a higher percentage contribution from the sales of ammonia catalyst which has a lower margin than other catalysts.

A) Income Statements (cont'd)

Finance and other income

1Q2014 vs 1Q2013

Finance and other income increased significantly by RMB2.0 million or 168.2% from RMB1.2 million in 1Q2013 to RMB3.2 million in 1Q2014. The increase was mainly due to the increase in net gain from sale of equipment arising from research and development efforts and interest income coupled with the increase in the write-back for impairment of trade receivables and net exchange gain.

Marketing and distribution expenses

1Q2014 vs 1Q2013

Marketing and distribution expenses decreased by RMB0.4 million or 36.8% from RMB1.2 million in 1Q2013 to RMB0.8 million in 1Q2014. The decrease was mainly due to the decrease in advertising expenses, travelling and entertainment expenses.

Administrative expenses

1Q2014 vs 1Q2013

Administrative expenses decreased by RMB1.6 million or 13.7% from RMB11.8 million in 1Q2013 to RMB10.2 million in 1Q2014. The decrease was mainly due to the decrease in staff and staff-related cost, office-related expenses arising from cost cutting measures coupled with the decrease in related charges arising from under-utilisation of the production facility.

Finance costs

1Q2014 vs 1Q2013

Finance costs decreased by RMB0.04 million or 10.0% from RMB0.45 million in 1Q2013 to RMB0.41 million in 1Q2014. 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.

Income tax expenses

1Q2014 vs 1Q2013

Income tax expenses decreased by RMB0.5 million or 72.2% from RMB0.7 million in 1Q2013 to RMB0.2 million in 1Q2014. The decrease was in line with the decrease in net profit. Effective tax rate for 1Q2014 was 52.8% due to the losses from our holding company which partially offset the profit of our subsidiary.

Net profit attributable to owners of the Company

1Q2014 vs 1Q2013

The net profit attributable to owners of the Company has decreased significantly by RMB2.1 million or 92.3% from a profit of RMB2.3 million in 1Q2013 to a profit of RMB0.2 million in 1Q2014. The decrease was mainly due to the decrease in revenue from our CSC Business and Catalyst Business partially offset by the increase in other income and the decrease in operating expenses.

B) Balance Sheet Statements

Non-current assets

Non-current assets increased by RMB1.6 million or 1.2% from RMB141.9 million as at 31 December 2013 to RMB143.5 million as at 31 March 2014. 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 increased by RMB0.2 million or 0.1% from RMB122.6 million as at 31 December 2013 to RMB122.8 million as at 31 March 2014, mainly due to additions partially offset by depreciation charges. Prepayment increased by RMB1.6 million from RMB2.8 million as at 31 December 2013 to RMB4.4 million as at 31 March 2014 mainly due to prepayment for Property, plant and equipment relating to the upgrading of the pre-reduced catalyst processing plant.

Current assets

Current assets increased by RMB2.8 million or 0.9% from RMB325.4 million as at 31 December 2013 to RMB328.2 million as at 31 March 2014. The increase was mainly due to the increase in inventories and bills receivable of RMB8.8 million and RMB7.3 million respectively. The increase in inventories was primarily due to the increase in finished goods as a result of postponement of delivery upon customers' requests and the increase in raw materials to cater for the increase in order book. The increase in bills receivable was mainly because more customers used bills receivable as the mode of payment. These increases were partially offset by the decrease in cash and cash equivalents of RMB13.3 million.

Current liabilities

Current liabilities increased by RMB4.3 million or 2.8% from RMB153.8 million as at 31 December 2013 to RMB158.1 million as at 31 March 2014. The increase was mainly attributed to the increase in trade and other payables and advance from customers amounting to RMB1.2 million and RMB7.9 million respectively. The increase in trade and other payables was mainly due to purchases of raw materials. While the increase in advance from customers was in line with the increase in the order book as of 31 March 2014. The increases were partially offset by the decrease in other liabilities amounting to RMB5.0 million mainly due to payments made to vendors.

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

1Q2014

Cash and cash equivalents decreased by RMB13.3 million in 1Q2014 which was mainly attributed to cash used in operating activities, investing activities and financing activities. RMB8.20 million was used in operating activities while RMB5.25 million was used in investing activities for the purchase of property, plant and equipment. RMB0.03 million used in financing activities was for the 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 31 March 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

The Group expects the business environment to remain uncertain and challenging in the next 12 months as the economy of People's Republic of China ("PRC") grew at its slowest pace in 18 months and capital investment may be hindered by lack of support from the financial system. However, in the longer term, the Group remains positive that the Isothermal Low Temperature High CO Shift Technology, being the first-of-its-kind in the PRC, will play an important role in China's efforts in implementing integrated resource utilisation and low carbon emission measures. To ensure a sustainable growth path for the business, the Group remains committed to its Research and Development efforts.

The Group's order book as at 31 March 2014 is approximately RMB160.0 million (31 December 2013: RMB115.6 million).

11) Dividend

(a) Current financial period reported on

The Company does not recommend any dividend for the financial period ended 31 March 2014.

(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 2013.

(c) Date payable

Not applicable.

(d) Books closure date

Not applicable.

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

The Company does not recommend any dividend for the financial period ended 31 March 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 Interested Person Transactions ("IPTs").

14) Update on usage of IPO proceeds

As at the date of this announcement, 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
(A) Expand our production facilities and capacities	110,936	8,614 ^(A)	102,322
(B) Enhance our R&D capabilities and widen our range of innovative and cost-effective solutions	15,479	720	14,759
(C) Working capital purposes	7,074	7,074	-
Total	133,489	16,408	117,081

(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 May 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 first quarter financial results for the period ended 31 March 2014 to be false or misleading in any material respects.

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