

**ANCHUN INTERNATIONAL HOLDINGS LTD.**

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Changsha, Hunan, China**FOR IMMEDIATE RELEASE**

## **Anchun reports net profit of RMB0.2 million for 1Q2014**

- *Revenue declines 56.4% to RMB18.2 million mainly due to customers' requests for postponing delivery*
- *Gross profit margin improves significantly to 46.8% despite lower revenue*
- *Maintains healthy order book of RMB160 million as at 31 March 2014*
- *Marketing and implementations of its isothermal low temperature high CO shift technology and R&D efforts continue to be key focus for the Group*

**Financial Highlights (FPE 31 March)**

<b>RMB'000</b>	<b>1Q2014</b>	<b>1Q2013</b>	<b>% Chg</b>
Revenue	18,236	41,838	(56.4)
Gross Profit	8,533	15,320	(44.3)
Gross Profit Margin (%)	46.8	36.6	10.2 % pts
Net Profit Attributable to Shareholders	178	2,301	(92.3)

**Singapore – 13 May 2014** – Mainboard-listed **Anchun International Holdings Ltd.** (“Anchun” or the “Group”, or “安淳国际控股有限公司”) a leading integrated chemical systems engineering and technology solutions provider to China’s petrochemical and chemical industries and environmental protection industry, today reported a net profit of RMB0.2 million on the back of RMB18.2 million in revenue for the three months ended 31 March 2014 (“1Q2014”).

The Group’s revenue -experiences a year-on-year (“y-o-y”) decline of 56.4% largely due to lower contributions from its Chemical Systems and Components (“CSC”) Business and Catalyst Business in 1Q2014, which fell 57.5% and 90.8% to RMB15.3 million and RMB0.3 million as a result of

customers' requests for postponing delivery and on-going plant expansion and upgrading work respectively. This was partially offset by improved sales from the Group's Engineering Services Business, which rose 7.3% y-o-y to RMB2.6 million from a higher percentage completion of contracts.

Elaborating on the results, the Group's Executive Director and newly appointed Chief Executive Officer, Ms Xie Ming (谢明) said, "Our CSC revenue during the quarter was lower as a number of customers requested us to postpone the delivery of finished goods they had ordered. At the same time, we are currently expanding and upgrading our catalyst manufacturing plant which disrupted the production of pre-reduced catalysts. Once completed in the second half of FY2014, however, our annual processing capacity at the plant will triple from 500 tonnes to 1,500 tonnes, enabling us to better meet anticipated demand for such products."

Despite recording a lower revenue, the Group managed to improve its gross profit margin significantly to 46.8% in 1Q2014 compared to 36.6% a year ago in 1Q2013. This was mainly due to better margins derived from the Group's CSC Business, which increased from 35.6% in 1Q2013 to 41.8% in 1Q2014, coupled with a higher percentage contribution from Engineering Services, a segment that typically generates higher margins.

Based on this, the Group's earnings per share ("EPS") was RMB0.04 cents for 1Q2014, while net asset value ("NAV") rose to RMB62.30 cents per share as at 31 March 2014. This is in contrary to an EPS of RMB0.46 cents for 1Q2013 and NAV of RMB62.26 cents per share as at 31 December 2013.

### **Outlook**

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.

Notwithstanding this, the Group remains positive in the longer-term that its first-of-its-kind isothermal low temperature high CO shift technology will play an important role in China's efforts to implement integrated resource utilization and low carbon emissions measures.

Said Ms Xie, "Over the last two years, we have been working hard to promote this technology in China and are beginning to see an increasing acceptance among our customers. The isothermal low

temperature high CO shift technology contributed approximately 4% of our FY2013 revenue and in 1Q2014. For the contracts we have secured as of 31 March, 2014 this contribution reaches 22% with the value of approximately RMB35.5 million. Given China's increasingly strict stance on carbon emissions, we are cautiously optimistic that with the increased market awareness this technology will eventually translate into greater revenue contribution for the Group in the long-run."

As part of its on-going strategy, the Group remains committed to research & development and marketing its products and engineering expertise to new and existing customers in 2014.

"Our plan is not only to develop new innovative technologies, but to do it better, faster and smarter. Tapping on our considerable engineering expertise, we plan to identify more technology innovation target areas and focus on the research, product development. We also aim to shorten our product-to-market cycle in order to gain first mover advantages, just as we have done for our isothermal low temperature high CO shift technology," said Ms Xie.

To date, the Group has developed a new type of CO Shift Catalyst with lab results indicating superior performance as compared to similar catalysts existing in the market. The Group intends to build a pilot unit for on-site testing and targets initial commercialization in the second half of FY2014. Another new area that the Group is actively exploring is the development of coal-to-natural-gas technology.

Ms Xie continued, "Concurrent to our R&D efforts, we are looking into sub-contracting and forming strategic partnerships to achieve results more efficiently as well as exploring ways for financial institutions to work with our customers on their capital needs. We are also re-structuring internally to optimise efficiencies and help drive the Group's future growth."

To this end, Anchun has appointed new management executives in key departments such as its CSC and Marketing and Sales divisions. Its marketing and sales department has begun to strategically adopt more selling and pricing strategies to improve overall performance while the Group is planning to hire more professionals to strengthen its engineering team and to extend its market research into the emerging fields of Environmental and Chemical Industry. At the same time, the Group also plans to review its budget system and to adopt a new merit-based compensation system.

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

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***About Anchun International Holdings Ltd ("Anchun")***

*Listed on the SGX Mainboard in 2010, 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, the ammonia and methanol industries.*

*With its strong R&D capabilities and patented key technologies, Anchun is strategically positioned to capture value across the value chain from system design, system manufacturing and project management, and after-sales.*

*Over the years, Anchun has won 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).*

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