



## **Anchun International Holdings Ltd.**

(Incorporated in Singapore)

(Company registration number: 200920277C)

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### **Unaudited Results for the Second Quarter and Half Year Ended 30 June 2016**

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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.

	Group			Group		
	Unaudited	Unaudited	Change	Unaudited	Unaudited	Change
	3 months ended			6 months ended		
30/06/2016	30/06/2015	%	30/06/2016	30/06/2015	%	
	RMB'000	RMB'000		RMB'000	RMB'000	
<b>Revenue</b>	16,152	29,960	-46%	35,539	54,643	-35%
Cost of sales	(12,307)	(19,075)	-35%	(26,618)	(30,874)	-14%
<b>Gross Profit</b>	<b>3,845</b>	<b>10,885</b>	<b>-65%</b>	<b>8,921</b>	<b>23,769</b>	<b>-62%</b>
<b>Other item of income</b>						
Finance and other income	836	4,029	-79%	2,175	4,566	-52%
<b>Other items of expenses</b>						
Marketing and distribution expenses	(1,232)	(1,587)	-22%	(2,234)	(2,590)	-14%
Administrative expenses	(8,406)	(9,987)	-16%	(18,538)	(18,238)	2%
Research expenses	(685)	(1,310)	-48%	(1,435)	(3,242)	-56%
Finance costs	(141)	(283)	-50%	(283)	(566)	-50%
<b>(Loss)/Profit before tax</b>	<b>(5,783)</b>	<b>1,747</b>	<b>N.M.</b>	<b>(11,394)</b>	<b>3,699</b>	<b>N.M.</b>
Income tax credit/(expense)	54	(377)	N.M.	54	(775)	N.M.
<b>(Loss)/Profit from operation, net of tax, representing total comprehensive (expense)/income for the period attributable to owners of the Company</b>	<b>(5,729)</b>	<b>1,370</b>	<b>N.M.</b>	<b>(11,340)</b>	<b>2,924</b>	<b>N.M.</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.

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

	Group			Group		
	Unaudited	Unaudited	Change	Unaudited	Unaudited	Change
	3 months ended			6 months ended		
	30/06/2016	30/06/2015		30/06/2016	30/06/2015	
	RMB'000	RMB'000	%	RMB'000	RMB'000	%
Depreciation of property, plant and equipment	3,632	3,443	5%	7,266	6,908	5%
Depreciation of investment property	44	44	0%	88	88	0%
Amortisation of land use rights	92	91	1%	183	182	1%
Amortisation of intangible assets	84	18	367%	166	24	592%
Write-back for inventory obsolescence	(36)	–	N.M.	(36)	–	N.M.
(Gain)/Loss on disposal of property, plant and equipment	(25)	3	N.M.	(25)	3	N.M.
Write-off of property, plant and equipment	–	1	-100%	–	8	-100%
Exchange (gain)/loss	26	(58)	N.M.	(182)	125	N.M.
Write-back for after-sale expenses	–	(30)	-100%	–	(35)	-100%
Finance income	(537)	(884)	-39%	(1,171)	(1,741)	-33%
Finance costs	142	283	-50%	283	566	-50%
Performance share plan expenses	44	41	7%	88	81	9%

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	Audited	Unaudited	Audited
	30/06/2016	31/12/2015	30/06/2016	31/12/2015
	RMB'000	RMB'000	RMB'000	RMB'000
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant and equipment	107,420	114,704	–	–
Intangible assets	765	293	–	–
Land use rights	14,257	14,440	–	–
Deferred tax assets	53	53	–	–
Investment in a subsidiary	–	–	75,254	75,166
Investment property	700	788	–	–
Prepayments	1,780	1,788	–	–
	<u>124,975</u>	<u>132,066</u>	<u>75,254</u>	<u>75,166</u>
<b>Current assets</b>				
Inventories	58,267	65,388	–	–
Trade and other receivables	68,902	64,230	35,774	35,766
Bills receivable	12,987	30,129	–	–
Prepayments	5,753	6,250	46	85
Cash and cash equivalents	155,625	155,363	25,993	27,223
	<u>301,534</u>	<u>321,360</u>	<u>61,813</u>	<u>63,074</u>
<b>Total assets</b>	<u>426,509</u>	<u>453,426</u>	<u>137,067</u>	<u>138,240</u>
<b>EQUITY AND LIABILITIES</b>				
<b>Current liabilities</b>				
Trade and other payables	52,315	59,225	11,168	11,074
Advances from customers	40,838	42,647	–	–
Other liabilities	10,431	16,838	1,191	1,085
Income tax payable	6,560	7,099	–	–
	<u>110,144</u>	<u>125,809</u>	<u>12,359</u>	<u>12,159</u>
<b>Total liabilities</b>	<u>110,144</u>	<u>125,809</u>	<u>12,359</u>	<u>12,159</u>
<b>Net current assets</b>	<u>191,390</u>	<u>195,551</u>	<u>49,454</u>	<u>50,915</u>
<b>Net assets</b>	<u>316,365</u>	<u>327,617</u>	<u>124,708</u>	<u>126,081</u>
<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	119,991	119,399	256	168
Accumulated profits/(loss)	47,526	59,370	(24,396)	(22,935)
<b>Total equity</b>	<u>316,365</u>	<u>327,617</u>	<u>124,708</u>	<u>126,081</u>
<b>Total equity and liabilities</b>	<u>426,509</u>	<u>453,426</u>	<u>137,067</u>	<u>138,240</u>

**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 2015: RMB22.5 million) as at 30 June 2016 with an interest rate of 2.5% per annum and which are unsecured with no fixed term of repayment.

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

	Group Unaudited 3 months ended		Group Unaudited 6 months ended	
	30/06/2016	30/06/2015	30/06/2016	30/06/2015
Note	RMB'000	RMB'000	RMB'000	RMB'000
<b>Operating activities</b>				
(Loss)/Profit before tax	(5,783)	1,747	(11,394)	3,699
<u>Adjustments for:</u>				
Depreciation of property, plant and equipment	3,632	3,443	7,266	6,908
Depreciation of investment property	44	44	88	88
Amortisation of intangible assets	84	18	166	24
Amortisation of land use rights	92	91	183	182
Write-back for after-sale services	–	(30)	–	(35)
(Gain)/Loss on disposal of property, plant and equipment	(25)	3	(25)	3
Write-off of property, plant and equipment	–	1	–	8
Write-back for inventory obsolescence	(36)	–	(36)	–
Performance share plan expense	44	41	88	81
Net foreign exchange (gain)/loss	26	(58)	(182)	125
Finance costs	142	283	283	566
Finance income	(537)	(884)	(1,171)	(1,741)
<b>Operating cash flows before changes in working capital</b>	<b>(2,317)</b>	<b>4,699</b>	<b>(4,734)</b>	<b>9,908</b>
<u>Changes in working capital</u>				
Decrease/(increase) in:				
Inventories	1,037	352	7,157	(10,265)
Trade and other receivables	(286)	5,822	(4,672)	(4,110)
Bills receivable	16,759	(23,243)	17,142	(9,123)
Prepayments	499	(185)	497	(1,693)
(Decrease)/increase in:				
Trade and other payables	(527)	(2,911)	(6,286)	(3,683)
Advances from customers	(626)	8,968	(1,809)	11,089
Other liabilities	306	3,009	(5,846)	(4,289)
Total changes in working capital	17,162	(8,188)	6,183	(22,074)
<b>Cash flows generated from/(used in) operations</b>	<b>14,845</b>	<b>(3,489)</b>	<b>1,449</b>	<b>(12,166)</b>
Interest received	537	884	1,171	1,741
Interest paid	(1)	–	(844)	(1,414)
Income taxes refunded	54	–	54	–
<b>Net cash generated from/(used in) operating activities</b>	<b>15,435</b>	<b>(2,605)</b>	<b>1,830</b>	<b>(11,839)</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 6 months ended	
	30/06/2016	30/06/2015	30/06/2016	30/06/2015
	RMB'000	RMB'000	RMB'000	RMB'000
<b>Investing activities</b>				
Proceed from sale of property, plant and equipment	42	1	42	1
Purchase of intangible assets - software	–	(154)	(638)	(154)
Purchase of property, plant and equipment	<b>A</b> (398)	(4,234)	(1,154)	(5,611)
<b>Net cash used in investing activities</b>	<b>(356)</b>	<b>(4,387)</b>	<b>(1,750)</b>	<b>(5,764)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>15,079</b>	<b>(6,992)</b>	<b>80</b>	<b>(17,603)</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>140,572</b>	<b>153,890</b>	<b>155,363</b>	<b>164,684</b>
Effect of exchange rate changes on cash and cash equivalents	(26)	58	182	(125)
<b>Cash and cash equivalents at end of period</b>	<b>155,625</b>	<b>146,956</b>	<b>155,625</b>	<b>146,956</b>

**Note A:**

**Purchase of property, plant and equipment**

	Group Unaudited 3 months ended		Group Unaudited 6 months ended	
	30/06/2016	30/06/2015	30/06/2016	30/06/2015
	RMB'000	RMB'000	RMB'000	RMB'000
Current period additions to property, plant and equipment	(42)	5,319	(1)	5,815
Less: Payable to creditors for current period purchases	375	(2,112)	(1,407)	(2,414)
Prepayment made in prior period	–	(54)	(1,788)	(305)
Add: Payments for prior period purchase	–	796	2,570	2,046
Prepayments made in current period	65	285	1,780	469
<b>Net cash outflow for purchase of property, plant and equipment</b>	<b>398</b>	<b>4,234</b>	<b>1,154</b>	<b>5,611</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 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	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 Unaudited</b>									
Balance at 1 January 2015	149,278	(430)	–	1,725	37,975	3,195	75,000	51,879	318,622
Profit for the period, representing total comprehensive income for the period	–	–	–	–	–	–	–	2,924	2,924
<b>Others</b>									
Grant of equity-settled performance shares to employees	–	–	81	–	–	–	–	–	81
Transfer to statutory reserve – safety production reserve	–	–	–	–	–	395	–	(395)	–
Transfer to statutory reserve fund	–	–	–	–	439	–	–	(439)	–
<b>Total others</b>	–	–	81	–	439	395	–	(476)	81
<b>Balance at 30 June 2015</b>	<b>149,278</b>	<b>(430)</b>	<b>81</b>	<b>1,725</b>	<b>38,414</b>	<b>3,590</b>	<b>75,000</b>	<b>53,969</b>	<b>321,627</b>
<b>Group Unaudited</b>									
Balance at 1 January 2016	149,278	(430)	168	1,725	38,329	4,177	75,000	59,370	327,617
Loss of the period, representing total comprehensive loss for the period	–	–	–	–	–	–	–	(11,340)	(11,340)
<b>Others</b>									
Grant of equity-settled performance shares to employees	–	–	88	–	–	–	–	–	88
Transfer to statutory reserve – safety production reserve	–	–	–	–	–	504	–	(504)	–
Transfer to statutory reserve fund	–	–	–	–	–	–	–	–	–
<b>Total others</b>	–	–	88	–	–	504	–	(504)	88
<b>Balance at 30 June 2016</b>	<b>149,278</b>	<b>(430)</b>	<b>256</b>	<b>1,725</b>	<b>38,329</b>	<b>4,681</b>	<b>75,000</b>	<b>47,526</b>	<b>316,365</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 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	Accumulated losses	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Company Unaudited</b>					
Balance at 1 January 2015	149,278	(430)	–	(20,072)	128,776
Loss of the period, representing total comprehensive expense for the period	–	–	–	(1,465)	(1,465)
Grant of equity-settled performance shares to employees	–	–	81	–	81
<b>Balance at 30 June 2015</b>	<b>149,278</b>	<b>(430)</b>	<b>81</b>	<b>(21,537)</b>	<b>127,392</b>
<b>Company Unaudited</b>					
Balance at 1 January 2016	149,278	(430)	168	(22,935)	126,081
Loss of the period, representing total comprehensive loss for the period	–	–	–	(1,461)	(1,461)
Grant of equity-settled performance shares to employees	–	–	88	–	88
<b>Balance at 30 June 2016</b>	<b>149,278</b>	<b>(430)</b>	<b>256</b>	<b>(24,396)</b>	<b>124,708</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 June 2016 (after share consolidation)	50,500,000	149,278
Ordinary shares including employee benefit trust ("EBT") shares as at 31 December 2015	505,000,000	149,278

The proposed share consolidation was approved by the EGM on 29 April, 2016, and pursuant to the proposed share consolidation, the Company consolidated every ten (10) Existing Shares registered in the name of each Shareholder, as at the Books Closure Date, into one (1) Consolidated Share in May 2016.

Convertibles

The Company did not have outstanding convertibles as at 30 June 2016 and 31 December 2015.

EBT shares

The Company had 170,000 EBT shares as at 30 June 2016 after the completion of a 10-for-1 share consolidation, and 1,700,000 EBT shares as at 31 December 2015.

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

	As at 30.06.16	As at 31.12.15
Total number of issued shares excluding EBT shares	50,330,000	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 2016, 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 2016. 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 30/06/2016	3 months ended 30/06/2015	6 months ended 30/06/2016	6 months ended 30/06/2015
(Loss)/Profit net of tax attributable to owners of the Company (RMB '000)	(5,729)	1,370	(11,340)	2,924
Weighted average number of ordinary shares ('000) on issue applicable to basic EPS	50,330	503,300	50,330	503,300
Basic (loss)/earnings per share (RMB cents)	(11.4)	0.27	(22.5)	0.58

Basic (loss)/earnings per share for the 6 months ended 30 June 2016 and 30 June 2015 are computed by dividing the (loss)/profit net of tax attributable to owners of the Company by the weighted average number of ordinary shares excluding EBT shares.

The diluted (loss)/earnings per share are the same as the basic (loss)/earnings per share as the Company does not have any dilutive potential ordinary shares for the financial period ended 30 June 2016 and 30 June 2015.

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

	Group		Company	
	30/06/2016	31/12/2015	30/06/2016	31/12/2015
Net asset value per share (RMB per share)	6.29	0.65	2.48	0.25

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Net asset value per ordinary share as at 30 June 2016 and as at 31 December 2015 were calculated based on the existing number of shares in issue excluding EBT shares at the end of the period of 50,330,000 ordinary shares and 503,300,000 ordinary shares respectively.

- 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**

###### 1H2016 vs 1H2015

Revenue decreased by RMB19.1 million or 35% from RMB54.6 million in 1H2015 to RMB35.5 million in 1H2016. The decrease was mainly due to the decrease of revenue from our engineering services and CSC business and partially offset by the increase of revenue from catalyst business, further described as follows:

###### Revenue from our Catalyst Business

Revenue from our Catalyst Business increased by RMB4.2 million or 51% from RMB8.3 million in 1H2015 to RMB12.5 million in 1H2016. The increase was mainly due to more deliveries in 1H2016.

###### Revenue from our Engineering Services

Revenue from our Engineering Services decreased by RMB5.8 million or 84% from RMB7.0 million in 1H2015 to RMB1.2 million in 1H2016 mainly due to customers' postponement of projects in 1H2016.

###### Revenue from our CSC Business

Revenue from our CSC Business decreased by RMB17.5 million or 45% from RMB39.3 million in 1H2015 to RMB21.8 million in 1H2016. The decrease was mainly due to less chemical finished goods delivery as certain customers have requested for extension of delivery date.

###### 2Q2016 vs 2Q2015

The Group's revenue decreased by RMB13.8 million or 46% from RMB30.0 million in 2Q2015 to RMB16.2 million in 2Q2016. This was mainly due to decrease in our engineering services and CSC sales of RMB2.4 million and RMB16.6 million respectively, partially offset by the increase in catalyst sales of RMB5.2 million in 2Q2016 compared to 2Q2015.

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

###### 1H2016 vs 1H2015

Our overall gross profit decreased by RMB14.8 million or 62% from RMB23.7 million in 1H2015 to RMB8.9 million in 1H2016 and our gross profit margin decreased from 43% in 1H2015 to 25% in 1H2016.

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

- 1) The gross profit of our Catalyst business increased by RMB1.4 million from RMB3.5 million in 1H2015 to RMB4.9 million in 1H2016. The increase of gross profit was attributable to the increase in sales revenue;
- 2) The gross profit of our CSC business decreased by RMB11.1 million from RMB14.9 million in 1H2015 to RMB3.8 million in 1H2016. This was mainly attributable to decrease of sales revenue and low profit

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

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

margin of the resale of some finished goods due to previously cancelled contracts which had a lower selling price due to market conditions and higher material cost in 1H2016;

- 3) The gross profit of engineering design decreased by RMB5.1 million from RMB5.3 million in 1H2015 to RMB0.2 million in 1H2016. The gross profit decrease was mainly attributable to the revenue decrease in 1H2016.

#### 2Q2016 vs 2Q2015

Our overall gross profit decreased by RMB7.1 million or 65% from RMB10.9 million in 2Q2015 to RMB3.8 million in 2Q2016 and our gross profit margin decreased from 36% in 2Q2015 to 24% in 2Q2016. The gross profit of our Catalyst business increased by RMB2.0 million from RMB1.2 million in 2Q2015 to RMB3.2 million in 2Q2016 in tandem with the sales increase. The gross profit of CSC business decreased by RMB7.3 million from RMB7.6 million in 2Q2015 to RMB0.3 million in 2Q2016, this was mainly attributable to low margin resale of some finished goods due to previously cancelled contracts which had a lower selling price due to market conditions and higher material cost in 2Q2016. The gross profit of engineering design decreased by RMB1.8 million from RMB2.1 million in 2Q2015 to RMB0.3 million in 2Q2016, this was mainly attributable to the decrease in engineering service revenue in 2Q2016.

### **Finance and other income**

#### 1H2016 vs 1H2015

Finance and other income decreased by RMB2.4 million or 52% from RMB4.6 million in 1H2015 to RMB2.2 million in 1H2016. The decrease was mainly due to the lower net gain arising from sale of chemical equipment from research and development activities and decrease of interest income in 1H2016.

#### 2Q2016 vs 2Q2015

Finance and other income decreased by RMB3.2 million or 79% from RMB4.0 million in 2Q2015 to RMB0.8 million in 2Q2016. The decrease was mainly attributable to the lower net gain arising from sale of equipment arising from research and development activities in 2Q2016.

### **Marketing and distribution expenses**

#### 1H2016 vs 1H2015

Marketing and distribution expenses decreased by RMB0.4 million or 14% from RMB2.6 million in 1H2015 to RMB2.2 million in 1H2016. The decrease was mainly attributable to decrease of sales incentive bonus and after sales expense.

#### 2Q2016 vs 2Q2015

Marketing and distribution expenses decreased by RMB0.4 million or 22% from RMB1.6 million in 2Q2015 to RMB1.2 million in 2Q2016. The decrease was mainly attributable to decrease of sales incentive bonus and after sales expense.

### **Administrative expenses**

#### 1H2016 vs 1H2015

Administrative expenses increased by RMB0.3 million or 2% from RMB18.2 million in 1H2015 to RMB18.5 million in 1H2016. The increase was mainly due to the more unallocated manufacturing overhead was allocated in administrative expenses and the compensation expenses upon early terminations of staff contracts, partially offset by the decrease of maintenance expense. Since plant production capacity utilization is lower in 1H2016 than in 1H2015, there is more overhead allocated in the administrative expense in 1H2016.

#### 2Q2016 vs 2Q2015

Administrative expenses decreased by RMB1.6 million or 16% from RMB10.0 million in 2Q2015 to

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

### **Administrative expenses (cont'd)**

RMB8.4 million in 2Q2016. The decrease was mainly attributable to the decrease of maintenance expense and labor service expense.

### **Research expenses**

#### 1H2016 vs 1H2015

The research expenses decreased by RMB1.8 million or 56% from RMB3.2 million in 1H2015 to RMB1.4 million in 1H2016. The decrease was mainly due to lower research expenses incurred in 1H2016.

#### 2Q2016 vs 2Q2015

Research expenses decreased by RMB0.6 million or 48% from RMB1.3 million in 2Q2015 to RMB0.7 million in 2Q2016, this was mainly attributable to lower R&D expenses were incurred in 2Q2016.

### **Finance costs**

#### 1H2016 vs 1H2015

Finance costs decreased by RMB0.3 million or 50% from RMB0.6 million in 1H2015 to RMB0.3 million in 1H2016. 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.

#### 2Q2016 vs 2Q2015

Finance costs decreased by RMB0.2 million or 66% from RMB0.3 million in 2Q2015 to RMB0.1 million in 2Q2016. 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 expenses**

#### 1H2016 vs 1H2015

Income tax expenses decreased by RMB0.9 million from RMB0.8 million in 1H2015 to negative RMB0.1 million in 1H2016. The decrease was due to the losses incurred of our subsidiary's financial performance in 1H2016, and the negative amount was due to the income tax refund of the company.

#### 2Q2016 vs 2Q2015

Income tax expenses decreased by RMB0.5 million from RMB0.4 million in 2Q2015 to negative RMB0.1 million in 2Q2016. The decrease was due to the losses incurred of our subsidiary's financial performance in 2Q2016.

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

#### 1H2016 vs 1H2015

The net profit attributable to owners of the Company has decreased by RMB14.2 million from a profit of RMB2.9 million in 1H2015 to a loss of RMB11.3 million in 1H2016 as explained above.

#### 2Q2016 vs 2Q2015

The net profit attributable to owners of the Company has decreased by RMB7.1 million from a profit of RMB1.4 million in 2Q2015 to a loss of RMB5.7 million in 2Q2016 as explained above.

## **B) Balance Sheet Statements**

### **Non-current assets**

Non-current assets decreased by RMB7.1 million or 5.4% from RMB132.1 million as at 31 December 2015 to RMB125.0 million as at 30 June 2016. 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 RMB7.3 million or 6.4% from RMB114.7 million as at 31 December 2015 to RMB107.4 million as at 30 June 2016, mainly due to depreciation charges for the period. The decrease was partially offset by additions during the period.

### **Current assets**

Current assets decreased by RMB19.9 million or 6.2% from RMB321.4 million as at 31 December 2015 to RMB301.5 million as at 30 June 2016. The decrease was mainly due to the decrease in bills receivable and inventories of RMB17.1 million and RMB7.1 million respectively. The decrease of inventories was due to the resale of some finished goods from previously contracts cancelled by customers. The decreases were partially offset by the increases in the trade and other receivables of RMB4.7 million. The increase was mainly due to contractual payment milestones that have not been reached.

### **Current liabilities**

Current liabilities decreased by RMB15.7 million or 12.5% from RMB125.8 million as at 31 December 2015 to RMB110.1 million as at 30 June 2016. The decrease was mainly attributed to the decrease in trade and other payables, other liabilities, advance from customers and income tax payable of RMB6.9 million, RMB6.4 million, RMB1.8 million and RMB0.5 million respectively. The decrease in trade payables and other liabilities were mainly due to settlements with our suppliers.

## **C) Cash Flow Statements**

### **1H2016**

Cash and cash equivalents increased by RMB0.08 million in 1H2016, which was mainly attributed to cash received in operating activities. RMB1.83 million was received in operating activities while RMB1.75 million was used in investing activities for the purchase of property, plant and equipment and intangible assets.

### **2Q2016**

Cash and cash equivalents increased by RMB15.1 million in 2Q2016, which was mainly attributed to cash received in operating activities. RMB15.5 million was received in operating activities while RMB0.4 million was used in investing activities for the purchase of property, plant and equipment and intangible assets.

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

The Company did not make any forecast and prospect statement in respect of its results for 30 June 2016.

**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 continue to remain slow given the PRC government's on-going attempts to restructure the economy. Coupled with the global decline in commodity prices, the Group expects a challenging FY2016, as customers withhold or postpone capital expenditure in view of the uncertain economic outlook and difficulty in obtaining credit. The Group 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 a new generation of shift catalyst and new equipment technology. The Group's order book as of 30 June 2016 was approximately RMB121.1 million (31 March 2016: RMB130.3 million).

**11) Dividend**

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

The Company does not recommend any dividend for the financial period ended 30 June 2016.

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

The Company did not recommend or declare any dividend for the financial period ended 30 June 2015.

**(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 30 June 2016.

**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 June 2016, 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	17,455	78,481
<b>(B) Enhance our R&amp;D capabilities and widen our range of innovative and cost-effective solutions</b>	15,479	3,682	11,797
<b>(C) Working capital purposes</b>	22,074	19,426	2,648
<b>Total</b>	<b>133,489</b>	<b>40,563</b>	<b>92,926</b>

The breakdown of working capital utilization is as follows:

<b>Usage of IPO proceeds for working capital</b>	<b>Amount Utilized (RMB'000)</b>
<b>For CO shift catalyst unit and technology implementations</b>	(15,181)
<b>For expanding sales and marketing capabilities and initiatives</b>	(4,245)
<b>Total</b>	<b>(19,426)</b>

**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 second quarter and half year financial results for the period ended 30 June 2016 to be false or misleading in any material respects.

**By Order of the Board**

Xie Ming  
Executive Director and CEO  
10 August 2016