



Anchun International Holdings Ltd.

(Incorporated in Singapore)

(Company registration number: 200920277C)

Unaudited Results for the Third Quarter and 9 Months Ended 30 September 2018

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			9 months ended		
	30/09/2018	30/09/2017		30/09/2018	30/09/2017	
	RMB'000	RMB'000	%	RMB'000	RMB'000	%
	(Restated)			(Restated)		
Revenue	26,868	26,066	3	75,528	48,718	55
Cost of sales	(23,244)	(20,346)	14	(63,315)	(38,025)	67
Gross Profit	3,624	5,720	(37)	12,213	10,693	14
Other item of income						
Finance and other income	10,381	1,482	600	18,800	3,586	424
Other items of expenses						
Marketing and distribution expenses	(1,087)	(972)	12	(3,005)	(2,791)	8
Administrative expenses	(5,799)	(5,840)	(1)	(18,162)	(18,290)	(1)
Research expenses	(761)	(447)	70	(2,598)	(1,905)	36
Finance costs	-	(113)	(100)	(40)	(340)	(88)
Profit/(loss) before tax	6,358	(170)	N.M	7,208	(9,047)	N.M
Income taxation	267	-	100%	267	-	100%
Profit/(loss) for the period, representing total comprehensive income for the period attributable to owners of the Company	6,625	(170)	N.M	7,475	(9,047)	N.M

N.M. - not meaningful

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

	Group			Group		
	Unaudited	Unaudited	Change	Unaudited	Unaudited	Change
	3 months ended			9 months ended		
	30/09/2018	30/09/2017		30/09/2018	30/09/2017	
	RMB'000	RMB'000	%	RMB'000	RMB'000	%
		(Restated)			(Restated)	
Depreciation of property, plant and equipment	2,855	3,288	(13)	8,909	9,930	(10)
Depreciation of investment property	125	44	185	240	132	82
Amortisation of land use rights	92	91	1	274	274	0
Amortisation of intangible assets	81	84	(4)	240	252	(5)
Allowance for impairment of trade receivables	6,518	–	N.M.	6,518	–	N.M.
Write-back of impairment of trade receivables	(14,086)	–	N.M.	(15,241)	–	N.M.
Write-back for inventory obsolescence	(104)	–	N.M.	(104)	(98)	(6)
Gain on disposal of property, plant and equipment	23	–	N.M.	(435)	–	N.M.
Write-off of property, plant and equipment	–	2	(100)	2	53	(96)
Net foreign exchange (gain)/loss	(84)	10	N.M.	(92)	(41)	124
Write-back of after-sale expenses	–	–	N.M.	–	–	N.M.
Finance income	(992)	(930)	7	(2,265)	(2,502)	(9)
Finance costs	–	113	(100)	40	340	(88)
Performance share plan expenses	2	44	(95)	6	134	(96)

N.M. - not meaningful

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

	Group			Company		
	Unaudited 30/9/2018 RMB'000	Restated 31/12/2017 ⁽¹⁾ RMB'000	Restated 1/1/2017 ⁽¹⁾ RMB'000	Unaudited 30/9/2018 RMB'000	Audited 31/12/2017 ⁽²⁾ RMB'000	Audited 1/1/2017 ⁽²⁾ RMB'000
ASSETS						
Non-current assets						
Property, plant and equipment	76,431	87,695	100,222	–	–	–
Intangible assets	264	264	598	–	–	–
Land use rights	13,435	13,709	14,075	–	–	–
Investment in a subsidiary	–	–	–	75,467	75,461	75,353
Investment property	2,558	436	612	–	–	–
Prepayments	196	35	–	–	–	–
Deferred tax asset	267	–	–	–	–	–
	93,151	102,139	115,507	75,467	75,461	73,353
Current assets						
Inventories	31,402	23,521	23,902	–	–	–
Trade and other receivables	37,870	44,061	93,773	35,838	35,800	35,788
Contract assets	38,593	18,964	2,743	–	–	–
Bills receivable	24,278	33,742	16,371	–	–	–
Prepayments	10,514	6,583	8,481	112	95	82
Cash and cash equivalents	132,420	136,689	148,697	20,063	22,161	24,576
	275,077	263,560	293,967	56,013	58,056	60,446
Total assets	368,228	365,699	409,474	131,480	133,517	135,799
EQUITY AND LIABILITIES						
Current liabilities						
Trade and other payables	28,846	45,638	49,780	11,577	11,439	11,252
Contract liabilities	35,271	21,094	22,871	–	–	–
Other liabilities	12,198	14,362	14,415	949	996	1,035
Income tax payable	6,560	6,560	6,560	–	–	–
	82,875	87,654	93,626	12,526	12,435	12,287
Net current assets	192,202	175,906	200,341	43,487	45,621	48,159
Non-current liability						
Deferred tax liabilities	100	100	100	–	–	–
	100	100	100	–	–	–
Total liabilities	82,975	87,754	93,726	12,526	12,435	12,287
Net assets	285,253	277,945	315,748	118,954	121,082	123,512
Equity attributable to owners of the Company						
Share capital	149,278	149,278	149,278	149,278	149,278	149,278
Employee benefit trust shares	(66)	(66)	(430)	(66)	(66)	(430)
Treasury shares	(395)	(222)	–	(395)	(222)	–
Other reserves	121,575	121,001	120,388	70	64	349
Accumulated profits/(losses)	14,861	7,954	46,512	(29,933)	(27,972)	(25,685)
Total equity	285,253	277,945	315,748	118,954	121,082	123,512
Total equity and liabilities	368,228	365,699	409,474	131,480	133,517	135,799

Notes:

- (1) The Group adopted the new standard FRS 115 Revenue from Contracts with Customers, which is effective on 1 January 2018, using the full retrospective approach. Under the full retrospective approach, the comparative figures of the financial statements for the end of the preceding period and the beginning of the preceding period have been restated accordingly.
- (2) The comparative figures of the Company are not restated as revenue is generated only from a subsidiary.

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

The Group has no outstanding loan from former shareholders of our subsidiary (31 December 2017: RMB18.0 million) as at 30 September 2018. The interest rate of the loan as at 31 December 2017 was 2.5% per annum and which were unsecured with no fixed term of repayment.

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

	Group Unaudited 3 months ended		Group Unaudited 9 months ended	
	30/09/2018	30/09/2017	30/09/2018	30/09/2017
Note	RMB'000	RMB'000 (Restated)	RMB'000	RMB'000 (Restated)
Operating activities				
Profit/(loss) before tax	6,358	(170)	7,208	(9047)
<u>Adjustments for:</u>				
Depreciation of property, plant and equipment	2,855	3,288	8,909	9,930
Depreciation of investment property	125	44	240	132
Amortisation of intangible assets	81	84	240	252
Amortisation of land use rights	92	91	274	274
Gain on disposal of property, plant and equipment	23	–	(435)	–
Write-off of property, plant and equipment	–	2	2	53
Write-back for inventory obsolescence	(104)	–	(104)	(98)
Write-back for after-sale services	–	–	–	–
Performance share plan expense	2	44	6	134
Net foreign exchange (gain)/loss	(84)	10	(92)	(41)
Finance costs	–	113	40	340
Finance income	(992)	(930)	(2,265)	(2,502)
Operating cash flows before changes in working capital	8,356	2,576	14,023	(573)
<u>Changes in working capital</u>				
Decrease/(increase) in:				
Inventories	(1,217)	525	(7,777)	(8,196)
Trade and other receivables	2,035	(7,712)	6,191	15742
Contract assets	(11,291)	(4,474)	(19,629)	(3520)
Bills receivable	(1,648)	4,143	9,464	3,634
Prepayments	(509)	(934)	(3,932)	(2,066)
(Decrease)/increase in:				
Trade and other payables	1,136	2,110	1149	(1849)
Contract liabilities	9,709	(3,503)	14,177	(6938)
Other liabilities	635	33	(2,201)	(4,603)
Total changes in working capital	(1,150)	(9,812)	(2,558)	(7796)
Cash flows generated from/(used in) operations	7,206	(7,236)	11,465	(8,369)
Interest received	992	930	2,265	2,502
Interest paid	–	(1)	(3)	(3)
Net cash generated from/(used in) operating activities	8,198	(6,307)	13,727	(5,870)

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1(c) A statement of cash flows (for the Group), together with a comparative statement for the corresponding period of the immediately preceding financial year. (cont'd)

	Group Unaudited 3 months ended		Group Unaudited 9 months ended	
	30/09/2018 RMB'000	30/09/2017 RMB'000 (Restated)	30/09/2018 RMB'000	30/09/2017 RMB'000 (Restated)
Investing activities				
Proceed from sale of property, plant and equipment	1	–	922	7
Purchase of Intangible assets - software	(98)	–	(240)	–
Purchase of property, plant and equipment	A (187)	(436)	(607)	(1,004)
Net cash (used in)/generated from investing activities	(284)	(436)	75	(997)
Financing activities				
Purchase of treasury shares	(173)	(13)	(173)	(13)
Repayment of loans from former shareholders of a subsidiary	–	–	(17,990)	–
Net cash used in financing activities	(173)	(13)	(18,163)	(13)
Net increase/(decrease) in cash and cash equivalents	7,741	(6,756)	(4361)	(6,880)
Cash and cash equivalents at beginning of period	124,595	148,624	136,689	148,697
Effect of exchange rate changes on cash and cash equivalents	84	(10)	92	41
Cash and cash equivalents at end of period	132,420	141,858	132,420	141,858

Note A:

Purchase of property, plant and equipment

	Group Unaudited 3 months ended		Group Unaudited 9 months ended	
	30/09/2018 RMB'000	30/09/2017 RMB'000 (Restated)	30/09/2018 RMB'000	30/09/2017 RMB'000 (Restated)
Current period additions to property, plant and equipment	307	447	496	677
Less: Payable to creditors for current period purchases	(122)	–	(163)	(106)
Prepayment made in prior period	(8)	(85)	(26)	(85)
Add: Payments for prior period purchase	10	74	114	433
Prepayments made in current period	–	–	186	85
Net cash outflow for purchase of property, plant and equipment	187	436	607	1,004

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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
Group Unaudited											
Balance at 1 January 2017	149,278	(430)	349	–	–	1,725	38,329	4,985	75,000	39,795	309,031
Impact of adoption of FRS 115	–	–	–	–	–	–	–	–	–	6,717	6,717
Balance at 1 January 2017 (Restated)	149,278	(430)	349	–	–	1,725	38,329	4,985	75,000	46,512	315,748
Loss for the period, representing total comprehensive income (Restated)	–	–	–	–	–	–	–	–	–	(9,047)	(9,047)
<u>Contributions by and distribution to owners</u>											
Grant of equity-settled performance shares to employees	–	–	134	–	–	–	–	–	–	–	134
Purchase of treasury share	–	(13)	–	–	–	–	–	–	–	–	(13)
<u>Others</u>											
Transfer to statutory reserve – safety production reserve	–	–	–	–	–	–	–	583	–	(583)	–
Balance at 30 SEPTEMBER 2017 (Restated)	149,278	(443)	483	–	–	1,725	38,329	5,568	75,000	36,882	306,822
Group Unaudited											
Balance at 1 January 2018	149,278	(66)	–	64	(222)	1,725	38,691	5,521	75,000	5,680	275,671
Impact of adoption of FRS 115	–	–	–	–	–	–	–	–	–	2,274	2,274
Balance at 1 January 2018 (Restated)	149,278	(66)	–	64	(222)	1,725	38,691	5,521	75,000	7,954	277,945
Profit for the period, representing total comprehensive income	–	–	–	–	–	–	–	–	–	7,475	7,475
<u>Contributions by and distribution to owners</u>											
Grant of equity-settled performance shares to employees	–	–	6	–	–	–	–	–	–	–	6
Purchase of treasury share	–	–	–	–	(173)	–	–	–	–	–	(173)
<u>Others</u>											
Transfer to statutory reserve – safety production reserve	–	–	–	–	–	–	–	568	–	(568)	–
Balance at 30 SEPTEMBER 2018	149,278	(66)	6	64	(395)	1,725	38,691	6,089	75,000	14,861	285,253

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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						Total equity
	Share Capital	Employee benefit trust shares	Performance share plan reserve	Gain on reissuance of EBT shares	Treasury shares	Accumulated losses	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Company Unaudited							
Balance at 1 January 2017	149,278	(430)	349	–	–	(25,684)	123,513
Loss for the period, representing total comprehensive loss for the year	–	–	–	–	–	(1,800)	(1,800)
<u>Contributions by and distribution to owners</u>							
Grant of equity-settled performance shares to employees	–	–	134	–	–	–	134
Purchase of treasury share	–	(13)	–	–	–	–	(13)
Balance at 30 SEPTEMBER 2017	149,278	(443)	483	–	–	(27,484)	121,834
Company Unaudited							
Balance at 1 January 2018	149,278	(66)	–	64	(222)	(27,972)	121,082
Loss for the period, representing total comprehensive loss for the year	–	–	–	–	–	(1,961)	(1,961)
<u>Contributions by and distribution to owners</u>							
Grant of equity-settled performance shares to employees	–	–	6	–	–	–	6
Purchase of treasury share	–	–	–	–	(173)	–	(173)
Balance at 30 SEPTEMBER 2018	149,278	(66)	6	64	(395)	(29,933)	118,954

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 30 September 2018 and 30 September 2017	50,500,000	149,278

Convertibles

The Company did not have outstanding options, convertibles or subsidiary holdings as at 30 September 2018 and 30 September 2017.

EBT shares

During the period ended 30 September 2018, the Company had awarded all 9,000 EBT shares available for allocation to the employees of the Group.

As at 30 September 2018, there were no remaining EBT shares available for allocation (30 September 2017: 144,000).

Treasury shares

During the period ended 30 September 2018, the Company had granted an award comprising 160,000 treasury shares to an eligible employee of our Group on 13 September 2018. These 160,000 treasury shares will be transferred to the relevant employee upon the fulfilment of the 3 years' service condition of the award granted.

The Company had a total of 311,400 treasury shares (approximately 0.62% of the total number of issued shares) as at 30 September 2018 (30 September 2017: 9,700). Of these 311,400 treasury shares, 160,000 treasury shares (approximately 0.32% of the total number of issued shares) as at 30 September 2018 are the subject of the abovementioned award.

The movement of treasury shares as at 30 September 2018 is as follow:

	Number of shares
Balance as at 1 January 2018	160,000
Purchase of treasury shares during the current financial year	151,400
Balance as at 30 September 2018	311,400

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

	As at 30.09.18	As at 31.12.17
Total number of issued shares excluding EBT shares and treasury shares	50,162,600	50,314,000

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 2018, 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 2018 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 2018 except for FRS 115 Revenue from Contracts with Customers as disclosed below.

FRS 115 Revenue with Contracts with Customers ("FRS 115")

The Group adopted FRS 115 on its effective date, being 1 January 2018. Under FRS 115, revenue is recognised at an amount that reflects the consideration which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The Group is in the business of providing integrated chemical systems engineering and technology solutions to the petrochemical and chemical industries. The key impact of the changes in accounting policy is detailed below:

Sale of chemical systems and components ("CSC") equipment

The Group previously recognised revenue from the sale of CSC equipment using the completed contract method. Under FRS 115, for most of the contracts with customers, performance obligations from the sale of CSC equipment are satisfied over time where the performance does not create an asset with an alternative use, and the Group has an enforceable right to payment for performance completed to date.

The Group adopted the input method to measure the progress towards complete satisfaction of a performance obligation satisfied over time. Under the input method, revenue is recognised over time, based on the actual costs incurred to date as a proportion of the estimated total costs to be incurred.

Progress billings to the customer are based on a payment schedule in the contract and are typically triggered upon achievement of specified milestones. A contract asset is recognised when the Group has performed under the contract but has not yet billed the customer. Conversely, a contract liability is recognised when the Group has not yet performed under the contract but has received advanced payment from the customer. Contract assets are transferred to receivables when the rights to consideration become unconditional. Contract liabilities are recognised as revenue as the Group performs under the contract.

Transitional provisions

The Group has elected to apply the full retrospective transition approach to each prior reporting period presented. Under the full retrospective approach, the Group adjusted the opening balance of each affected component of equity for the earliest prior period presented and other comparative amounts disclosed for each prior period presented as if the new accounting policy has always been applied.

The effects of applying FRS 115 on the financial statements as compared to that under the previous revenue standards are as follows:

(i) *Consolidated income statement*

	Group	
	3 months ended 30/9/2017 RMB'000	9 months ended 30/9/2017 RMB'000
<i>Increase/(decrease) in:</i>		
Revenue	3,426	(6,714)
Cost of sales	4,238	(2,181)
(Loss)/profit for the period, presenting total comprehensive income the period attributable to owners of the Company	(812)	(4,533)

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. (cont'd)

(ii) Consolidated balance sheet

	Group	
	31/12/2017	1/1/2017
	RMB'000	RMB'000
Increase/(decrease) in:		
Inventories	(36,304)	(26,664)
Trade and other receivables	1,733	26,006
Contract assets	18,964	2,743
(Increase)/decrease in:		
Trade and other payables	(8,070)	(7,061)
Advances from customers	47,045	34,564
Contract liabilities	(21,094)	(22,871)
Accumulated losses	2,274	6,717

(iii) Consolidated cash flow statement

	Group	
	3 months ended	9 months ended
	30/9/2017	30/9/2017
	RMB'000	RMB'000
Increase/(decrease) in:		
Loss before tax	812	4,533
Changes in working capital		
	<i>Cash generated</i>	<i>Cash generated</i>
	<i>from / (used in)</i>	<i>from / (used in)</i>
Inventories	4,166	(2,045)
Trade and other receivables	3,740	2,5195
Contract assets	(4,474)	(3,520)
Trade and other payables	652	(1,280)
Advances from customers	229	(6,881)
Contract liabilities	(3,503)	(6,938)

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- 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 30/9/2018	3 months ended 30/9/2017	9 months ended 30/9/2018	9 months ended 30/9/2017
Profit/(loss) net of tax attributable to owners of the Company (RMB '000)	6,625	(170)	7,475	(9,047)
Weighted average number of ordinary shares (excluding EBT shares) ('000) on issue	50,301	50,326	50,310	50,328
Weighted average number of ordinary shares (including EBT shares) ('000) on issue	50,487	50,500	50,496	50,500
Basic earnings/(loss) per share (RMB cents)	13.17	(0.34)	14.86	(17.98)
Diluted earnings/(loss) per share (RMB cents)	13.12	(0.34)	14.80	(17.98)

Basic earnings/(loss) per share for the 3 months ended 30 September 2018 and 30 September 2017 are computed by dividing the profit/(loss) net of tax attributable to owners of the Company by the weighted average number of ordinary shares excluding EBT shares.

Diluted earnings per share for the 3 months ended 30 September 2018 and 30 September 2017 is computed by dividing the profit/(loss) net of tax attributable to owners of the Company by the weighted average number of ordinary shares including EBT shares. The EBT shares have a dilutive effect on earnings per share.

Diluted loss per share for the 3 months ended 30 September 2017 is the same as the basic loss per share as the Company does not have any dilutive potential ordinary shares for the financial period ended 30 September 2017.

- 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	
	30/9/2018	31/12/2017	30/9/2018	31/12/2017
Net asset value per share (RMB per share)	5.69	5.52	2.37	2.41

Net asset value per ordinary share as at 30 September 2018 and as at 31 December 2017 were calculated based on the existing number of shares in issue excluding EBT shares of 50,162,600 and 50,314,000 ordinary shares as at 30 September 2018 and 31 December 2017 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

9M2018 VS 9M2017

Revenue increased by RMB26.8 million or 55 % from RMB48.7 million in 9M2017 to RMB75.5 million in 9M2018. The increase was mainly due to the increase of revenue from CSC business and engineering services, partially offset by the decrease of revenue from catalyst business, further described as follows:

Revenue from our Catalyst Business

Revenue from our Catalyst Business decreased by RMB6.5 million or 56% from RMB11.6 million in 9M2017 to RMB5.1 million in 9M2018. This was mainly due to decrease of revenue from ammonia catalyst and pre-reduced catalysts, partially offset by the increase of revenue from hydrocarbon catalysts and catalyst processing business.

Revenue from our Engineering Services

Revenue from our Engineering Services increased by RMB0.3 million or 9% from RMB3.2 million in 9M2017 to RMB3.5 million in 9M2018. This was mainly due to higher percentage of completion for service contracts and increase in number of contracts in progress during the period of 9M2018.

Revenue from our CSC Business

Revenue from our CSC Business increased by RMB33 million or 97% from RMB33.9 million in 9M2017 to RMB66.9 million in 9M2018. The increase was due to higher percentage of completion for CSC contracts and increase in number of contracts in progress during the period of 9M2018.

3Q2018 vs 3Q2017

The Group's revenue increased by RMB0.8 million or 3% from RMB26.1 million in 3Q2017 to RMB26.9 million in 3Q2018. This was mainly due to increase in our CSC sales of RMB6.8 million partially offset by the decrease of revenue from catalyst sales and engineering services of RMB5.8 million and RMB0.2 million respectively in 3Q2018 compared to 3Q2017.

Gross profit and gross profit margin

9M2018 VS 9M2017

Our overall gross profit increased by RMB1.5 million or 14% from RMB10.7 million in 9M2017 to RMB12.2 million in 9M2018 and our gross profit margin decreased from 22% in 9M2017 to 16% in 9M2018.

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

- 1) The gross profit of our Catalyst business decreased by RMB0.1 million from RMB2.6 million in 9M2017 to RMB2.5 million in 9M2018. The gross profit margin increased from 22% in 9M2017 to 48% in 9M2018, mainly attributable to increase of revenue from hydrocarbon catalysts which contributed higher gross margin;
- 2) Gross profit of our CSC business increased by RMB1.3 million from RMB6.2 million in 9M2017 to RMB7.5 million in 9M2018. The gross profit margin decreased from 18% in 9M2017 to 11% in 9M2018 due to price increases of equipment raw material steel, coupled with two contracts in the current year which contributed lower gross margin. The Group negotiated these two contracts taking into consideration prevailing business and market conditions;

A) Income Statements (cont'd)

Gross profit and gross profit margin (cont'd)

- 3) The gross profit of our engineering design increased by RMB0.3 million from RMB1.9 million in 9M2017 to RMB2.2 million in 9M2018. The gross profit increase was mainly attributable to the revenue increase in 9M2018. The gross profit margin increased from 58% in 9M2017 to 62% in 9M2018 due to mainly attributable to increase of revenue from environmental protection engineering services which contributed higher gross margin;

3Q2018 vs 3Q2017

Our overall gross profit decreased by RMB2.1 million or 37% from RMB5.7 million in 3Q2017 to RMB3.6 million in 3Q2018 and our gross profit margin decreased from 26% in 3Q2017 to 13% in 3Q2018.

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

- 1) Gross profit of Catalyst business decreased by RMB1.3 million from RMB1.3 million in 3Q2017 to Nil in 3Q2018. The gross profit margin decreased from 22% in 3Q2017 to Nil in 3Q2018, mainly attributable to the absence of revenue from catalysts.
- 2) Gross profit of our CSC business decreased by RMB0.6 million from RMB3.2 million in 3Q2017 to RMB2.6 million in 3Q2018. The gross profit margin decreased from 17% in 3Q2017 to 10% in 3Q2018 due to price increases of equipment raw material steel, coupled with one contract in the current quarter which contributed lower gross margin.
- 3) Gross profit of our engineering design decreased by RMB0.3 million from RMB1.2 million in 3Q2017 to RMB1.0 million in 3Q2018. The gross profit margin decreased from 77% in 3Q2017 to 65% in 3Q2018 mainly attributable to decrease of revenue from the environmental protection engineering services completed in the current quarter which contributed higher gross margin.

Finance and other income

9M2018 VS 9M2017

Finance and other income increased by RMB15.2 million or 422% from RMB3.6 million in 9M2017 to RMB18.8 million in 9M2018. The increase was mainly due to the increase of sales of scrap metal of RMB2.8 million, government grants of RMB1.4 million, write-back of impairment for trade receivables, net of RMB8.7 million and property rental income of RMB2.0 million.

3Q2018 vs 3Q2017

Finance and other income increased by RMB8.9 million or 600% from RMB1.4 million in 3Q2017 to RMB10.3 million in 3Q2018. The increase was mainly due to the increase of write-back of impairment for Trade receivables of RMB7.5 million, the increase of property rental income of RMB1.0 million and sales of scrap metal of RMB0.2 million.

Marketing and distribution expenses

9M2018 VS 9M2017

Marketing and distribution expenses increased RMB0.2 million or 7% from RMB2.8 million in 9M2017 to RMB3.0 million in 9M2018. The increase was mainly attributable to increase of after-sales maintenance of RMB0.2 million.

3Q2018 vs 3Q2017

Marketing and distribution expenses increased by RMB0.12 million or 12% from RMB0.97 million in 3Q2017 to RMB1.09 million in 3Q2018. The increase was mainly attributable to increase of bid service charges and sales staff's salary in total of RMB0.12 million.

A) Income Statements (cont'd)

Administrative expenses

9M2018 vs 9M2017

Administrative expenses decreased by RMB0.1 million or 0.7% from RMB18.3 million in 9M2017 to RMB18.2million in 9M2018 as explained below:

Item by nature	9M2018	9M2017	9M2018 vs.9M2017 (Change)		Comments
	RMB'000	RMB'000	RMB'000	%	
Unallocated manufacturing overheads allocated in administrative expenses	4,069	5,277	(1208)	(23)	Allocation of manufacturing overheads relates to production. Allocation method is evaluated every two years based on production. Decrease due to overall decrease in manufacturing overheads principally due to lower manpower and its related costs in 9M2018 over 9M2017.
Professional fees	2,066	1,194	872	73	Increase due to the renewal fees for engineering design qualifications.
Factory repair and maintenance	445	-	445	N.A.	Repair and maintenance cost incurred for factory.
Staff welfare expenses	1,042	447	595	133	Company provides lunches to its employees at its cafeteria from April, 2018 to boost morale due to more orders received and tight delivery schedules.
Other expenses	10,540	11,372	(832)	(0.07)	Other expenses are an aggregation of expenses of less than RMB0.03 million each. It includes maintenance expenses, litigation costs, etc.
Total	18,162	18,290	(128)	(0.7)	

A) Income Statements (cont'd)

Administrative expenses (cont'd)

3Q2018 vs 3Q2017

Administrative expenses decreased by RMB0.04 million or 0.7% from RMB5.84million in 3Q2017 to RMB5.8 million in 3Q2018 as explained below:-

Item by nature	3Q2018	3Q2017	3Q2018 vs.3Q2017 (Change)		Comments
	RMB'000	RMB'000	RMB'000	%	
Unallocated manufacturing overheads allocated in administrative expenses	1,340	1,499	(159)	(11)	Allocation of manufacturing overheads relates to production. Allocation method is evaluated every two years based on production. Decrease due to overall decrease in manufacturing overheads principally due to lower manpower and its related costs in 3Q2018 over 3Q2017.
Staff welfare expenses	336	155	181	117	Company provides lunches to its employees at its cafeteria from April, 2018 to boost morale due to more orders received and tight delivery schedules.
Other expenses	4,123	4,186	(64)	(1.5)	Other expenses are an aggregation of expenses of less than RMB0.08 million each. It includes maintenance expenses, litigation costs, etc.
Total	5,799	5,840	(41)	0.7	

Research expenses

9M2018 vs 9M2017

Research expenses increased by RMB0.7 million or 36% from RMB1.9 million in 9M2017 to RMB2.6 million in 9M2018. This was mainly attributable to more research and development expenses incurred in 9M2018.

3Q2018 vs 3Q2017

Research expenses increased by RMB0.3 million or 70% from RMB0.5 million in 3Q2017 to RMB0.8 million in 3Q2018. This was mainly attributable to more research and development expenses incurred in 3Q2018.

Finance costs

9M2018 vs 9M2017

Finance costs decreased by RMB0.3 million or 88% from RMB0.34 million in 9M2017 to RMB0.04 million in 9M2018. The decrease was mainly due to the decrease in interest expenses as a result of the repayment of the loan from the former shareholders of our subsidiary in 1Q2018.

3Q2018 vs 3Q2017

Finance costs decreased by RMB0.01 million or 100% from RMB0.01 million in 3Q2017 to nil in 3Q2018. The decrease was mainly due to the decrease in interest expenses as a result of the repayment of the loan from the former shareholders of our subsidiary 1Q2018.

A) Income Statements (cont'd)

Income tax expenses (cont'd)

9M2018 vs 9M2017

Income tax expenses decreased by RMB0.27 million from Nil in 9M2017 to negative RMB0.27 million in 9M2018. This is recognized of deferred tax asset.

3Q2018 vs 3Q2017

Income tax expenses decreased by RMB0.27 million from Nil in 3Q2017 to negative RMB0.27 million in 3Q2018. This is recognized of deferred tax asset.

Net profit/(loss) attributable to owners of the Company

9M2018 vs 9M2017

The net profit attributable to owners of the Company increased by RMB16.5 million from a net loss of RMB9.0 million in 9M2017 to net profit of RMB7.5 million in 9M2018 as explained above.

3Q2018 vs 3Q2017

The net profit attributable to owners of the Company has increased by RMB6.8 million from a net loss of RMB0.2 million in 3Q2017 to a net profit of RMB6.6 million in 3Q2018 as explained above.

B) Balance Sheet Statements

Non-current assets

Non-current assets decreased by RMB9.0 million or 9.1% from RMB102.1 million as at 31 December 2017 to RMB93.1 million as at 30 September 2018. 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 RMB11.3 million or 12.8% from RMB87.7 million as at 31 December 2017 to RMB76.4 million as at 30 September 2018, mainly due to depreciation charges of RMB9.0 million and reclassified to investment property of RMB2.3 million in 9M2018. The decrease was partially offset by additions during the period.

Current assets

Current assets increased by RMB11.5 million or 4.4% from RMB263.6 million as at 31 December 2017 to RMB275.1 million as at 30 September 2018. The increase was mainly due to the following:

- a) The increase in prepayments of RMB3.9 million was mainly due to the purchase of materials for new sales contracts.
- b) The increase in inventories of RMB7.8 million was mainly due to materials purchased for contract orders from 河北临港 and 鄂尔多斯瀚博.
- c) The decrease in cash and cash equivalents of RMB4.3 million was due to repayment of the loan from the former shareholders of our subsidiary of RMB18.0 million offset by the increase of cash inflow from operating activities.

B) Balance Sheet Statements (cont'd)

Current assets (cont'd)

- d) The decrease in trade and other receivables of RMB6.2 million is due to settlement of the trade receivables partially offset by the increase of contractual milestone billings and impairment allowance for trade receivables.
- e) The increase in contract assets of RMB19.6 million, because the Group recognized revenue based on POC method, for which no billings have been made yet.
- f) The decrease in bills receivable of RMB9.5 million is due to the purchase of new sales contract materials.

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

Item by nature	30/9/2018 RMB'000	< 6 months RMB'000	6-12 months RMB'000	1-2years RMB'000	>2years RMB'000
Trade Receivables					
Receivables from sales	66,067	23,271	6,928	11,548	24,320
Less: Impairment allowance for trade receivables	(31,081)	–	(425)	(10,400)	(20,256)
Sub-total	34,986	23,271	6,503	1,148	4,064
Other Receivables					
A. Operation cash advances	290	290	–	–	–
B. Bid bonds	2,527	2,527	–	–	–
C. Rental deposit	29	–	–	29	–
D. GST receivables	38	38	–	–	–
Total	37,870	26,126	6,503	1,177	4,064

Current liabilities

Current liabilities decreased by RMB4.8 million or 5.8% from RMB87.7 million as at 31 December 2017 to RMB82.9 million as at 30 September 2018.

- a) The decrease in trade and other payables of RMB16.8 million was due to settlements with our suppliers.
- b) The decrease in other liabilities of RMB2.2 million were mainly due to reduction in employee bonuses.
- c) The increase in contract liabilities of RMB14.2 million due to more amounts received from customers according to the progressive contract payment terms while revenue is recognized according to the Group's revenue recognition policy.

C) Cash Flow Statements

9M2018

Cash and cash equivalents decreased by RMB4.3 million in 9M2018, which was mainly attributed to cash used in financing activities of RMB18.0 million for repayment of the loan from the former shareholders of our subsidiary. The decrease was partially offset by net cash generated from operating activities of RMB13.7 million and net cash generated from investing activities of RMB0.08 million.

3Q2018

Cash and cash equivalents increased by RMB7.7 million in 3Q2018, which was mainly attributed to net cash generated in operating activities of RMB8.2 million. The increase was partially offset by net cash used in investing activities of RMB0.3 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 30 September 2018.

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 accordingly been making efforts to diversify into non-fertiliser industries, which has resulted in revenue of RMB11.28 million for the 9M2018 representing 15.5% 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 30 September 2018 was approximately RMB164.48 million (30 June 2018: RMB133.69 million) out of which of RMB23.5 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 30 September 2018

(b) Corresponding period of the immediately preceding financial year

The Company did not recommend or declare any dividend for the financial period ended 30 September 2017.

(c) Date payable

Not applicable.

(d) Books closure date

Not applicable.

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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 September 2018.

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 30 September 2018, the net proceeds from the Company's initial public offering have been utilized as follows:

Usage of IPO Proceeds	Amount allocated	Amount utilized	Balance
	RMB'000	RMB'000	RMB'000
(A) Expand our production facilities and capacities	95,936	18,465	77,471
(B) Enhance our R&D capabilities and widen our range of innovative and cost-effective solutions	15,479	6,280	9,199
(C) Working capital purposes	22,074	22,074	-
Total	133,489	46,819	86,670

The amount of RMB6.28M 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 and shift catalyst production research.

The breakdown of working capital utilization is as follows:

Usage of IPO proceeds for working capital	Amount Utilized (RMB'000)
For CO shift catalyst unit and technology implementations	(15,868)
For expanding sales and marketing capabilities and initiatives	(6,206)
Total	(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 financial results for the third quarter and the period ended 30 September 2018 to be false or misleading in any material respects.

By Order of the Board

Xie Ming
Executive Chairman
13 November 2018