



## **Anchun International Holdings Ltd.**

(Incorporated in Singapore)

(Company registration number: 200920277C)

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### **Unaudited Results for the Fourth Quarter and the Year Ended 31 December 2018**

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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 statement 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	Audited	Change
	3 months ended			12 months ended		
	31/12/2018	31/12/2017		31/12/2018	31/12/2017	
	RMB'000	RMB'000	%	RMB'000	RMB'000	%
	(Restated)			(Restated)		
<b>Revenue</b>	35,677	16,716	113	111,205	65,434	70
Cost of sales	(23,366)	(20,392)	15	(86,785)	(58,515)	48
<b>Gross Profit</b>	<b>12,311</b>	<b>(3,676)</b>	N.M	<b>24,420</b>	<b>6,919</b>	253%
<b>Other item of income</b>						
Finance and other income	2,551	2,538	1	12,628	6,124	106
Write-back of impairment losses on financial assets, net	2,513	–	N.M	11,236	–	N.M
<b>Other items of expenses</b>						
Marketing and distribution expenses	(2,781)	(1,923)	45	(5,786)	(4,714)	23
Administrative expenses	(7,874)	(6,495)	21	(26,036)	(24,785)	5
Research expenses	(3,842)	(2,544)	51	(6,440)	(4,449)	45
Other operating expense	(118)	(53)	123	(118)	(53)	123
Impairment losses on financial assets, net	–	(16,660)	N.M	–	(16,660)	N.M
Finance costs	–	(118)	N.M	(40)	(458)	(91)
<b>Profit/(loss) before tax</b>	<b>2,760</b>	<b>(28,931)</b>	N.M	<b>9,864</b>	<b>(38,076)</b>	N.M
Income taxation	361	–	100%	628	–	100%
<b>Profit/(loss) for the period/year, representing total comprehensive income for the period/year attributable to owners of the Company</b>	<b>3,121</b>	<b>(28,931)</b>	N.M	<b>10,492</b>	<b>(38,076)</b>	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	Audited	Change
	3 months ended	3 months ended		12 months ended	12 months ended	
31/12/2018	31/12/2017	%	31/12/2018	31/12/2017	%	
	RMB'000	RMB'000		RMB'000	RMB'000	
		(Restated)			(Restated)	
Depreciation of property, plant and equipment	2,767	3,278	(16)	11,676	13,208	(12)
Depreciation of investment property	126	44	186	366	176	108
Amortisation of land use rights	91	92	(1)	365	366	–
Amortisation of intangible assets	79	82	(4)	319	334	(4)
(Write-back of)/impairment losses on financial assets, net	(2,513)	16,660	N.M.	(11,236)	16,660	N.M.
Allowance for provision for onerous contracts	59	–	N.M.	59	–	N.M.
(Gain)/loss on disposal of property, plant and equipment	(35)	6	N.M.	(470)	6	N.M.
Write-off of property, plant and equipment	28	18	56	30	71	(58)
Net foreign exchange gain	(3)	(17)	(82)	(95)	(58)	64
Finance income	(944)	(1,231)	(23)	(3,209)	(3,733)	(14)
Finance costs	–	118	(100)	40	458	(91)
Performance share plan expenses	15	(34)	N.M.	21	100	(79)

*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 31/12/2018 RMB'000	Restated 31/12/2017 <sup>(1)</sup> RMB'000	Restated 1/1/2017 <sup>(1)</sup> RMB'000	Unaudited 31/12/2018 RMB'000	Audited 31/12/2017 <sup>(2)</sup> RMB'000	Audited 1/1/2017 <sup>(2)</sup> RMB'000
<b>ASSETS</b>						
<b>Non-current assets</b>						
Property, plant and equipment	74,037	87,695	100,222	–	–	–
Intangible assets	185	264	598	–	–	–
Land use rights	13,344	13,709	14,075	–	–	–
Investment in a subsidiary	–	–	–	75,482	75,461	75,353
Investment property	2,432	436	612	–	–	–
Prepayments	24	35	–	–	–	–
Deferred tax asset	628	–	–	–	–	–
	<b>90,650</b>	<b>102,139</b>	<b>115,507</b>	<b>75,482</b>	<b>75,461</b>	<b>73,353</b>
<b>Current assets</b>						
Inventories	28,672	20,288	17,200	–	–	–
Trade and other receivables	28,420	38,646	67,464	35,846	35,800	35,788
Contract assets	62,856	21,275	23,520	–	–	–
Bills receivable	22,279	33,742	16,371	–	–	–
Prepayments	16,180	6,583	8,481	102	95	82
Cash and cash equivalents	134,518	136,689	148,697	19,086	22,161	24,576
	<b>292,925</b>	<b>257,223</b>	<b>281,733</b>	<b>55,034</b>	<b>58,056</b>	<b>60,446</b>
<b>Total assets</b>	<b>383,575</b>	<b>359,362</b>	<b>397,240</b>	<b>130,516</b>	<b>133,517</b>	<b>135,799</b>
<b>EQUITY AND LIABILITIES</b>						
<b>Current liabilities</b>						
Trade and other payables	30,973	46,430	49,780	11,625	11,439	11,252
Contract liabilities	44,809	17,493	13,737	–	–	–
Other liabilities	16,537	14,362	14,415	836	996	1,035
Income tax payable	6,560	6,560	6,560	–	–	–
	<b>98,879</b>	<b>84,845</b>	<b>84,492</b>	<b>12,461</b>	<b>12,435</b>	<b>12,287</b>
<b>Net current assets</b>	<b>194,046</b>	<b>172,377</b>	<b>197,241</b>	<b>42,573</b>	<b>45,621</b>	<b>48,159</b>
<b>Non-current liability</b>						
Deferred tax liabilities	100	100	100	–	–	–
	<b>100</b>	<b>100</b>	<b>100</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Total liabilities</b>	<b>98,979</b>	<b>84,945</b>	<b>84,592</b>	<b>12,461</b>	<b>12,435</b>	<b>12,287</b>
<b>Net assets</b>	<b>284,596</b>	<b>274,417</b>	<b>312,648</b>	<b>118,055</b>	<b>121,082</b>	<b>123,512</b>
<b>Equity attributable to owners of the Company</b>						
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	(538)	(222)	–	(538)	(222)	–
Other reserves	121,981	121,001	120,388	85	64	349
Accumulated profits/(losses)	13,941	4,426	43,412	(30,704)	(27,972)	(25,685)
<b>Total equity</b>	<b>284,596</b>	<b>274,417</b>	<b>312,648</b>	<b>118,055</b>	<b>121,082</b>	<b>123,512</b>
<b>Total equity and liabilities</b>	<b>383,575</b>	<b>359,362</b>	<b>397,240</b>	<b>130,516</b>	<b>133,517</b>	<b>135,799</b>

**Notes:**

- (1) The Group adopted the new standard SFRS(I) 15 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 31 December 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		Group	
	Unaudited 3 months ended 31/12/2018	Unaudited 31/12/2017	Unaudited 12 months ended 31/12/2018	Audited 31/12/2017
Note	RMB'000	RMB'000 (Restated)	RMB'000	RMB'000 (Restated)
<b>Operating activities</b>				
Profit/(loss) before tax	2,760	(28,931)	9,864	(38,076)
<u>Adjustments for:</u>				
Depreciation of property, plant and equipment	2,767	3,278	11,676	13,208
Depreciation of investment property	126	44	366	176
Amortisation of intangible assets	79	82	319	334
Amortisation of land use rights	91	92	365	366
(Write-back of)/impairment losses on financial assets, net	(2,513)	16,660	(11,236)	16,660
Allowance for provision on onerous contracts	59	–	59	–
(Gain)/loss on disposal of property, plant and equipment	(35)	6	(470)	6
Write-off of property, plant and equipment	28	18	30	71
Performance share plan expense	15	(34)	21	100
Net foreign exchange gain	(3)	(17)	(95)	(58)
Finance costs	–	118	40	458
Finance income	(944)	(1,231)	(3,209)	(3,733)
<b>Operating cash flows before changes in working capital</b>	<b>2,430</b>	<b>(9,915)</b>	<b>7,730</b>	<b>(10,488)</b>
<u>Changes in working capital</u>				
Decrease/(increase) in:				
Inventories	(607)	5,108	(8,384)	(3,088)
Trade and other receivables	6,548	(3,584)	21,462	12,158
Contract assets	(21,952)	5,765	(41,581)	2,245
Bills receivable	1,999	(21,005)	11,463	(17,371)
Prepayments	(5,666)	3,964	(9,598)	1,898
(Decrease)/increase in:				
Trade and other payables	1,306	(1,204)	2,455	(3,054)
Contract liabilities	13,139	10,694	27,316	3,756
Other liabilities	4,299	4,086	2,098	(516)
Total changes in working capital	(934)	3,824	5,231	(3,972)
<b>Cash flows generated from/(used in) operations</b>	<b>1,496</b>	<b>(6,091)</b>	<b>12,961</b>	<b>(14,460)</b>
Interest received	944	1,231	3,209	3,733
Interest paid	(37)	(5)	(40)	(8)
<b>Net cash generated from/(used in) operating activities</b>	<b>2,403</b>	<b>(4,865)</b>	<b>16,130</b>	<b>(10,735)</b>

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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		Group	
	Unaudited	Unaudited	Unaudited	Audited
	3 months ended		12 months ended	
	31/12/2018	31/12/2017	31/12/2018	31/12/2017
	RMB'000	RMB'000	RMB'000	RMB'000
		(Restated)		(Restated)
<b>Investing activities</b>				
Proceed from sale of property, plant and equipment	11	3	933	10
Purchase of Intangible assets - software	–	–	(240)	–
Purchase of property, plant and equipment	<b>A</b> (176)	(94)	(783)	(1,098)
<b>Net cash used in investing activities</b>	(165)	(91)	(90)	(1,088)
<b>Financing activities</b>				
Purchase of treasury shares	(143)	(209)	(316)	(222)
Repayment of loans from former shareholders of a subsidiary	–	–	(17,990)	–
<b>Net cash used in financing activities</b>	(143)	(209)	(18,306)	(222)
<b>Net increase/(decrease) in cash and cash equivalents</b>	2,095	(5,165)	(2,266)	(12,045)
<b>Cash and cash equivalents at beginning of year</b>	134,420	141,858	136,689	148,697
<b>Effect of exchange rate changes on cash and cash equivalents</b>	3	(4)	95	37
<b>Cash and cash equivalents at end of year</b>	134,518	136,689	134,518	136,689

**Note A:**

**Purchase of property, plant and equipment**

	Group		Group	
	Unaudited	Unaudited	Unaudited	Audited
	3 months ended		12 months ended	
	31/12/2018	31/12/2017	31/12/2018	31/12/2017
	RMB'000	RMB'000	RMB'000	RMB'000
Current period additions to property, plant and equipment	377	91	873	768
Less: Payable to creditors for current period purchases	(33)	(32)	(196)	(64)
Prepayment made in prior period	(172)	–	(18)	–
Add: Payments for prior period purchase	4	–	118	359
Prepayments made in current period	–	35	6	35
<b>Net cash outflow for purchase of property, plant and equipment</b>	176	94	783	1,098

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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
<b>Group Audited</b>											
Balance at 1 January 2017 (FRS framework)	149,278	(430)	349	–	–	1,725	38,329	4,985	75,000	39,795	309,031
Cumulative effects of adopting SFRS(I)	–	–	–	–	–	–	–	–	–	3,617	3,617
Balance at 1 January 2017 (SFRS(I) framework)	149,278	(430)	349	–	–	1,725	38,329	4,985	75,000	43,412	312,648
Loss for the year, representing total comprehensive income (SFRS(I) framework)	–	–	–	–	–	–	–	–	–	(38,076)	(38,076)
<u>Contributions by and distribution to owners</u>											
Grant of equity-settled performance shares to employees	–	–	100	–	–	–	–	–	–	–	100
EBT shares reissued pursuant to vesting of performance share plan	–	364	(449)	64	–	–	–	–	–	–	(21)
Purchase of treasury share	–	–	–	–	(222)	–	–	–	–	–	(222)
<u>Others</u>											
Transfer to statutory reserve – safety production reserve	–	–	–	–	–	–	–	536	–	(536)	–
Transfer to statutory reserve fund	–	–	–	–	–	–	362	–	–	(362)	–
Transfer to staff welfare payable	–	–	–	–	–	–	–	–	–	(12)	(12)
<b>Balance at 31 DECEMBER 2017</b>	<b>149,278</b>	<b>(66)</b>	<b>–</b>	<b>64</b>	<b>(222)</b>	<b>1,725</b>	<b>38,691</b>	<b>5,521</b>	<b>75,000</b>	<b>4,426</b>	<b>274,417</b>

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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										
	Share Capital	Employee benefit trust shares	Performance share plan reserve	Gain on reissuance of EBT shares	Treasury shares	Contribution from shareholder	Statutory reserve fund	Statutory reserve fund - safety production reserve	Merger reserve	Accumulated profits	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Group Unaudited</b>											
Balance at 1 January 2018 (FRS framework)	149,278	(66)	–	64	(222)	1,725	38,691	5,521	75,000	5,680	275,671
Cumulative effects of adopting SFRS(I)	–	–	–	–	–	–	–	–	–	(1,254)	(1,254)
Balance at 1 January 2018 (SFRS(I) framework)	149,278	(66)	–	64	(222)	1,725	38,691	5,521	75,000	4,426	274,417
Profit for the year, representing total comprehensive income (SFRS(I) framework)	–	–	–	–	–	–	–	–	–	10,492	10,492
<u>Contributions by and distribution to owners</u>											
Grant of equity-settled performance shares to employees	–	–	21	–	–	–	–	–	–	–	21
Purchase of treasury share	–	–	–	–	(316)	–	–	–	–	–	(316)
<u>Others</u>											
Transfer to statutory reserve – safety production reserve	–	–	–	–	–	–	–	420	–	(420)	–
Transfer to statutory reserve fund	–	–	–	–	–	–	539	–	–	(539)	–
Transfer to staff welfare payable	–	–	–	–	–	–	–	–	–	(18)	(18)
<b>Balance at 31 DECEMBER 2018</b>	<b>149,278</b>	<b>(66)</b>	<b>21</b>	<b>64</b>	<b>(538)</b>	<b>1,725</b>	<b>39,230</b>	<b>5,941</b>	<b>75,000</b>	<b>13,941</b>	<b>284,596</b>



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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	
<b>Company Audited</b>							
Balance at 1 January 2017	149,278	(430)	349	–	–	(25,685)	123,512
Loss for the year, representing total comprehensive loss for the year	–	–	–	–	–	(2,287)	(2,287)
<u>Contributions by and distribution to owners</u>							
Grant of equity-settled performance shares to employees	–	–	100	–	–	–	100
EBT shares reissued pursuant to vesting of performance share plan	–	364	(449)	64	–	–	(21)
Purchase of treasury share	–	–	–	–	(222)	–	(222)
<b>Balance at 31 DECEMBER 2017</b>	<b>149,278</b>	<b>(66)</b>	<b>–</b>	<b>64</b>	<b>(222)</b>	<b>(27,972)</b>	<b>121,082</b>
<b>Company Unaudited</b>							
Balance at 1 January 2018	149,278	(66)	–	64	(222)	(27,972)	121,082
Loss for the year, representing total comprehensive loss for the year	–	–	–	–	–	(2,732)	(2,732)
<u>Contributions by and distribution to owners</u>							
Grant of equity-settled performance shares to employees	–	–	21	–	–	–	21
Purchase of treasury share	–	–	–	–	(316)	–	(316)
<b>Balance at 31 DECEMBER 2018</b>	<b>149,278</b>	<b>(66)</b>	<b>21</b>	<b>64</b>	<b>(538)</b>	<b>(30,704)</b>	<b>118,055</b>

1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State the number of shares that may be issued on conversion of all the outstanding convertibles, if any, against the total number of issued shares excluding treasury shares and subsidiary holdings of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year. State also the number of shares held as treasury shares and the number of subsidiary holdings, if any, and the percentage of the aggregate number of treasury shares and subsidiary holdings held against the total number of shares outstanding in a class that is listed as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

Ordinary shares

	Number of Shares	Amount RMB'000
Ordinary shares including employee benefit trust ("EBT") shares & treasury shares as at 31 December 2018 and 31 December 2017	50,500,000	149,278

Convertibles

The Company did not have outstanding options, convertibles or subsidiary holdings as at 31 December 2018 and 31 December 2017.

EBT shares

During the period ended 31 December 2018, the Company had awarded all 9,000 EBT shares available for allocation to the employees of the Group.

As at 31 December 2018, there were no remaining EBT shares available for allocation (31 December 2017: 9,000).

Treasury shares

During the period ended 31 December 2018, the Company had granted an award comprising 160,000 treasury shares to an eligible employee of our Group on 13 December 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 417,400 treasury shares (approximately 0.83% of the total number of issued shares) as at 31 December 2018 (31 December 2017: 160,000). Of these 417,400 treasury shares, 160,000 treasury shares (approximately 0.32% of the total number of issued shares) as at 31 December 2018 are the subject of the abovementioned award.

The movement of treasury shares as at 31 December 2018 is as follow:

	Number of shares
Balance as at 1 January 2018	160,000
Purchase of treasury shares during the current financial year	257,400
<b>Balance as at 31 December 2018</b>	<b>417,400</b>

**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.**

	<b>As at 31.12.18</b>	<b>As at 31.12.17</b>
Total number of issued shares excluding EBT shares and treasury shares	50,056,600	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 year 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 SFRS(I)s and Amendments to SFRS(I)s applicable for the financial year 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 SFRS(I)s 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 year beginning on or after 1 January 2018 except for the adoption of SFRS(I) 9 and SFRS(I) 15 as disclosed below.

SFRS(I) 9 Financial Instruments ("SFRS(I) 9")

The Group adopted SFRS(I) 9 on its effective date, being 1 January 2019. Under SFRS(I) 9, expected credit losses (ECL) shall be recorded on all its financial assets measured at amortised cost. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate.

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs and recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix to calculate the loss allowance, which is based on historical roll rate. The matrix is adjusted for forward-looking macroeconomic information specific to the debtors and the environment in which the Group operates.

*Transitional provisions*

The Group has elected to apply the exemption in SFRS(I) 1 and has not restated comparative information in the year of initial application. The impact arising from SFRS(I) 9 adoption was included in the opening retained earnings at the date of initial application, 1 January 2018. Nonetheless, the adoption of SFRS(I) 9 did not have a material impact on the financial statements of the Group. The comparative were prepared in accordance with FRS 39.

SFRS(I) 15 Revenue with Contracts with Customers ("SFRS(I) 15")

The Group adopted SFRS(I) 15 on its effective date, being 1 January 2018. Under SFRS(I) 15, 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 SFRS(I) 15, performance obligations from the sale of CSC equipment are satisfied over time, as 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.

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- 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)**

SFRS(I) 15 Revenue with Contracts with Customers (“SFRS(I) 15”) (cont'd)

*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 adoption of SFRS(I) 15 on the results and financial position of the Group are as follows:

<b>Consolidated income statement</b>	<b>3 months ended 31/12/2017</b>			<b>12 months ended 31/12/2017</b>		
	As previously reported	Effects of adoption	Restated	As previously reported	Effects of adoption	Restated
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	7,351	9,365	16,716	62,782	2,652	65,434
Cost of sales	(10,785)	(9,607)	(20,392)	(50,992)	(7,523)	(58,515)
Loss for the period/year, representing total comprehensive income for the period/year attributable to owners of the Company	(28,689)	(242)	(28,913)	(33,205)	(4,871)	(38,076)

<b>Consolidated balance sheet</b>	<b>As at 31/12/2017</b>			<b>As at 1/1/2017</b>		
	As previously reported	Effects of adoption	Restated	As previously reported	Effects of adoption	Restated
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>ASSETS</b>						
Inventories	59,825	(39,537)	20,288	50,566	(33,366)	17,200
Trade and other receivables	76,070	(3,682)	72,388	84,138	(303)	83,835
Contract assets	–	21,275	21,275	–	23,520	23,520
<b>EQUITY AND LIABILITIES</b>						
Trade and other liabilities	37,568	8,862	46,430	42,719	7,061	49,780
Contract liabilities	–	17,493	17,493	–	13,737	13,737
Advances from customers	47,045	(47,045)	–	34,564	(34,564)	–
Accumulated profits	5,680	(1,254)	4,426	39,795	3,617	43,412

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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**

	<b>Group</b>			
	<b>3 months ended 31/12/2018</b>	<b>3 months ended 31/12/2017 (Restated)</b>	<b>12 months ended 31/12/2018</b>	<b>12 months ended 31/12/2017 (Restated)</b>
Profit/(loss) net of tax attributable to owners of the Company (RMB '000)	3,121	(28,931)	10,492	(38,076)
Weighted average number of ordinary shares (excluding EBT shares) ('000) on issue	50,070	50,281	50,249	50,317
Weighted average number of ordinary shares (including EBT shares) ('000) on issue	50,256	50,281	50,317	50,317
Basic earnings/(loss) per share (RMB cents)	6.23	(57.54)	20.88	(75.67)
Diluted earnings/(loss) per share (RMB cents)	6.21	(57.54)	20.85	(75.67)

Basic earnings/(loss) per share for the 3 months ended 31 December 2018 and 31 December 2017 and 12 months ended 31 December 2018 and 31 December 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 31 December 2018 and 12 months ended 31 December 2018 are computed by dividing the profit 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 31 December 2017 and 12 months ended 31 December 2017 are the same as the basic loss per share as the Company does not have any dilutive potential ordinary shares for the 3 months ended 31 December 2017 and 12 months ended 31 December 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.**

	<b>Group</b>		<b>Company</b>	
	<b>31/12/2018</b>	<b>31/12/2017</b>	<b>31/12/2018</b>	<b>31/12/2017</b>
Net asset value per share (RMB per share)	5.69	5.45	2.36	2.41

Net asset value per ordinary share as at 31 December 2018 and as at 31 December 2017 were calculated based on the existing number of shares in issue excluding EBT shares of 50,056,600 and 50,314,000 ordinary shares as at 31 December 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**

12M2018 VS 12M2017

Revenue increased by RMB45.8 million or 70% from RMB65.4 million in 12M2017 to RMB111.2 million in 12M2018. 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 RMB6.8 million or 51% from RMB13.3 million in 12M2017 to RMB6.5 million in 12M2018. 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 RMB4.1 million or 76% from RMB5.4 million in 12M2017 to RMB9.5 million in 12M2018. This was mainly due to higher percentage of completion for service contracts and increase in number of contracts in progress during the period of 12M2018.

Revenue from our CSC Business

Revenue from our CSC Business increased by RMB48.4 million or 103% from RMB46.8 million in 12M2017 to RMB95.2 million in 12M2018. The increase was due to higher percentage of completion for CSC contracts and increase in number of contracts in progress during the period of 12M2018.

4Q2018 vs 4Q2017

The Group's revenue increased by RMB19.0 million or 113% from RMB16.7 million in 4Q2017 to RMB35.7 million in 4Q2018. This was mainly due to increase in our CSC sales of RMB15.5 million and engineering services of RMB3.8 million respectively partially offset by the decrease of revenue from catalyst sales of RMB0.3 million in 4Q2018 compared to 4Q2017.

**Gross profit and gross profit margin**

12M2018 VS 12M2017

Our overall gross profit increased by RMB17.5 million or 209% from RMB6.9 million in 12M2017 to RMB24.4 million in 12M2018 and our gross profit margin increased from 11% in 12M2017 to 22% in 12M2018.

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

- 1) The gross profit of our Catalyst business increased by RMB0.4 million from RMB2.8 million in 12M2017 to RMB3.2 million in 12M2018. The gross profit margin increased from 21% in 12M2017 to 49% in 12M2018, mainly attributable to increase in sales of hydrocarbon catalysts which contributed higher gross margin;
- 2) The gross profit of our CSC business increased by RMB13.0 million from RMB1.6 million in 12M2017 to RMB14.6 million in 12M2018. The gross profit margin increased from 3% in 12M2017 to 15% in 12M2018 mainly due to lower manufacturing overhead allocated to each unit sales due to higher revenue in 12M2018 over 12M2017.

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

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

- 3) The gross profit of our engineering design increased by RMB4.1 million from RMB2.5 million in 12M2017 to RMB6.6 million in 12M2018. The gross profit increase was mainly attributable to the revenue increase in 12M2018. The gross profit margin increased from 46% in 12M2017 to 70% in 12M2018 due to mainly attributable to increase of revenue from environmental protection engineering services which contributed higher gross margin.

4Q2018 vs 4Q2017

Our overall gross profit increased by RMB16.0 million from negative RMB3.7 million in 4Q2017 to RMB12.3 million in 4Q2018 and our gross profit margin improved from negative 22% in 4Q2017 to 35% in 4Q2018.

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

- 1) Gross profit of Catalyst business increased by RMB0.4 million from RMB0.3 million in 4Q2017 to RMB0.7 million in 4Q2018. The gross profit margin increased from 18% in 4Q2017 to 51% in 4Q2018, mainly attributable to increase in sales of hydrocarbon catalysts which contributed higher gross margin;
- 2) Gross profit of our CSC business increased by RMB11.9 million from negative RMB4.7 million in 4Q2017 to RMB7.2 million in 4Q2018. The gross profit margin increased from negative 64% in 4Q2017 to 25% in 4Q2018 mainly due to lower manufacturing overhead allocated to each unit sales due to higher revenue in 4Q2018 over 4Q2017;
- 3) Gross profit of our engineering design increased by RMB3.7 million from RMB0.7 million in 4Q2017 to RMB4.4 million in 4Q2018 due to revenue increase in 4Q2018. The gross profit margin increased from 33% in 4Q2017 to 74% in 4Q2018 mainly attributable to increase of revenue from the engineering services completed in the current quarter which had higher gross margin.

**Finance and other income**

12M2018 VS 12M2017

Finance and other income increased by RMB6.5 million or 107% from RMB6.1 million in 12M2017 to RMB12.6 million in 12M2018. The increase was mainly due to the increase of sales of scrap metal of RMB1.1 million, government grants of RMB1.6 million, property rental income of RMB2.1 million and research income of RMB 1.5 million.

4Q2018 vs 4Q2017

Finance and other income increased by RMB0.01 million or 1% from RMB2.54 million in 4Q2017 to RMB2.55 million in 4Q2018.

**Impairment losses on financial assets, net**

12M2018 VS 12M2017

Impairment losses on financial assets decreased by RMB27.9 million or 167% from an impairment loss of RMB16.7 million in 12M2017 to a write-back of impairment losses of RMB11.2 million in 12M2018. The decrease was mainly due to the Group's continued collection efforts, coupled with customer's improved cash flow (such as when loans are obtained), compliance with court orders or settlement agreements with us, and/or necessity of further technical assistance from the Group which incentivizes them to pay off the older debts.

4Q2018 vs 4Q2017

Impairment losses on financial assets decreased by RMB19.2 million or 115% from an impairment loss of RMB16.7 million in 4Q2017 to a write-back of impairment losses of RMB2.5 million in 4Q2018. The decrease was mainly due to the Group's continued collection efforts, coupled with customer's improved cash flow (such as when loans are obtained), compliance with court orders or settlement agreements with us, and/or necessity of further technical assistance from the Group which incentivizes them to pay off the older debts.



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

**Marketing and distribution expenses**

12M2018 VS 12M2017

Marketing and distribution expenses increased RMB1.1 million or 23% from RMB4.7 million in 12M2017 to RMB5.8 million in 12M2018. The increase was mainly attributable to increase of sales staff's bonus of RMB0.8 million due to the Group's improved sales performance, and entertainment expenses of RMB0.3 million.

4Q2018 vs 4Q2017

Marketing and distribution expenses increased by RMB0.9 million or 47% from RMB1.9 million in 4Q2017 to RMB2.8 million in 4Q2018. The increase was mainly attributable to increase of sales staff's bonus of RMB0.7 million due to the Group's improved sales performance, and bidding service charges of RMB0.2 million.

**Administrative expenses**

12M2018 vs 12M2017

Administrative expenses increased by RMB1.3 million or 5% from RMB24.7 million in 12M2017 to RMB26.0 million in 12M2018 as explained below:

Item by nature	12M2018	12M2017	12M2018 vs.12M2017 (Change)		Comments
	RMB'000	RMB'000	RMB'000	%	
Unallocated manufacturing overheads allocated in administrative expenses	5,166	6,287	(1,121)	(18)	The decrease is due to higher production volumes and lower unallocated manufacturing overhead recorded under administrative expenses in 12M2018 over 12M2017.
Salaries, bonuses and fees	8,409	7,165	1,244	17	Include salaries of executive directors and heads of department deployed in administrative functions and director's fees. The increase was mainly attributable to increase of administrative staff's bonus due to the Group's improved overall performance
Factory repair and maintenance	445	–	445	N.A.	Repair and maintenance cost incurred for factory.
Staff welfare expenses	1,334	589	745	126	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	10,682	10,744	(62)	(1)	Other expenses are an aggregation of expenses of less than RMB0.2 million each. It includes maintenance expenses, litigation costs, etc.
<b>Total</b>	<b>26,036</b>	<b>24,785</b>	<b>1,251</b>	<b>5</b>	

*N.M. - not meaningful*

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

**Administrative expenses (cont'd)**

4Q2018 vs 4Q2017

Administrative expenses increased by RMB0.5 million or 7% from RMB7.4 million in 4Q2017 to RMB7.9 million in 4Q2018 as explained below:-

Item by nature	4Q2018	4Q2017	4Q2018 vs.4Q2017 (Change)		Comments
	RMB'000	RMB'000	RMB'000	%	
Unallocated manufacturing overheads allocated in administrative expenses	1,097	1,009	88	8.7	Allocation of manufacturing overheads relates to production. Allocation method is evaluated every two years based on production.
Staff welfare expenses	291	142	149	105	Company provides lunches to its employees at its cafeteria from April 2018 to boost morale due to more orders received and tight delivery schedules.
Salaries, bonuses and fees	3,811	2,607	1,204	46	Include salaries of executive directors and heads of department deployed in administrative functions and director's fees. The increase was mainly attributable to increase of administrative staff's bonus due to the Group's improved overall performance.
Other expenses	2,675	2,737	(62)	2	Other expenses are an aggregation of expenses of less than RMB0.2 million each. It includes maintenance expenses, litigation costs, etc.
<b>Total</b>	<b>7,874</b>	<b>6,495</b>	<b>1,379</b>	<b>21</b>	

*N.M. - not meaningful*

**Research expenses**

12M2018 vs 12M2017

Research expenses increased by RMB2.0 million or 45% from RMB4.4 million in 12M2017 to RMB6.4 million in 12M2018. This was mainly attributable to more research and development expenses incurred in 12M2018.

4Q2018 vs 4Q2017

Research expenses increased by RMB1.3 million or 52% from RMB2.5 million in 4Q2017 to RMB3.8 million in 4Q2018. This was mainly attributable to more research and development expenses incurred in 4Q2018, due to higher expenses incurred for new isothermal shift reactor improvement efforts of RMB1.9 million and pressure drop test of gas distribution of catalyst basket in reactor of RMB1.0 million. This was offset partially by lower expenses incurred for thermostatic methanol tower improvement efforts of RMB1.6 million in 4Q2018 compared to 4Q2017.

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

**Finance costs (cont'd)**

12M2018 vs 12M2017

Finance costs decreased by RMB0.42 million or 91% from RMB0.46 million in 12M2017 to RMB0.04 million in 12M2018. The decrease was mainly due to the decrease in interest expenses as a result of repayment of the loan from the former shareholders of our subsidiary in 1Q2018.

4Q2018 vs 4Q2017

Finance costs decreased by RMB0.1 million or 100% from RMB0.1 million in 4Q2017 to nil in 4Q2018. The decrease was mainly due to the decrease in interest expenses as a result of repayment of the loan from the former shareholders of our subsidiary in 1Q2018.

**Income tax expenses**

12M2018 vs 12M2017

Income tax expenses decreased by RMB0.6 million from nil in 12M2017 to negative RMB0.6 million in 12M2018. The decrease was due to deferred tax asset recognized on unused tax losses arising from a subsidiary of RMB0.6 million in 12M2018.

4Q2018 vs 4Q2017

Income tax expenses decreased by RMB0.4 million from nil in 4Q2017 to negative RMB0.4 million in 4Q2018. The increase was deferred tax asset recognized on unused tax losses arising from a subsidiary of RMB0.4 million in 4Q2018.

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

12M2018 vs 12M2017

The net profit attributable to owners of the Company increased by RMB48.6 million from a net loss of RMB38.1 million in 12M2017 to net profit of RMB10.5 million in 12M2018 as explained above.

4Q2018 vs 4Q2017

The net profit attributable to owners of the Company has increased by RMB32 million from a net loss of RMB28.9 million in 4Q2017 to a net profit of RMB3.1 million in 4Q2018 as explained above.

**B) Balance Sheet Statements**

**Non-current assets**

Non-current assets decreased by RMB11.5 million or 11.3% from RMB102.1 million as at 31 December 2017 to RMB90.6 million as at 31 December 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 RMB13.7 million or 15.6% from RMB87.7 million as at 31 December 2017 to RMB74.0 million as at 31 December 2018, mainly due to depreciation charges of RMB11.7 million, and reclassification of property, plant and equipment to investment property of RMB2.3 million due to a change in use to a rental plant. The decrease was partially offset by additions during the period.

**Current assets**

Current assets increased by RMB35.7 million or 13.7% from RMB257.2 million as at 31 December 2017 to RMB292.9 million as at 31 December 2018. The increase was mainly due to the following:

- a) The increase in prepayments of RMB9.6 million was mainly due to the increased prepayments made for purchase of materials for new sales contracts.

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

**Current assets (cont'd)**

- b) The increase in inventories of RMB8.4 million was mainly due to raw materials purchased for increased CSC business contract orders.
- c) The decrease in cash and cash equivalents of RMB2.2 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.
- d) The decrease in trade and other receivables of RMB10.3 million is due to settlement of the trade receivables partially offset by the increase from contractual milestone billings.
- e) The increase in contract assets of RMB41.6 million is due to increased number of on-going contracts during the year and a higher percentage of completion on these contracts, for which contractual milestone billings have not been reached.
- f) The decrease in bills receivable of RMB11.5 million is due settlement of the bills receivable.

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

Item by nature	31/12/2018 RMB'000	< 6 months RMB'000	6-12 months RMB'000	1-2years RMB'000	>2years RMB'000
<b>Trade Receivables</b>					
Receivables from sales	53,842	13,745	3,295	7,904	28,898
Less: Impairment losses on trade receivables, net	(28,568)	-	(2,333)	(3,921)	(22,314)
<b>Sub-total</b>	<b>25,274</b>	<b>13,745</b>	<b>962</b>	<b>3,983</b>	<b>6,584</b>
<b>Other Receivables</b>					
A. Operation cash advances	179	179	-	-	-
B. Bid bonds	2,903	2,903	-	-	-
C. Rental deposit	29	-	-	29	-
D. GST receivables	35	35	-	-	-
<b>Total</b>	<b>28,420</b>	<b>16,862</b>	<b>962</b>	<b>4,012</b>	<b>6,584</b>

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

Item by nature	31/12/2018 RMB'000	< 6 months RMB'000	6-12 months RMB'000	1-2years RMB'000	>2years RMB'000
<b>Contract Assets</b>					
Contract Assets	69,830	48,869	1,598	9,198	10,165
Less: Impairment losses contract assets, net	(6,974)	-	-	-	(6,974)
<b>Total</b>	<b>62,856</b>	<b>48,869</b>	<b>1,598</b>	<b>9,198</b>	<b>3,191</b>

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

**Current liabilities**

Current liabilities increased by RMB14.1 million or 16.6% from RMB84.8 million as at 31 December 2017 to RMB98.9 million as at 31 December 2018.

- a) The decrease in trade and other payables of RMB15.5 million was due to settlements with our suppliers.
- b) The increase in other liabilities of RMB2.2 million were mainly due to increase of 1.4 million in payable items to transportation companies and sub-contractors due to settlement timing differences and increase of performance-based bonuses of 0.725 million due to the profit position of FY2018 vs the loss position of FY2017.
- c) The increase in contract liabilities of RMB27.3 million is due to increase in sales contracts secured during the year, resulting in increased amounts received from customers according to the progressive contract payment terms.

**C) Cash Flow Statements**

**12M2018**

Cash and cash equivalents decreased by RMB2.17 million in 12M2018, which was mainly attributed to cash used in financing activities of RMB18.3 million, mainly 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 RMB16.1 million and net cash generated from investing activities of RMB0.09 million.

**4Q2018**

Cash and cash equivalents increased by RMB2.1 million in 4Q2018, which was mainly attributed to net cash generated from operating activities of RMB2.4 million. The increase was partially offset by net cash used in investing activities of RMB0.2 million, and net cash used in financing activities of RMB0.2 million.

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

The Company did not make any forecast and prospect statement in respect of its results for 31 December 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 RMB37.3 million for the 12M2018 representing 33.54% of total revenue.

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

The Group's order book as of 31 December 2018 was approximately RMB150.8 million (30 September 2018: RMB164.48 million) out of which of RMB54.7 million is from non-fertiliser industries. We are cautiously optimistic that we will be able to make further inroads in this direction.

**11) Dividend**

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

The Company does not recommend any dividend for the financial year ended 31 December 2018

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

The Company did not recommend or declare any dividend for the financial year ended 31 December 2017.

**(c) Date payable**

Not applicable.

**(d) Books closure date**

Not applicable.

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

No dividend has been declared or recommended for the financial year ended 31 December 2018 as the Company is in a net loss for FY 2018 and accumulated loss position.

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

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

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

As at 31 December 2018, the net proceeds from the Company's initial public offering have been utilized as follows:

<b>Usage of IPO Proceeds</b>	<b>Amount allocated</b>	<b>Amount utilized</b>	<b>Balance</b>
	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>
<b>(A) Expand our production facilities and capacities</b>	95,936	18,465	77,471
<b>(B) Enhance our R&amp;D capabilities and widen our range of innovative and cost-effective solutions</b>	15,479	10,122	5,357
<b>(C) Working capital purposes</b>	22,074	22,074	-
<b>Total</b>	<b>133,489</b>	<b>50,661</b>	<b>82,828</b>

The amount of RMB10.12M 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.

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

The breakdown of working capital utilization is as follows:

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

**15) Segmented revenue and results for operating segments (of the group) in the form presented in the issuer's most recently audited annual financial statements, with comparative information for the immediately preceding year.**

	<b>Engineering Services RMB'000</b>	<b>CSC Business RMB'000</b>	<b>Catalyst Business RMB'000</b>	<b>Total RMB'000</b>
<b>31 December 2018</b>				
<b>Revenue</b>				
External customers	9,449	95,233	6,523	111,205
<b>Total revenue</b>	<b>9,449</b>	<b>95,233</b>	<b>6,523</b>	<b>111,205</b>
<b>Results</b>				
Segment gross profit	6,644	14,606	3,170	24,420
Finance income				3,209
Other income				9,419
Write-back of impairment losses on financial assets, net				11,236
Marketing and distribution expense				(5,786)
Administrative expense				(26,036)
Research expense				(6,440)
Other expenses				(118)
Finance cost				(40)
<b>Profit before tax</b>				<b>9,864</b>
Depreciation and amortization				12,726
<b>Other material non-cash items</b>				
Write-back of impairment losses on financial assets, net				11,236
Allowance for provision on onerous contracts				59

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- 15) **Segmented revenue and results for operating segments (of the group) in the form presented in the issuer's most recently audited annual financial statements, with comparative information for the immediately preceding year. (cont'd)**

	<b>Engineering Services RMB'000</b>	<b>CSC Business RMB'000</b>	<b>Catalyst Business RMB'000</b>	<b>Total RMB'000</b>
<b>31 December 2017</b>				
<b>Revenue</b>				
External customers	5,361	46,755	13,318	65,434
<b>Total revenue</b>	<b>5,361</b>	<b>46,755</b>	<b>13,318</b>	<b>65,434</b>
<b>Results</b>				
Segment gross profit	2,517	1,571	2,831	6,919
Finance income				3,733
Other income				2,391
Marketing and distribution expense				(4,714)
Administrative expense				(24,785)
Research expense				(4,449)
Other expenses				(53)
Impairment losses on financial assets, net				(16,660)
Finance cost				(458)
<b>Loss before tax</b>				<b>(38,076)</b>
Depreciation and amortization				14,084
<b>Other material non-cash items</b>				
Impairment losses of financial assets, net				16,660

- 16) **In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the operating segments.**

See note 8 above.

- 17) **A breakdown of sales**

	<b>Group</b>		<b>Increase/ (Decrease) %</b>
	<b>FY2018 RMB'000</b>	<b>FY2017 RMB'000</b>	
(a) Sales reported for the first half of the year	48,660	22,652	114.8%
(b) Operating profit/(loss) after tax for the first half year	850	(8,877)	N.M.
(c) Sales reported for the second half of the year	62,545	42,782	46.2%
(d) Operating profit/(loss) after tax for the second half year	9,642	(29,199)	N.M.



- 18) A breakdown of the total annual dividend (in dollar value) for the issuer's latest full year and its previous full year.**

Not applicable.

- 19) Disclosure of person occupying a managerial position in the issuer or any of its principal subsidiaries who is a relative of a director or chief executive officer or substantial shareholder of the issuer pursuant to Rule 704(11) in the format below. If there are no such persons, the issuer must make an appropriate negative statement.**

Pursuant to Rule 704(13) of the Listing Manual of the Singapore Exchange Securities Trading Limited, we confirm that, none of the persons occupying managerial positions in Anchun International Holdings Limited ("the Company") or any of its principal subsidiaries is a relative of a director or chief executive officer or substantial shareholder of the Company.

- 20) 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).

**By Order of the Board**

Xie Ming  
Executive Chairman  
28 February 2019