



Anchun International Holdings Ltd.

(Incorporated in Singapore)

(Company registration number: 200920277C)

**Condensed Interim Financial Statements
For the six months and full year ended 31 December 2021**

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**A. Unaudited condensed consolidated statement of profit or loss and other comprehensive income
For the six months and full year ended 31 December 2021**

The Group's operations are principally conducted in the People's Republic of China ("PRC"). Accordingly, the condensed 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	
	Second half year ended			Full year ended			
	31/12/2021	31/12/2020	%	31/12/2021	31/12/2020	%	
RMB'000	RMB'000		RMB'000	RMB'000			
Revenue	81,727	53,150	54	109,042	93,920	16	
Cost of sales	(56,184)	(41,823)	34	(77,954)	(74,502)	5	
Gross profit	25,543	11,327	126	31,088	19,418	60	
Other items of income							
Finance and other income	3,693	3,453	7	7,233	6,746	7	
Write-back of impairment losses on financial assets, net	1,544	3,958	(18)	910	–	N.M	
Other items of expenses							
Marketing and distribution expenses	(4,224)	(3,726)	13	(6,558)	(5,186)	26	
Administrative expenses	(9,965)	(11,287)	(12)	(21,759)	(20,323)	7	
Research expenses	(9,322)	(6,193)	51	(13,223)	(8,322)	59	
Impairment losses on of financial assets, net	–	–	0	–	(3,664)	(100)	
Other operating expense	(18)	(81)	(78)	(67)	(110)	(39)	
Finance costs							
- Bank charges	(1)	(4)	(75)	(4)	(7)	(43)	
- Interest on lease liability	–	(1)	(100)	–	(3)	(100)	
Profit/(loss) before tax	7,250	(2,554)	N.M	(2,380)	(11,451)	(79)	
Income taxation	336	64	425	336	64	425	
Total comprehensive income for the period attributable to owners of the Company	7,586	(2,490)	N.M	(2,044)	(11,387)	(82)	
Earnings/(loss) per share (RMB cents):							
Basic	17	15.77	(5.13)	N.M	(4.25)	(23.44)	(82)
Diluted	17	15.77	(5.13)	N.M	(4.25)	(23.44)	(82)

N.M. - not meaningful

**B. Unaudited condensed statements of financial position
As at 31 December 2021**

	Note	Group			Company		
		Unaudited 31/12/2021 RMB'000	Audited 31/12/2020 RMB'000	Change %	Unaudited 31/12/2021 RMB'000	Audited 31/12/2020 RMB'000	Change %
ASSETS							
Non-current assets							
Property, plant and equipment	11	51,859	57,892	(10)	–	–	–
Intangible assets	9	664	896	(26)	–	–	–
Investment in a subsidiary		–	–	–	75,631	75,596	1
Investment properties	12	3,748	1,710	119	–	–	–
Right of use asset	10	12,248	12,655	(3)	–	42	(100)
Prepayments		45	1,147	(96)	–	–	–
Deferred tax asset		906	906	0	–	–	–
		69,470	75,206	(8)	75,631	75,638	(1)
Current assets							
Inventories		31,591	27,929	13	–	–	–
Trade and other receivables	13	63,956	41,872	53	38,317	47,257	(19)
Contract assets	4.4	81,105	87,629	(7)	–	–	–
Prepayments		7,506	2,552	194	59	54	9
Short term deposits		20,000	20,000	0	–	–	–
Cash and cash equivalents	15	129,678	92,368	40	10,349	5,111	102
		333,836	272,350	23	48,725	52,422	(7)
Total assets		403,306	347,556	18	124,356	128,060	(3)
EQUITY AND LIABILITIES							
Current liabilities							
Trade and other payables		32,431	28,849	12	12,414	12,228	2
Contract liabilities	4.4	74,029	20,091	268	–	–	–
Other liabilities		17,065	15,740	8	695	932	(25)
Lease liabilities		–	43	(100)	–	43	(100)
Provisions		–	38	(100)	–	–	–
Income tax payable		5,853	6,196	(6)	–	–	–
		129,378	70,957	82	13,109	13,203	(1)
Net current assets		204,458	201,393	2	35,616	39,219	(9)
Total liabilities		129,378	70,957	82	13,109	13,203	(1)
Net assets		273,928	276,599	(1)	111,247	114,857	(3)
Equity attributable to owners of the Company							
Share capital	16	149,278	149,278	0	149,278	149,278	0
Treasury/employee benefit trust shares		(3,391)	(3,021)	12	(3,391)	(3,021)	12
Other reserves		125,817	123,202	2	(10)	180	(106)
Accumulated profits/(losses)		2,224	7,140	(69)	(34,630)	(31,580)	10
Total equity		273,928	276,599	(1)	111,247	114,857	(3)
Total equity and liabilities		403,306	347,556	16	124,356	128,060	(3)

**C. Unaudited condensed statements of changes in equity
For the year ended 31 December 2021**

Statement of Changes in Equity

	Attributable to owners of the Company										
	Share Capital	Treasury/ Employee benefit trust shares	Other reserves	Performance share plan reserve	(Loss)/gain on reissuance of EBT 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 Audited											
Balance at 1 January 2020	149,278	(2,420)	123,384	78	64	1,725	40,807	5,710	75,000	24,146	284,596
Loss for the year, representing total comprehensive income	—	—	—	—	—	—	—	—	—	(11,387)	(11,387)
Grant of equity-settled performance shares to employees	—	—	57	57	—	—	—	—	—	—	57
EBT shares reissued pursuant to vesting of performance share plan	—	43	(19)	(26)	7	—	—	—	—	—	24
Purchase of treasury share	—	(644)	—	—	—	—	—	—	—	—	(644)
<u>Others</u>											
Transfer to statutory reserve, net	—	—	36	—	—	—	36	—	—	(36)	—
Utilisation of Statutory Reserve Fund, net	—	—	(256)	—	—	—	—	(256)	—	256	—
Transfer to Staff Welfare Payable, net	—	—	—	—	—	—	—	—	—	(1)	(1)
Dividend paid	—	—	—	—	—	—	—	—	—	(5,838)	(5,838)
Balance at 31 December 2020	149,278	(3,021)	123,202	109	71	1,725	40,843	5,454	75,000	7,140	276,599
Group Unaudited											
Balance at 1 January 2021	149,278	(3,021)	123,202	109	71	1,725	40,843	5,454	75,000	7,140	276,599
Loss for the year, representing total comprehensive income	—	—	—	—	—	—	—	—	—	(2,044)	(2,044)
Grant of equity-settled performance shares to employees	—	—	35	35	—	—	—	—	—	—	35
Treasury and EBT shares reissued pursuant to vesting of performance share plan	—	245	(225)	(144)	(81)	—	—	—	—	—	20
Purchase of treasury share	—	(615)	—	—	—	—	—	—	—	—	(615)
<u>Others</u>											
Transfer to statutory reserve, net	—	—	1,985	—	—	—	1,985	—	—	(1,985)	—
Transfer to Statutory Reserve Fund, net	—	—	820	—	—	—	—	820	—	(820)	—
Transfer to Staff Welfare Payable, net	—	—	—	—	—	—	—	—	—	(67)	(67)
Balance at 31 December 2021	149,278	(3,391)	125,817	—	(10)	1,725	42,828	6,274	75,000	2,224	273,928

C. Unaudited condensed statements of changes in equity (cont'd)
For the year ended 31 December 2021

Statement of Changes in Equity (cont'd)

	Attributable to owners of the Company						
	Share Capital	Treasury/Empl oyee benefit trust shares	Other reserves	(Loss)/gain on reissuance of EBT shares	Treasury shares	Accumulated losses	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Company Audited							
Balance at 1 January 2020	149,278	(2,420)	142	78	64	(22,345)	124,655
Loss for the year, representing total comprehensive income for the year	–	–	–	–	–	(3,397)	(3,397)
<u>Contributions by and distribution to owners</u>							
Grant of equity-settled performance shares to employees	–	–	57	57	–	–	57
EBT shares reissued pursuant to vesting of performance share plan	–	43	(19)	(26)	7	–	24
Purchase of treasury share	–	(644)	–	–	–	–	(644)
Dividend paid	–	–	–	–	–	(5,838)	(5,838)
Balance at 31 December 2020	149,278	(3,021)	180	109	71	(31,580)	114,857
Company Unaudited							
Balance at 1 January 2021	149,278	(3,021)	180	109	71	(31,580)	114,857
Loss for the year, representing total comprehensive income for the year	–	–	–	–	–	(3,050)	(3,050)
<u>Contributions by and distribution to owners</u>							
Grant of equity-settled performance shares to employees	–	–	35	35	–	–	35
EBT shares reissued pursuant to vesting of performance share plan	–	245	(225)	(144)	(81)	–	20
Purchase of treasury share	–	(615)	–	–	–	–	(615)
Balance at 31 December 2021	149,278	(3,391)	(10)	–	(10)	(34,630)	111,247

D. Unaudited condensed consolidated statement of cash flows
For the year ended 31 December 2021

	Note	Group	
		Unaudited	Audited
		Full year ended	
		31/12/2021	31/12/2020
		RMB'000	RMB'000
Operating activities			
Loss before tax		(2,380)	(11,451)
<u>Adjustments for:</u>			
Depreciation of property, plant and equipment and investment property	6	9,306	9,163
Depreciation of right-of-use asset	6	407	492
Amortisation of intangible assets	6	344	140
Gain on disposal of property, plant and equipment	6	(73)	(220)
(Write-back of)/impairment losses on financial assets, net	6	(910)	3,664
Write-off of property, plant and equipment (Write-back of)/allowance for provision on onerous contracts, net	6	43	95
	6	(38)	37
Allowance for inventory obsolescence	6	–	3,841
Performance share plan expense	6	35	57
Unrealised exchange loss		203	251
Finance costs		4	10
Finance income		(1,679)	(1,726)
		5,262	4,353
<u>Changes in working capital</u>			
Decrease/(increase) in:			
Inventories		(3,662)	(5,422)
Trade and other receivables		(21,174)	11,873
Contract assets		6,524	14,917
Prepayments		(4,954)	559
(Decrease)/increase in:			
Trade and other payables		3,479	(11,556)
Contract liabilities		53,938	2,466
Other liabilities and provision		1,258	(3,510)
Total changes in working capital		35,409	9,327
Cash flows generated from operations		40,671	13,680
Interest received		1,679	1,726
Interest paid		(4)	(10)
Income tax refunded		(7)	–
Net cash generated from operating activities		42,339	15,396

D. Unaudited condensed consolidated statement of cash flows (cont'd)
For the year ended 31 December 2021

	Note	Group	
		Unaudited	Audited
		Full year ended	
		31/12/2021	31/12/2020
		RMB'000	RMB'000
Investing activities			
Proceed from disposal of property, plant and equipment	11	97	235
Purchase of Intangible assets - software	9	(112)	(831)
Purchase of property, plant and equipment	11	(4,173)	(3,188)
Withdrawal of investments		–	–
Placement of fixed deposit		–	(20,000)
Net cash used in from investing activities		(4,188)	(23,784)
Financing activities			
Purchase of treasury shares		(615)	(644)
Dividends paid		–	(5,838)
Payment of principal portion of lease liabilities		(43)	(127)
Net cash used in financing activities		(658)	(6,609)
Net increase/(decrease) in cash and cash equivalents		37,493	(14,997)
Cash and cash equivalents at beginning of period/year		92,368	107,592
Effect of exchange rate changes on cash and cash equivalents		(183)	(227)
Cash and cash equivalents at end of period/year	15	129,678	92,368

**E. Notes to the unaudited condensed consolidated financial statements
As at and for the six months and full year ended 31 December 2021**

1. Corporate information

Anchun International Holdings Ltd. (the "Company") is a limited liability company incorporated and domiciled in Singapore and is listed on the Singapore Exchange Securities Trading Limited ("SGX-ST").

These condensed interim consolidated financial statements as at and for the six months ended 31 December 2021 comprise the Company and its subsidiaries (collectively, the Group). The principal activity of the Company is investment holding.

The principal activities of the Group is the provision of integrated chemical systems engineering and technology solutions to the petrochemical and chemical industries.

2. Basis of preparation

The condensed interim financial statements for the full year ended 31 December 2021 have been prepared in accordance with SFRS(I) 1-34 Interim Financial Reporting issued by the Accounting Standards Council Singapore. The condensed interim financial statements do not include all the information required for a complete set of financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance of the Group since the last annual financial statements for the year ended 31 December 2020.

The accounting policies adopted are consistent with those of the previous financial year which were prepared in accordance with SFRS(I)s, except for the adoption of new and amended standards as set out in Note 2.1.

The financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand ("RMB'000"), except when otherwise indicated.

2.1. New and amended standards adopted by the Group

A number of amendments to Standards have become applicable for the current reporting period. The Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting those standards.

2.2. Use of judgements and estimates

In preparing the condensed interim financial statements, management has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2020.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

There is no significant judgement made in applying accounting policies that have a significant effect on the amounts recognised in the consolidated financial statements.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year are included in the following:

- Note 4 and Note 13 - Provision for expected credit losses of trade receivables and contract assets
- Note 4 - Contracts and revenue recognition

3. Seasonal operations

The Group's businesses are not affected significantly by seasonal or cyclical factors during the financial period.

4. Segment revenue information

For management purposes, the Group is organised into business units based on their products and services, and has three reportable operating segments as follows:

(i) Catalyst Business

The catalyst business segment involves manufacturing of a variety of catalysts for use in the process of gas-making, ammonia synthesis and methanol synthesis.

(ii) Chemical systems and components ("CSC") Business

This segment involves manufacturing of chemical equipment designed by the chemical engineering and technology consultancy services department.

(iii) Chemical engineering and technology ("CET") Engineering Services

This segment involves providing chemical systems engineering and technology design services for the production of ammonia and methanol related products such as agriculture fertilisers and biodiesel which are mainly used in the agriculture and energy industries.

These operating segments are reported in a manner consistent with internal reporting provided to the chief operating decision maker who are responsible for allocating resources and assessing performance of the operating segments.

4. Segment revenue information (cont'd)

4.1. Reportable segments

	Catalyst Business RMB'000	CSC Business RMB'000	CET Engineering Services RMB'000	Total RMB'000
Group				
1 January 2021 to 31 December 2021				
Revenue				
External customers	11,884	83,126	14,032	109,042
Total revenue	11,884	83,126	14,032	109,042
Results:				
Segment gross profit	4,984	17,847	8,257	31,088
Finance income				1,679
Other income				5,554
Write-back of impairment losses on financial assets, net				910
Marketing and distribution expenses				(6,558)
Administrative expenses				(21,759)
Research expenses				(13,223)
Other expenses				(67)
Finance costs				(4)
Loss before tax				(2,380)
Other material non-cash items				
Write-back of provision on onerous contracts, net				38
Depreciation and amortisation				(10,057)
Gain on disposal of property, plant and equipment, net				73
Write-off of property, plant and equipment				(43)
Allowance for inventory obsolescence				(24)

4. Segment revenue information (cont'd)

4.1. Reportable segments (cont'd)

Group	Catalyst Business RMB'000	CSC Business RMB'000	CET Engineering Services RMB'000	Total RMB'000
1 January 2020 to 31 December 2020				
Revenue				
External customers	10,945	76,558	6,417	93,920
Total revenue	10,945	76,558	6,417	93,920
Results:				
Segment gross profit	4,708	11,336	3,374	19,418
Finance income				1,726
Other income				5,020
Impairment losses on financial assets, net				(3,664)
Marketing and distribution expenses				(5,186)
Administrative expenses				(20,323)
Research expenses				(8,322)
Other expenses				(110)
Finance costs				(10)
Loss before tax				(11,451)
Other material non-cash items				
Allowance for provision on onerous contracts, net				(37)
Depreciation and amortisation				(9,795)
Gain on disposal of property, plant and equipment, net				220
Write-off of property, plant and equipment				(95)
Allowance for inventory obsolescence				(3,841)

Geographical information

No geographical information is provided as the principal assets employed by the Group are located in the PRC and the Group's revenue and profits are derived primarily from customers in the PRC.

Information about major customers

During the financial year ended 31 December 2021, revenue from two (2020: two) major customers amount to RMB28,365,000 (2020: RMB20,970,000), arising from sales by the CSC Business, Catalyst Business and CET Engineering Services segment (2020: CSC Business segment).

4. Segment revenue information (cont'd)

4.2. Disaggregation of Revenue

	The Group 6 months ended 31 December 2021			Total revenue RMB'000
	Catalyst business RMB'000	CSC business RMB'000	CET engineering services RMB'000	
Primary geographical market				
People's Republic of China	7,559	62,119	12,049	81,727
Major product or service lines				
Catalyst	7,559	–	–	7,559
Chemical systems and components	–	62,119	–	62,119
Engineering and design services	–	–	12,049	12,049
	7,559	62,119	12,049	81,727
Timing of transfer of goods or services				
At a point in time	7,559	–	–	7,559
Over time	–	62,119	12,049	74,168
	7,559	62,119	12,049	81,727

	The Group 6 months ended 31 December 2020			Total revenue RMB'000
	Catalyst business RMB'000	CSC business RMB'000	CET engineering services RMB'000	
Primary geographical market				
People's Republic of China	7,975	40,834	4,341	53,150
Major product or service lines				
Catalyst	7,975	–	–	7,975
Chemical systems and components	–	40,834	–	40,834
Engineering and design services	–	–	4,341	4,341
	7,975	40,834	4,341	53,150
Timing of transfer of goods or services				
At a point in time	7,975	–	–	7,975
Over time	–	40,834	4,341	45,175
	7,975	40,834	4,341	53,150

4. Segment revenue information (cont'd)

4.2. Disaggregation of Revenue (cont'd)

	The Group 12 months ended 31 December 2021			Total revenue RMB'000
	Catalyst business RMB'000	CSC business RMB'000	CET engineering services RMB'000	
Primary geographical market				
People's Republic of China	11,884	83,126	14,032	109,042
Major product or service lines				
Catalyst	11,884	–	–	11,884
Chemical systems and components	–	83,126	–	83,126
Engineering and design services	–	–	14,032	14,032
	11,884	83,126	14,032	109,042
Timing of transfer of goods or services				
At a point in time	11,884	–	–	11,884
Over time	–	83,126	14,032	97,158
	11,884	83,126	14,032	109,042

	The Group 12 months ended 31 December 2020			Total revenue RMB'000
	Catalyst business RMB'000	CSC business RMB'000	CET engineering services RMB'000	
Primary geographical market				
People's Republic of China	10,945	76,558	6,417	93,920
Major product or service lines				
Catalyst	10,945	–	–	10,945
Chemical systems and components	–	76,558	–	76,558
Engineering and design services	–	–	6,417	6,417
	10,945	76,558	6,417	93,920
Timing of transfer of goods or services				
At a point in time	10,945	–	–	10,945
Over time	–	76,558	6,417	82,975
	10,945	76,558	6,417	93,920

4. Segment revenue information (cont'd)

4.3. Judgement and methods used in estimating revenue

Recognition of revenue from sale of chemical equipment over time

For the sale of chemical equipment where the Group satisfies its performance obligations over time, management has determined that a cost-based input method provides a faithful depiction of the Group's performance in transferring control of the chemical equipment to the customers, as it reflects the Group's efforts incurred to date relative to the total inputs expected to be incurred for sale of chemical equipment. The measure of progress is based on the costs incurred to date as a proportion of total costs expected to be incurred up to the complete construction of the chemical equipment.

The estimated total construction and other related costs are based on contracted amounts and, in respect of amounts not contracted for, management relies on past experience and knowledge of the project engineers to make estimates of the amounts to be incurred. In making these estimates, management takes into consideration the historical trends of amounts incurred to construct other similar chemical equipment.

4.4. Contract assets and contract liabilities

Information about receivables, contract assets and contract liabilities from contracts with customers is disclosed as follows:

	31/12/2021 RMB'000	Group 31/12/2020 RMB'000	01/01/ 2020 RMB'000
Receivables from contracts with customers (Note 13)	14,306	20,984	29,970
Contract assets	81,105	87,629	102,546
Contract liabilities	74,029	20,091	17,625

During current financial year, the Group has write-back impairment losses of RMB2,593,000 (2020: impairment losses of RMB3,664,000) on receivables.

Contract assets primarily relate to the Group's right to consideration for work completed but not yet billed at reporting date for sale of chemical equipment.

Contract assets are transferred to receivables when the rights become unconditional. During the reporting period, the Group has recognised impairment loss on contract assets of RMB1,683,000(2020: Nil). Contract liabilities primarily relate to the Group's obligation to transfer goods or services to customers for which the Group has received advances received from customers for sale of chemical equipment.

Contract liabilities are recognised as revenue as the Group performs under the contract.

(i) Significant changes in contract assets are explained as follows:

	31/12/2021 RMB'000	Group 31/12/2020 RMB'000
Contract assets reclassified to receivables	44,754	64,462

(ii) Significant changes in contract liabilities are explained as follows:

	31/12/2021 RMB'000	Group 31/12/2020 RMB'000
Revenue recognised that was included in the contract liability balance at the beginning of the year	17,493	11,152

4. Segment revenue information (cont'd)

4.5. Transaction price allocated to remaining performance obligation

The aggregate amount of transaction price allocated to the unsatisfied (or partially unsatisfied) performance obligations as at 31 December 2021 is RMB223,594,000 (2020: RMB116,556,000). The Group expects to recognise RMB183,460,000 as revenue relating to the transaction price allocated to the unsatisfied (or partially satisfied) performance obligations as at 31 December 2021 in the financial year 2022 and RMB40,134,000 in the financial year 2023.

5. Financial assets and financial liabilities

Set out below is an overview of the financial assets and financial liabilities of the Group as at 31 December 2021 and 31 December 2020:

	Group		Company	
	31/12/2021	31/12/2020	31/12/2021	31/12/2020
	RMB'000	RMB'000	RMB'000	RMB'000
Group				
<i>Financial assets</i>				
Trade and other receivables (excluding sales tax receivables)	63,950	41,865	38,311	47,250
Cash and bank balances	149,678	112,368	10,349	5,111
Total undiscounted financial assets	213,628	154,233	48,660	52,361
<i>Financial liabilities</i>				
Trade and other payables (excluding sales tax payables)	25,919	19,055	12,414	12,228
Other liabilities	17,065	15,740	695	932
Lease liability	–	43	–	43
Total undiscounted financial liabilities	42,984	34,838	13,109	13,203
Total net undiscounted financial assets	170,644	119,395	35,551	39,158

6. Loss before taxation

6.1. Significant items

	Group			
	6 months ended 31/12/2021	6 months ended 31/12/2020	12 months ended 31/12/2021	12 months ended 31/12/2020
	RMB'000	RMB'000	RMB'000	RMB'000
<u>Income</u>				
Interest income on bank balances and deposits	1,191	957	1,679	1,726
Government grants	484	913	1,176	1,021
Sales of scrap materials and parts	410	217	1,340	1,388
Rental income from investment properties	1,270	1,116	2,340	2,214
Gain from contract penalty	12	18	28	25
Gain/(loss) on disposal of property, plant and equipment, net	36	(12)	73	220
<u>Expenses</u>				
Depreciation of property, plant and equipment	4,367	4,446	8,725	8,942
Depreciation of investment property	316	(29)	581	221
Depreciation of right-of-use asset	183	245	407	492
Amortisation of intangible assets	161	82	344	140
(Write-back of)/ impairment losses on financial assets (net)	(1,544)	(3,958)	(910)	3,664
Allowance for inventory obsolescence	24	3,841	24	3,841
Write-off of property, plant and equipment	42	67	43	95
Allowance for/(write-back of) provision on onerous contracts	–	79	(38)	37
Net foreign exchange loss	109	142	183	251
Finance costs	1	4	4	7
Performance share plan expenses	11	28	35	57

6.2. Related party transactions

There are no significant related party transactions apart from those disclosed elsewhere in the financial statements.

7. Net Asset Value

	<u>Group</u>		<u>Company</u>	
	31/12/2021	31/12/2020	31/12/2021	31/12/2020
Net asset value per share (RMB per share)	5.74	5.74	2.33	2.38

Net asset value per ordinary share as at 31 December 2021 and as at 31 December 2020 were calculated based on the existing number of shares in issue excluding EBT shares and treasury shares of 47,690,900 and 48,181,900 ordinary shares as at 31 December 2021 and 31 December 2020 respectively.

8. Fair value of assets and liabilities

8.1. Fair value measurement

The Group classifies financial assets measured at fair value using a fair value hierarchy which reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- a) Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date **(Level 1)**;
- b) Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly **(Level 2)**; and
- c) Unobservable inputs for the asset or liability **(Level 3)**

The following table shows an analysis of the Group's assets not measured at fair value, for which fair value is disclosed:

		Group RMB'000		
		Fair value measurements at the end of the reporting period using		
		Significant observable inputs other than quoted prices (Level 2)	Significant unobservable inputs (Level 3)	Carrying amount
Note				
	31 December 2021			
	Investment properties			
	– Xiang Kai Shi Hua Tower	10,106	–	–
	– Lufeng Road, Hi-Tech Industrial Development Zone	–	6,829	2,162
	– Lusong Road, Hi-Tech Industrial Development Zone	–	2,827	1,586
	31 December 2020			
	Investment properties			
	– Xiang Kai Shi Hua Tower	10,106	–	–
	– Lufeng Road, Hi-Tech Industrial Development Zone	–	8,199	1,710

9. Intangible assets

	Group	
	2021 RMB'000	2020 RMB'000
Cost		
At 1 January	2,124	1,914
Additions	112	831
Disposal	(191)	(621)
At 31 December	2,045	2,124
Accumulated amortisation		
At 1 January	(1,228)	(1,709)
Amortisation charge for the year	(344)	(140)
Disposal	191	621
At 31 December	(1,381)	(1,228)
Net carrying amount		
At 31 December	664	896

Intangible assets relate to computer software purchased from vendors and have an average remaining amortisation period of 2 year (2020: 2 years). The amortisation of intangible asset is included in the "Administrative expenses" line item in the consolidated statement of comprehensive income.

10. Right-of-use assets

The Group has land use rights over three plots of state-owned land in the People's Republic of China ("PRC") where the Group's PRC manufacturing and storage facilities reside. The land use rights are not transferable.

The Company has lease contract for office space for a tenure of 2 years which expired on 30 June 2021.

The Group also has certain leases of dormitories with lease term of less than 12 months in which the Group applies the 'short-term lease' recognition exemptions for these leases.

10. Right-of-use assets (cont'd)

Group	Office space RMB'000	Land use rights RMB'000	Total RMB'000
Cost:			
At 1 January 2020	266	18,271	18,537
Translation difference	(4)	–	(4)
At 31 December 2020 and 1 January 2021	262	18,271	18,533
De-recognition	(262)	–	(262)
At 31 December 2021	–	18,271	18,271
Accumulated depreciation:			
At 1 January 2020	(89)	(5,292)	(5,381)
Depreciation charge for the year	(126)	(366)	(492)
Translation difference	(5)	–	(5)
At 31 December 2020 and 1 January 2021	(220)	(5,658)	(5,878)
Depreciation charge for the year	(42)	(365)	(407)
De-recognition	262	–	262
At 31 December 2021	–	(6,023)	(6,023)
Net carrying amount:			
At 31 December 2021	–	12,248	12,248
At 31 December 2020	42	12,613	12,655
			Office space RMB'000
Company			
Cost:			
At 1 January 2020			266
Translation difference			(4)
At 31 December 2020 and 1 January 2021			262
De-recognition			(262)
At 31 December 2021			–
Accumulated depreciation:			
At 1 January 2020			(89)
Depreciation charge for the year			(126)
Translation difference			(5)
At 31 December 2020 and 1 January 2021			(220)
Depreciation charge for the year			(42)
De-recognition			262
At 31 December 2021			–
Net carrying amount:			
At 31 December 2021			–
At 31 December 2020			42

11. Property, plant and equipment

For the year ended 31 December 2021, the Group acquired assets amounting to RMB5.4 million (31 December 2020: RMB2.2 million) and disposed of assets net book value amounting to RMB0.1 million (31 December 2020: RMB0.1 million). Transfer to investment property with a net book value amounting to RMB2.6 million (31 December 2020: Nil). Depreciation expense for the year amounted to RMB8.7 million (31 December 2020: RMB8.9 million).

12. Investment properties

The Group's investment properties consist of both commercial and industrial properties, held for long-term rental yields and/or capital appreciation and are not substantially occupied by the Group. They are mainly leased to third parties under operating leases.

	Group	
	2021	2020
	RMB'000	RMB'000
Cost		
At 1 January	10,551	10,551
Transfer from property, plant and equipment	6,475	–
At 31 December	17,026	10,551
Accumulated depreciation		
At 1 January	(8,841)	(8,620)
Transfer from property, plant and equipment	(3,856)	–
Depreciation charge for the year	(581)	(221)
At 31 December	(13,278)	(8,841)
Net carrying amount		
At 31 December	3,748	1,710
Fair value	19,762	18,305

12.1 Valuation

The fair value of investment property in Xiang Kai Shi Hua Tower is determined based on comparable market transactions that consider the sales of similar properties that have been transacted in the open market.

The fair value of investment properties in Lufeng Road and Lusong Road is determined based on discounted cash flows method. Fair value is estimated using assumptions regarding the benefits and liabilities of ownership over the asset's life. This method involves the projection of a series of cash flows on an investment property. To this projected cash flow series, a market-derived discount rate is applied to establish the present value of the income stream associated with the asset.

The duration of the cash flows and the specific timing of inflows and outflows are determined by events such as rent reviews and lease renewal. The appropriate duration is typically driven by market behaviour that is a characteristic of the class of real property. Periodic cash flow is estimated as gross cash flow less maintenance cost and other operating and management expenses. The series of periodic net operating cash flow is then discounted. Generally, a change in the assumption made for the estimated rental value is accompanied by a directionally similar change in the rent growth per annum, and an opposite change in the long-term vacancy rate and discount rate.

12. Investment properties (cont'd)

12.1 Valuation (cont'd)

The investment properties held by the Group as at 31 December 2021 and 31 December 2020 are as follows:

Description and location	Existing Use	Tenure of land	Unexpired lease term
10 th floor, Xiang Kai Shi Hua Tower, Changsha, PRC	Offices	Leasehold, 50 years lease from 2 August 1999	28 years (2020: 29 years)
No. 65, Lufeng Road, Hi-Tech Industrial Development Zone, Changsha, PRC	Manufacturing	Leasehold, 50 years lease from 16 August 2002	31 years (2020: 32 years)
No. 539, Lusong Road, Hi-Tech Industrial Development Zone, Changsha, PRC	Manufacturing	Leasehold, 50 years lease from 28 February 2007	35 years (2020: nil)

13. Trade and other receivables

13.1. Trade and other receivables

	Group		Company	
	2021 RMB'000	2020 RMB'000	2021 RMB'000	2020 RMB'000
Trade receivables	14,306	20,984	–	–
Bills receivable	47,871	19,117	–	–
VAT/GST receivables	6	7	6	7
Amount due from a subsidiary (non-trade)	–	–	38,311	47,221
Other receivables	1,773	1,764	–	29
Total trade and other receivables	63,956	41,872	38,317	47,257
Add:				
Contract assets	81,105	87,629	–	–
Cash and bank balances	149,678	112,368	10,349	5,111
Less:				
VAT/GST receivables	(6)	(7)	(6)	(7)
Total financial assets carried at amortised cost	294,733	241,862	48,660	52,361

13. Trade and other receivables (cont'd)

13.2. Expected credit losses

The movement in allowance for expected credit losses of trade receivables and contract assets computed based on lifetime ECL are as follow:

	Group			
	Trade receivables	Contract assets	Trade receivables	Contract assets
	31/12/2021 RMB'000	31/12/2021 RMB'000	31/12/2020 RMB'000	31/12/2020 RMB'000
Movements in the allowance accounts:				
At beginning of financial year	29,278	6,975	26,509	6,975
(Reversal)/charge for the year	(2,593)	1,683	3,664	–
Written-off	(336)	–	(895)	–
At end of financial year	26,349	8,658	29,278	6,975

14. Borrowings

The Group has no outstanding borrowings and debt securities as at 31 December 2021 (31 December 2020: Nil).

15. Cash and cash equivalents

	Group		Company	
	31/12/ 2021 RMB'000	31/12/2020 RMB'000	31/12/2021 RMB'000	31/12/2020 RMB'000
Cash at banks and on hand	120,321	91,664	3,251	5,111
Short-term deposits	9,357	704	7,098	–
Total	129,678	92,368	10,349	5,111

Cash at banks

Cash at banks earns interest at floating rates based on daily bank deposit rates.

Short-term deposits

Short-term deposits are placed for varying periods between one to three months (2020: one and three months) and earned interests at the respective short-term deposit rates.

16. Share capital

Ordinary shares

	Number of Shares	Amount RMB'000
Ordinary shares including employee benefit trust ("EBT") shares & treasury shares as at 31 December 2021 and 31 December 2020	50,500,000	149,278

Convertibles

The Company did not have outstanding options, convertibles or subsidiary holdings as at 31 December 2021 and 31 December 2020.

EBT shares

The Company had no EBT shares as at 31 December 2021. (31 December 2020: 9,000).

Treasury shares

The Company had 2,809,100 treasury shares (approximately 5.56% of the total number of issued shares) as at 31 December 2021 (31 December 2020: 2,309,100).

17. Earnings per share

Basic earnings per share are calculated by dividing profit for the year, net of tax, attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial year.

Diluted earnings per share are calculated by dividing profit for the year, net of tax, attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial year plus the weighted average number of ordinary shares that would be issued on the conversion of all dilutive potential ordinary shares into ordinary shares.

17. Earnings per share (cont'd)

The following tables reflect the loss and share data used in the computation of basic and diluted losses per share for the periods ended 31 December:

	Group			
	Second half year ended		Full year ended	
	31/12/2021	31/12/2020	31/12/2021	31/12/2020
Profit/(Loss) for the period/year attributable to owners of the Company used in the computation of basic and diluted loss per share	7,586	(2,490)	(2,044)	(11,387)
Weighted average number of ordinary shares for basic earnings per share computation ('000) #	48,117	48,496	48,149	48,580
Effects of dilution of share awards ('000)	–	169	–	169
Weighted average number of ordinary shares for diluted earnings per share computation ('000)	48,117	48,665	48,149	48,749
Basic earnings per share (RMB cents)	15.77	(5.13)	(4.25)	(23.44)
Diluted earnings per share (RMB cents)	15.77	(5.13)	(4.25)	(23.44)

The weighted average number of ordinary shares takes into account the weighted average effect of changes in treasury and EBT shares transactions during the period/year.

As at 31 December 2021, no treasury shares and EBT shares are granted to employees under the Performance Share Plan 2014.

In 2021, 9,000 EBT shares have been issued to an employee after fulfilling three years' service condition of the awards granted.

**F. Other information required by Listing Rule Appendix 7.2
For the six months and full year ended 31 December 2021**

1. Review

The condensed consolidated statement of financial position of the Group as at 31 December 2021 and the related condensed consolidated profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the current financial period/year then ended and certain explanatory notes have not been audited or reviewed.

2. Review of performance of the Group

A) Income Statements

Revenue

FY2021 VS FY2020

Revenue increased by RMB15.1 million or 16% from RMB93.9 million in FY2020 to RMB109 million in FY2021. The increase was mainly due to the increase of revenue from CSC business, Engineering services, and Catalyst business, further described as follows:

2. Review of performance of the Group (cont'd)

A) Income Statements (cont'd)

Revenue(cont'd)

Revenue from our Catalyst Business

Revenue from our Catalyst Business increased by RMB0.9 million or 8% from RMB10.9 million in FY2020 to RMB11.8 million in FY2021 This was mainly due to increase of revenue from sales of ammonia catalysts.

Revenue from our Engineering Services

Revenue from our Engineering Services increased by RMB7.6 million or 119% from RMB6.4 million in FY2020 to RMB14 million in FY2021 mainly due to increase of revenue from EPC Services and higher percentage of completion for service contracts.

Revenue from our CSC Business

Revenue from our CSC Business increased by RMB6.5 million or 8% from RMB76.6 million in FY2020 to RMB83.1 million in FY2021. The increase was due to higher percentage of completion for CSC contracts and increase in number of contracts in progress during the FY2021.

2H2021 vs 2H2020

The Group's revenue increased by RMB28.6 million or 54% from RMB53.1 million in 2H2020 to RMB81.7 million in 2H2021. This was mainly due to more contracts in progress and higher percentage of completion for CSC business of RMB21.3 million and Engineering services of RMB7.7 million partially offset by the decrease of revenue from Catalyst business of RMB0.4 million.

Gross profit and gross profit margin

FY2021 VS FY2020

Our overall gross profit increased by RMB11.7 million or 60% from RMB19.4 million in FY2020 to RMB31.1 million in FY2021 and our gross profit margin increased from 21% in FY2020 to 29% in FY2021.

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

- 1) The gross profit of Catalyst business increased by RMB0.3 million from RMB4.7 million in FY2020 to RMB5.0 million in FY2021 mainly due to increase of revenue from ammonia catalysts. The gross profit margin decreased by 1% from 43% in FY2020 to 42% in FY2021, mainly attributable to decrease in the proportion of hydrocarbon catalysts sold which contributed higher gross margin in FY2021.
- 2) Gross profit of CSC business increased by RMB6.5 million from RMB11.3 million in FY2020 to RMB17.8 million in FY2021 mainly attributable to higher percentage of completion for CSC contracts and thus higher revenue recognised due to the EPC Services. In addition, the decrease in allowance for inventory obsolescence amounting to RMB3.8 million also contributed to the overall increase of RMB6.5 million. The gross profit margin increased by 6% from 15% in FY2020 to 21% in FY2021 mainly attributable to the inventory obsolescence allowance and the EPC Services which contributed higher gross margin
- 3) The gross profit of engineering design increased by RMB4.9 million from RMB3.4 million in FY2020 to RMB8.3 million in FY2021. The gross profit margin increased by 7% from 52% in FY2020 to 59% in FY2021 mainly attributable to increase of revenue from EPC Services which contributed higher gross margin.

2. Review of performance of the Group (cont'd)

A) Income Statements (cont'd)

Gross profit and gross profit margin(cont'd)

2H2021 vs 2H2020

Overall gross profit increased by RMB14.2 million or 126% from RMB11.3 million in 2H2020 to RMB25.5 million in 2H2021 and our gross profit margin increased from 21% in 2H2020 to 31% in 2H2021.

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

- 1) Gross profit of Catalyst business increased by RMB0.03 million from RMB3.72 million in 2H2020 to RMB3.75 million in 2H2021 mainly attributable to increase of revenue from catalyst processing business in 2H2021. The gross profit margin increased from 47% in 2H2020 to 50% in 2H2021 mainly attributable to increase in the proportion of catalyst processing business which contributed higher gross margin in 2H2021.
- 2) Gross profit of CSC business increased by RMB8.9 million from RMB5.3 million in 2H2020 to RMB14.2 million in 2H2021 mainly attributable to higher percentage of completion for CSC contracts and thus higher revenue recognised due to the EPC Services. In addition, the decrease in allowance for inventory obsolescence amounting to RMB3.8 million also contributed to the overall increase of RMB8.9 million. The gross profit margin increased by 10% from 13% in 2H2020 to 23% in 2H2021 mainly attributable to the inventory obsolescence allowance and the EPC Services which contributed higher gross margin
- 3) Gross profit of engineering design increased by RMB5.3 million from RMB2.3 million in 2H2020 to RMB7.6 million in 2H2021. The gross profit margin increased by 11% from 52% in 2H2020 to 63% in 2H2021 mainly attributable to increase of revenue from EPC services which contributed higher gross margin.

Finance and other income

FY2021 VS FY2020

Finance and other income increased by RMB0.5 million or 7% from RMB6.7 million in FY2020 to RMB7.2 million in FY2021. The increase was mainly due to the increase of government grants of RMB0.2 million and Rental income from investment properties of RMB0.1 million and other income of RMB0.2 million.

2H2021 vs 2H2020

Finance and other income increased by RMB0.2 million or 6% from RMB3.5 million in 2H2020 to RMB3.7 million in 2H2021. The increase was mainly due to the increase of interest income on bank balances and deposits of RMB0.2 million.

Marketing and distribution expenses

FY2021 vs FY2020

Marketing and distribution expenses increased RMB1.4 million or 27% from RMB5.2 million in FY2020 to RMB6.6 million in FY2021. The increase was mainly attributable to increase of sales staff's salary and bonuses of RMB1.2 million due to more sales staff headcount and the Group's improved sales performance in FY2021 over FY2020. In addition, increase of Old-age insurance of RMB0.2 million.

2H2021 vs 2H2020

Marketing and distribution expenses increased by RMB0.5 million or 13% from RMB3.7 million in FY2020 to RMB4.2 million in FY2021. The increase was mainly attributable to increase of sales staff's salary and bonus of RMB0.8 due to more sales staff headcount and the Group's improved sales performance in 2H2021 over 2H2020 offset by the decrease of after-sales maintenance of RMB0.3 million.

2. Review of performance of the Group (cont'd)

A) Income Statements (cont'd)

Administrative expenses

FY2021 vs FY2020

Administrative expenses increased by RMB1.4 million or 7% from RMB20.3 million in FY2020 to RMB21.7 million in FY2021. The increase was mainly due to higher unallocated plant overheads of RMB1.5 million charged to profit or loss under administrative expenses and the increase of expenses as outlined in the table below.

Item by nature	FY2021	FY2020	FY2021 vs. FY2020 (Change)		Comments
	RMB'000	RMB'000	RMB'000	%	
Unallocated manufacturing overheads allocated in administrative expenses	5,810	4,329	1,481	34	The increase is due to lower production volumes resulting from customers' requests for delay in delivery thus higher unallocated manufacturing overheads in FY 2021 over FY 2020.
Salaries, bonuses and fees	5,173	5,731	(558)	(10)	Include salaries of executive directors and heads of department deployed in administrative functions. Decrease due to lower provision of bonuses in FY2021.
Depreciation and amortisation expense	1,595	1,808	(213)	(12)	Decrease due to fully depreciated fixed assets and disposals in FY2021.
Old-age insurance	446	53	393	745	Increase due to the subsidiary being exempted from paying the old-age insurance from February 2020 to December 2020 due to Covid-19.
Directors' fee	1,662	1,510	152	10	Increase due to the re-designation of the former CEO to Non-executive chairman in FY2021 over FY2020.
Staff welfare expenses	1,095	1,239	(144)	(12)	Decrease due to less employee medical examination expenses in FY2021 over FY2020.
Factory repair and maintenance	975	369	606	164	Increase of repair and maintenance cost incurred for factory and investment property.
Administration expenses	323	475	(152)	(32)	Decrease due to lower expenses incurred for the annual report and virtual AGM in FY2021 over FY2020.
Safety cost	387	256	131	51	Increase due to more safety activities for the factory.
Other expenses	4,293	4,553	(260)	(6)	Other expenses are an aggregation of expenses of less than RMB0.1 million each. It includes vehicle usage expenses, office rental fee, etc.
Total	21,759	20,323	1,436	7	

2. Review of performance of the Group (cont'd)

A) Income Statements (cont'd)

Administrative expenses (cont'd)

2H2021 vs 2H2020

Administrative expenses decreased by RMB1.3 million or 12% from RMB11.3 million in 2H2020 to RMB10 million in 2H2021 as explained below:

Item by nature	2H2021	2H2020	2H2021vs.2H2020 (Change)		Comments
	RMB'000	RMB'000	RMB'000	%	
Unallocated manufacturing overheads allocated in administrative expenses	1,858	2,214	(356)	(16)	The decrease is due to higher production volumes and lower labor cost resulting in lower unallocated manufacturing overheads in 2H2021 over 2H2020.
Factory repair and maintenance	215	351	(136)	(39)	Decrease of repair and maintenance cost incurred for factory in 2H2021 over 2H2020.
Salaries, bonuses and fees	3,003	3,579	(576)	(16)	Include salaries of executive directors and heads of department deployed in administrative functions. Decrease due to lower provision of bonuses in 2H2021.
Old-age insurance	223	4	219	N.M.	Increase due to the subsidiary being exempted from paying the old-age insurance from February 2020 to December 2020 due to Covid-19.
Staff welfare expenses	553	668	(115)	(17)	Decrease due to less employee medical examination expenses in FY2021 over FY2020.
Administration expenses	126	290	(164)	(57)	Decrease due to lower expenses for the annual report and virtual AGM in 2H2021 over 2H2020.
Professional fees	668	817	(149)	(18)	Decrease due to lower cost for the Audit fee in 2H2021 over 2H2020.
Safety cost	260	94	166	177	Increase due to more safety activities for the factory.
Other expenses	3,059	3,270	(211)	(11)	Other expenses are an aggregation of expenses of less than RMB0.1 million each. It includes directors' fee, office rental fee, etc.
Total	9,965	11,287	(1,322)	(12)	

2. Review of performance of the Group (cont'd)

A) Income Statements (cont'd)

Research expenses

FY2021 vs FY2020

Research expenses increased by RMB4.9 million or 59% from RMB8.3 million in FY2020 to RMB13.2 million in FY2021. This was mainly attributable to higher expenses incurred on new structural design for internal vessel of CO shift reactor improvement efforts.

2H2021 vs 2H2020

Research expenses increased by RMB3.1 million or 50% from RMB6.2 million in 2H2020 to RMB9.3 million in 2H2021. This was mainly attributable to higher expenses incurred on new structural design for internal vessel of CO shift reactor improvement efforts.

Income tax expenses

FY2021 vs FY2020

Tax credit income increased by RMB0.27 million from RMB0.06 million in FY2020 to RMB0.33 million in FY2021 was mainly due to increase of income tax refunded for overprovision of tax in previous year.

2H2021 vs 2H2020

Tax credit income increased by RMB0.27 million from RMB0.06 million in 2H2020 to RMB0.33 million in 2H2021 was mainly due to increase of income tax refunded for overprovision of tax in previous year.

Net profit attributable to owners of the Company

FY2021 vs FY2020

The net loss attributable to owners of the Company decreased by RMB9 million from a net loss of RMB11.4 million in FY2020 to net loss of RMB2.4 million in FY2021 as explained above.

2H2021 vs 2H2020

The net loss attributable to owners of the Company decreased by RMB9.8 million from a net loss of RMB2.6 million in 2H2020 to net profit of RMB 7.2 million in 2H2021 as explained above.

B) Balance Sheet Statements

Non-current assets

Non-current assets decreased by RMB5.7 million or 8% from RMB75.2 million as at 31 December 2020 to RMB69.5 million as at 31 December 2021. Non-current assets comprised property, plant and equipment, investment property, intangible assets, right of use asset, deferred tax assets and prepayments.

Property, plant and equipment decreased by RMB6.1 million or 11% from RMB57.9 million as at 31 December 2020 to RMB51.8 million as at 31 December 2021, mainly due to depreciation charges of RMB8.7 million, and reclassification of property, plant and equipment to investment property of RMB2.6 million due to a change in use to a rental plant. The decrease was partially offset by additions during the year.

2. Review of performance of the Group (cont'd)

B) Balance Sheet Statements(cont'd)

Current assets

Current assets increased by RMB61.5 million or 23% from RMB272.3 million as at 31 December 2020 to RMB333.8million as at 31 December 2021. The increase was mainly due to the following:

- a) The increase in inventories of RMB3.7 million was mainly due to increase CSC business goods in transit and raw materials purchased for CSC business contract orders;
- b) The decrease in trade and other receivables of RMB6.7 million is due to settlements with our customers and settlements of outstanding bills receivable.
- c) The decrease in contract assets of RMB6.5 million is due to amounts being transferred to receivables when contractual payment milestones were reached;
- d) The increase in bills receivable of RMB28.8 million is due to receipt of more bills receivable.
- e) The increase in prepayments of RMB5 million was mainly due to the purchases of raw materials for new sale contracts; and
- f) The increase in cash and bank equivalents of RMB37.3 million was due to increase of cash flow from operating activities of RMB42.3 million offset by purchase of property, plant and equipment of RMB4.2 million and purchase of treasury shares of RMB0.6 million.

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

Item by nature	31/12/2021 RMB'000	< 6 months RMB'000	6-12 months RMB'000	1-2years RMB'000	>2years RMB'000
Trade Receivables					
Receivables from sales	40,655	6,031	3,903	7,425	23,296
Less: Impairment losses on trade receivables(net)	(26,349)	(1,080)	(699)	(3,849)	(20,721)
Sub-total	14,306	4,951	3,204	3,576	2,575
Other Receivables					
A. Bills receivable	47,871	41,477	6,394	-	-
B. Operation cash advances	172	172		-	-
C. Bid bonds	1,601	1,601		-	-
D. GST receivables	6	6	-	-	-
Total	63,956	48,207	9,598	3,576	2,575

2. Review of performance of the Group (cont'd)

B) Balance Sheet Statements(cont'd)

Current liabilities

Current liabilities increased by RMB58 million or 82% from RMB71 million as at 31 December 2020 to RMB129 million as at 31 December 2021.

- a) The increase in contract liabilities of RMB53.9 million was due to more progressive amounts received from customers according to the contracted payment terms before revenue can be recognised under according to the Group's revenue recognition policy;
- b) The increase in trade and other payables of RMB3.6 million was due to increase of purchase of raw materials for new sale contracts; and
- c) The increase in other liabilities of RMB1.3 million were mainly due to increase provision of staff's bonuses.

C) Cash Flow Statements

FY2021

Cash and cash equivalents increased by RMB37.3 million in FY2021, which was mainly attributed to cash generated from operating activities of RMB42.3 million, net cash used in investing activities of RMB4.2 million and cash used in financing activities of RMB0.66 million.

2H2021

Cash and cash equivalents increased by RMB57.1 million in 2H2021, which was mainly attributed to cash generated from operating activities of RMB41.6 million, net cash generated from investing activities of RMB16.1 million and cash used in financing activities of RMB0.63 million.

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

The Company has not previously disclosed to shareholders any forecast or prospect statement.

4. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the Group operates and any known factors or events that may affect the Group in the next operating 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.

In addition, the current Covid-19 pandemic has raised global concerns on food security. The Group's ammonia and fertilizer industry customers are essential for global food supply. Therefore, the Group is optimistic on the business outlook on this market segment. However, the disruptive impact on the global demand has negatively affected the methanol price and other basic oil-and-gas chemicals.

The Group has continued its efforts to diversify into non-fertiliser industries, which has resulted in revenue of RMB99.8 million for the FY2021 representing 91.5% (RMB61.2 million for the FY2020 representing 65%) of total revenue. The Group will continue to remain vigilant over its costs structure and continue its research

The Group remains cautiously optimistic regarding market opportunities, while making efforts to manage operations and develop business under the current uncertainties in supply chain and project progression disruptions caused by Covid-19 and the overall economic environment. The Group's order book as of 31 December 2021 was approximately RMB223.6 million (31 December 2020: RMB118.6 million) out of which of RMB182.8 million (31 December 2020: RMB90.7 million) is from non-fertiliser industries.

5. Dividend information

(a) Current financial period reported on

The Company does not recommend any dividend for the financial period ended 31 December 2021.

(b) Corresponding period of the immediately preceding financial year

The Company did not recommend or declare any dividend for the financial period ended 31 December 2020.

(c) Date payable

Not applicable.

(d) Books closure date

Not applicable.

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

Based on the Group and Company's financial performance for the 12 months period ended 31 December 2021 and due to the uncertainty and challenging global economic crisis following the outbreak of Covid-19 pandemic, no dividend has been declared or recommended for the reporting period.

6. Interested person transactions

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

7. Confirmation that the issuer has procured undertaking from all its directors and executive officers (in the format set out in Appendix 7.7) under Rule 720(1)

The Company has received undertaking from all its directors and executive officers in the format as set out in Appendix 7.7 under Rule 720(1) of the Listing Manual of the SGX-ST.

8. Disclosure of persons occupying managerial positions who are related to a director, CEO or substantial shareholder

Pursuant to Rule 704(13) of the Listing Manual, the Company confirms that there are no persons occupying a managerial position in the Company or in any of its principal subsidiaries who is a relative of a director, chief executive officer or substantial shareholder of the Company.

CONFIRMATION BY THE BOARD

Pursuant to Rule 705(5) of the Listing Manual of the Singapore Exchange Securities Trading Limited, we, the undersigned hereby confirm to the best of our knowledge that nothing has come to the attention of the Board of Directors of the Company which may render the financial statements for twelve months period ended 31 December 2021 to be false or misleading in any material aspect. On behalf of the Board of Directors.

[Signed]

[Signed]

Zheng, ZhiZhong
Executive Director and Chief Executive Officer

Dai, FengYu
Executive Director

Singapore
28 February 2022