



## **Anchun International Holdings Ltd.**

(Incorporated in Singapore)  
(Company registration number: 200920277C)

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### **Unaudited Results for the Half Year Ended 30 June 2020**

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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 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.

	<b>Group</b>		
	<b>Unaudited</b>	<b>Unaudited</b>	
	<b>6 months ended</b>		
	<b>30/06/2020</b>	<b>30/06/2019</b>	<b>Change</b>
	<b>RMB'000</b>	<b>RMB'000</b>	<b>%</b>
<b>Revenue</b>	40,770	74,067	(45)
Cost of sales	(32,679)	(61,481)	(47)
<b>Gross profit</b>	8,091	12,586	(36)
<b>Other item of income</b>			
Finance and other income	3,293	3,162	4
<b>Other items of expenses</b>			
Marketing and distribution expenses	(1,460)	(2,080)	(30)
Administrative expenses	(9,036)	(8,543)	6
Research expenses	(2,129)	(4,670)	(54)
Impairment losses on of financial assets, net	(7,622)	(20)	N.M
Other operating expense	(29)	(120)	(76)
<b>Finance costs</b>			
- Bank charges	(3)	(2)	50
- Interest on lease liabilities	(2)	-	N.M
<b>(Loss)/profit before tax</b>	<b>(8,897)</b>	<b>313</b>	<b>N.M</b>
Income taxation	-	-	N.M
<b>(Loss)/profit for the period, representing total comprehensive income for the period attributable to owners of the Company</b>	<b>(8,897)</b>	<b>313</b>	<b>N.M</b>

N.M. - not meaningful

**ANCHUN INTERNATIONAL HOLDINGS LTD.**  
**UNAUDITED RESULTS FOR THE HALF YEAR ENDED 30 JUNE 2020**

- 1(a)(ii) The following items (with appropriate breakdowns and explanations), if significant, must either be included in the income statement or in the notes to the income statement for the current financial period reported on and the corresponding period of the immediately preceding financial year.

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

	<b>Group</b>		<b>Change</b>
	<b>Unaudited</b>	<b>Unaudited</b>	
	<b>6 months ended</b>		
	<b>30/06/2020</b>	<b>30/06/2019</b>	
	<b>RMB'000</b>	<b>RMB'000</b>	<b>%</b>
Depreciation of property, plant and equipment	4,496	5,206	(14)
Depreciation of investment property	250	250	–
Depreciation of right-of-use asset	247	182	36
Amortisation of intangible assets	58	40	45
Impairment losses on financial assets, net	7,622	20	N.M
Gain on disposal of property, plant and equipment	(232)	(55)	322
Write-off of property, plant and equipment	28	28	–
Net foreign exchange (gain)/loss	(109)	15	N.M
Write-back of provision on onerous contracts	(42)	(59)	(30)
Finance income	(769)	(1,093)	(30)
Finance costs	5	2	150
Performance share plan expenses	29	28	4

*N.M. - not meaningful*

**ANCHUN INTERNATIONAL HOLDINGS LTD.**  
**UNAUDITED RESULTS FOR THE HALF YEAR ENDED 30 JUNE 2020**

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

	Group		Company	
	Unaudited 30/06/2020 RMB'000	Audited 31/12/2019 RMB'000	Unaudited 30/06/2020 RMB'000	Audited 31/12/2019 RMB'000
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant and equipment	60,501	64,709	–	–
Intangible assets	147	205	–	–
Investment in a subsidiary	–	–	75,568	75,539
Investment property	1,681	1,931	–	–
Right of use asset	12,905	13,156	109	177
Prepayments	506	1	–	–
Deferred tax asset	842	842	–	–
	<b>76,582</b>	<b>80,844</b>	<b>75,677</b>	<b>75,716</b>
<b>Current assets</b>				
Inventories	31,344	26,348	–	–
Trade and other receivables	27,569	31,605	47,257	47,257
Contract assets	87,587	102,546	–	–
Bills receivable	22,297	25,804	–	–
Prepayments	3,992	3,110	18	56
Investments	40,000	–	–	–
Cash and cash equivalents	74,504	107,592	13,243	14,523
	<b>287,293</b>	<b>297,005</b>	<b>60,518</b>	<b>61,836</b>
<b>Total assets</b>	<b>363,875</b>	<b>377,849</b>	<b>136,195</b>	<b>137,552</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Current liabilities</b>				
Trade and other payables	30,764	40,211	12,107	11,932
Contract liabilities	29,266	17,625	–	–
Other liabilities	12,019	19,188	840	786
Lease liabilities	110	134	110	134
Provisions	–	62	–	–
Income tax payable	6,196	6,196	–	–
	<b>78,355</b>	<b>83,416</b>	<b>13,057</b>	<b>12,852</b>
<b>Net current assets</b>	<b>208,938</b>	<b>213,589</b>	<b>47,461</b>	<b>48,984</b>
<b>Non-current liabilities</b>				
Lease liabilities	–	45	–	45
	<b>–</b>	<b>45</b>	<b>–</b>	<b>45</b>
<b>Total liabilities</b>	<b>78,355</b>	<b>83,461</b>	<b>13,057</b>	<b>12,897</b>
<b>Net assets</b>	<b>285,520</b>	<b>294,388</b>	<b>123,138</b>	<b>124,655</b>
<b>Equity attributable to owners of the Company</b>				
Share capital	149,278	149,278	149,278	149,278
Employee benefit trust shares	(66)	(66)	(66)	(66)
Treasury shares	(2,354)	(2,354)	(2,354)	(2,354)
Other reserves	123,251	123,384	171	142
Accumulated profits/(losses)	15,411	24,146	(23,891)	(22,345)
<b>Total equity</b>	<b>285,520</b>	<b>294,388</b>	<b>123,138</b>	<b>124,655</b>
<b>Total equity and liabilities</b>	<b>363,875</b>	<b>377,849</b>	<b>136,195</b>	<b>137,552</b>

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

The Group has no outstanding borrowings and debt securities as at 30 June 2020 (31 December 2019: nil).

**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.**

	<b>Group</b>	
	<b>Unaudited</b>	<b>Unaudited</b>
	<b>6 months ended</b>	
	<b>30/06/2020</b>	<b>30/06/2019</b>
<b>Note</b>	<b>RMB'000</b>	<b>RMB'000</b>
<b>Operating activities</b>		
(Loss)/Profit before tax	(8,897)	313
<u>Adjustments for:</u>		
Depreciation of property, plant and equipment	4,496	5,206
Depreciation of right-of-use asset	247	182
Depreciation of investment property	250	250
Amortisation of intangible assets	58	40
Gain on disposal of property, plant and equipment	(232)	(55)
Impairment losses on financial assets, net	7,622	20
Write-off of property, plant and equipment	28	28
Write-back of provision on onerous contracts	(42)	(59)
Performance share plan expense	29	28
Net foreign exchange (gain)/loss	(109)	15
Finance costs	5	2
Finance income	(769)	(1,093)
<b>Operating cash flows before changes in working capital</b>	<b>2,686</b>	<b>4,877</b>
<u>Changes in working capital</u>		
Decrease/(increase) in:		
Inventories	(4,996)	(12,955)
Trade and other receivables	(3,586)	(8,880)
Contract assets	14,959	(2,790)
Bills receivable	3,507	9,339
Prepayments	(879)	(450)
(Decrease)/increase in:		
Trade and other payables	(9,425)	8,258
Contract liabilities	11,641	(16,085)
Other liabilities	(7,189)	908
Total changes in working capital	4,032	(22,655)
<b>Cash flows generated from / (used in) operations</b>	<b>6,718</b>	<b>(17,778)</b>
Interest received	769	1,093
Interest paid	(5)	(2)
<b>Net cash generated from / (used in) operating activities</b>	<b>7,482</b>	<b>(16,687)</b>

**ANCHUN INTERNATIONAL HOLDINGS LTD.**  
**UNAUDITED RESULTS FOR THE HALF YEAR ENDED 30 JUNE 2020**

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)

	Note	Group	
		Unaudited	Unaudited
		6 months ended	
		30/06/2020	30/06/2019
		RMB'000	RMB'000
<b>Investing activities</b>			
Proceed from sale of property, plant and equipment		232	146
Purchase of property, plant and equipment	A	(846)	(835)
Purchase of investments		(40,000)	(40,000)
<b>Net cash used in investing activities</b>		(40,614)	(40,689)
<b>Financing activities</b>			
Payment of principal portion of lease liabilities		(65)	–
<b>Net cash used in financing activities</b>		(65)	–
<b>Net decrease in cash and cash equivalents</b>		(33,197)	(57,376)
<b>Cash and cash equivalents at beginning of period</b>		107,592	114,518
<b>Effect of exchange rate changes on cash and cash Equivalents</b>		109	(15)
<b>Cash and cash equivalents at end of period</b>		74,504	57,127

**Note A:**

**Purchase of property, plant and equipment**

	Group	
	Unaudited	Unaudited
	6 months ended	
	30/06/2020	30/06/2019
	RMB'000	RMB'000
Current period additions to property, plant and equipment	316	760
Less: Payable to creditors for current period purchases	(36)	(119)
Prepayment made in prior period	–	(23)
Add: Payments for prior period purchase	58	196
Prepayments made in current period	508	21
<b>Net cash outflow for purchase of property, plant and equipment</b>	846	835

**ANCHUN INTERNATIONAL HOLDINGS LTD.**  
**UNAUDITED RESULTS FOR THE HALF YEAR ENDED 30 JUNE 2020**

**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 Unaudited</b>											
Balance at 1 January 2019	149,278	(66)	21	64	(538)	1,725	39,230	5,941	75,000	13,941	284,596
Representing total comprehensive income for the period	—	—	—	—	—	—	—	—	—	313	313
Grant of equity-settled performance shares to employees	—	—	28	—	—	—	—	—	—	—	28
<u>Others</u>											
Utilisation of statutory reserve	—	—	—	—	—	—	—	(134)	—	134	—
<b>Balance at 30 June 2019</b>	<b>149,278</b>	<b>(66)</b>	<b>49</b>	<b>64</b>	<b>(538)</b>	<b>1,725</b>	<b>39,230</b>	<b>5,807</b>	<b>75,000</b>	<b>14,388</b>	<b>284,937</b>
<b>Group Unaudited</b>											
Balance at 1 January 2020	149,278	(66)	78	64	(2,354)	1,725	40,807	5,710	75,000	24,146	294,388
Representing total comprehensive loss for the period	—	—	—	—	—	—	—	—	—	(8,897)	(8,897)
Grant of equity-settled performance shares to employees	—	—	29	—	—	—	—	—	—	—	29
<u>Others</u>											
Utilisation of statutory reserve	—	—	—	—	—	—	—	(162)	—	162	—
<b>Balance at 30 June 2020</b>	<b>149,278</b>	<b>(66)</b>	<b>107</b>	<b>64</b>	<b>(2,354)</b>	<b>1,725</b>	<b>40,807</b>	<b>5,548</b>	<b>75,000</b>	<b>15,411</b>	<b>285,520</b>

**ANCHUN INTERNATIONAL HOLDINGS LTD.**  
**UNAUDITED RESULTS FOR THE HALF YEAR ENDED 30 JUNE 2020**

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 Unaudited</b>							
Balance at 1 January 2019	149,278	(66)	21	64	(538)	(30,704)	118,055
Representing total comprehensive loss for the period	–	–	–	–	–	(1,645)	(1,645)
<u>Contributions by and distribution to owners</u>							
Grant of equity-settled performance shares to employees	–	–	28	–	–	–	28
<b>Balance at 30 June 2019</b>	<b>149,278</b>	<b>(66)</b>	<b>49</b>	<b>64</b>	<b>(538)</b>	<b>(32,349)</b>	<b>116,438</b>
<b>Company Unaudited</b>							
Balance at 1 January 2020	149,278	(66)	78	64	(2,354)	(22,345)	124,655
Representing total comprehensive loss for the period	–	–	–	–	–	(1,546)	(1,546)
<u>Contributions by and distribution to owners</u>							
Grant of equity-settled performance shares to employees	–	–	29	–	–	–	29
<b>Balance at 30 June 2020</b>	<b>149,278</b>	<b>(66)</b>	<b>107</b>	<b>64</b>	<b>(2,354)</b>	<b>(23,891)</b>	<b>123,138</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

	<b>Number of Shares</b>	<b>Amount RMB'000</b>
Ordinary shares including employee benefit trust ("EBT") shares & treasury shares as at 30 June 2020 and 31 December 2019	50,500,000	149,278

Convertibles

The Company did not have outstanding options, convertibles or subsidiary holdings as at 30 June 2020 and 31 December 2019.

EBT shares

The Company had 26,000 EBT shares, approximately 0.051% of the total number of issued shares, as at 30 June 2020. (31 December 2019: 26,000).

Of the aforesaid 26,000 EBT shares, no EBT shares remained available for allocation as at 30 June 2020 and 31 December 2019.

Treasury shares

The Company had 1,809,100 treasury shares (approximately 3.58% of the total number of issued shares) as at 30 June 2020 (31 December 2019: 1,809,100).

**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.**

The movement of treasury shares as at 30 June 2020 is as follow:

	<b>As at 30/06/20</b>	<b>As at 31/12/19</b>
Number of ordinary shares issued and fully paid	50,500,000	50,500,000
Treasury shares	(1,809,100)	(1,809,100)
EBT shares	(1) (26,000)	(1) (26,000)
Total number of ordinary shares issued and fully paid (excluding Treasury shares and EBT shares)	48,664,900	48,664,900

**Notes:**

- (1) The Company granted a total of 26,000 EBT shares (comprising 17,000 EBT shares and 9,000 EBT shares) to eligible employees of the Group on 29 December 2017 and 13 September 2018, respectively. The employee will become beneficially interested in their respective EBT shares after fulfilling the three years' service condition under the grant of the awards

**1(d)(iv) A statement showing all sales, transfer, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.**

Not applicable. There were no sales, transfer, disposal, cancellation and/or use of treasury shares as at end of the current financial period reported on.

**1(d)(v) A statement showing all sales, transfer, disposal, cancellation and/or use of subsidiary holdings as at the end of the current financial period reported on.**

Not applicable. There were no sales, transfers, disposal, cancellation and/or use of subsidiary holdings as at the end of the current period reported on.

**2) Whether the figures have been audited, or reviewed and in accordance with which standard or practices.**

The figures have not been audited or reviewed by the Company's auditors.

**3) Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of matter)**

Not applicable.

**4) Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied**

Except for the adoption of the FRSs and Amendments to FRSs applicable for the financial period beginning on or after 1 January 2020, the same accounting policies and methods of computation have been applied. The adoption of new FRSs and Amendments to FRSs did not have any effect on the financial performance or position of the Group and the Company.

**5) If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.**

The Group and the Company have adopted all the new FRSs and Amendments to FRSs that are effective for the periods beginning on or after 1 January 2020. The adoption of these standards and interpretations did not have any effect on the financial performance or position of the Group and the Company.

**6) Earnings per ordinary share of the group for the current period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends**

	Group	
	6 months ended 30/06/2020	6 months ended 30/06/2019
(Loss)/profit net of tax attributable to owners of the Company (RMB '000)	(8,897)	313
Weighted average number of ordinary shares (excluding EBT shares) ('000) on issue	48,665	50,057
Weighted average number of ordinary shares (including EBT shares) ('000) on issue	48,851	50,243
Basic (loss)/earnings per share (RMB cents)	(18.28)	0.63
Diluted (loss)/earnings per share (RMB cents)	(18.28)	0.62

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 (cont'd)**

Basic (loss)/earnings per share for the 6 months ended 30 June 2020 and 30 June 2019, are computed by dividing the (loss)/profit net of tax attributable to owners of the Company by the weighted average number of ordinary shares excluding EBT shares.

Diluted earnings per share for the and 6 months ended 30 June 2019 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 6 months ended 30 June 2020 are the same as the basic loss per share as the Company does not have any dilutive potential ordinary shares.

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

	Group		Company	
	30/06/2020	30/12/2019	30/06/2020	31/12/2019
Net asset value per share (RMB per share)	5.87	6.05	2.53	2.56

Net asset value per ordinary share as at 30 June 2020 and as at 31 December 2019 were calculated based on the existing number of shares in issue excluding EBT shares and treasury shares of 48,664,900 ordinary shares as at 30 June 2020 and 31 December 2019.

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**

**1H2020 vs 1H2019**

Revenue decreased by RMB33.3 million or 45% from RMB74.1 million in 1H2019 to RMB40.8 million in 1H2020. The decrease was mainly due to the decrease of revenue from CSC business, engineering services and catalyst business, further described as follows:

**Revenue from our Catalyst Business**

Revenue from our Catalyst Business decreased by RMB4.5 million or 60% from RMB7.5 million in 1H2019 to RMB3.0 million in 1H2020 mainly due to the decrease in revenue from hydrocarbon catalysts and undelivered other catalysts resulted from the outbreak of the 2019 Novel Coronavirus ("Covid-19").

**Revenue from our Engineering Services**

Revenue from our Engineering Services decreased by RMB0.2 million or 8% from RMB2.3 million in 1H2019 to RMB2.1 million in 1H2020 mainly due to lower percentage of completion for service contracts in 1H2020 due to the temporary closure of the Group's production plant over the Lunar New Year period due to Covid-19.

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

### **Revenue(cont'd)**

#### *Revenue from our CSC Business*

Revenue from our CSC Business decreased by RMB28.6 million or 44% from RMB64.3 million in 1H2019 to RMB35.7 million in 1H2020. The decrease was due to lower percentage of completion for CSC contracts due to the temporary closure of the Group's production plant over the Lunar New Year period due to Covid-19.

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

#### 1H2020 vs 1H2019

Our overall gross profit decreased by RMB4.5 million or 36% from RMB12.6 million in 1H2019 to RMB8.1 million in 1H2020 and our gross profit margin increased slightly from 17% in 1H2019 to 20% in 1H2020.

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

- 1) The gross profit of our Catalyst business decreased by RMB2 million from RMB3.0 million in 1H2019 to RMB1 million in 1H2020. The gross profit margin decreased by 6% from 39% in 1H2019 to 33% in 1H2020, mainly attributable to decrease of revenue from hydrocarbon catalysts which contributed higher gross margin in 1H2020 due to the disruptions to our customer's businesses.
- 2) The gross profit of our CSC business decreased by RMB3 million from RMB9.0 million in 1H2019 to RMB6.0 million in 1H2020 mainly attributable to lower percentage of completion for CSC contracts and thus lower revenue recognised due to the impacts of Covid-19 explained above. The gross profit margin increased by 3% from 14% in 1H2019 to 17% in 1H2020 due to increase of two contracts from two customers for isothermal shift reactor which contributed higher gross margin.
- 3) The gross profit of our engineering design increased by RMB0.5 million from RMB0.6 million in 1H2019 to RMB1.1 million in 1H2020. The gross profit margin increased by 23 percentage points from 28% in 1H2019 to 51% in 1H2020 mainly attributable to a customer completed in the current period which contributed higher gross margin.

### **Finance and other income**

#### 1H2020 vs 1H2019

Finance and other income increased by RMB0.13 million or 4% from RMB3.16 million in 1H2019 to RMB3.29 million in 1H2020. The increase was mainly due to the increase in sales of scrap metal of RMB0.7 million and sales of accessories of RMB0.13 million offset by the decrease of government grants of RMB0.3 million, financial income of RMB0.3 million and net foreign exchange loss of RMB0.1 million.

### **Marketing and distribution expenses**

#### 1H2020 vs 1H2019

Marketing and distribution expenses decreased RMB0.6 million or 29% from RMB2.1 million in 1H2019 to RMB1.5 million in 1H2020. The decrease was mainly attributable to decrease of travelling expenses of RMB0.2 million, after-sales maintenance of RMB0.2 million, entertainment expenses of RMB0.1 million and service charges of RMB0.1 million resulted from Covid-19 travel restrictions imposed.

### **Administrative expenses**

#### 1H2020 vs 1H2019

Administrative expenses increased by RMB0.5 million or 6% from RMB8.5 million in 1H2019 to RMB9.0 million in 1H2020. The increase was partly due to higher unallocated manufacturing overheads of RMB1.4 million charged to profit or loss under administrative expenses offset by the decrease of expenses as outlined in the table below.

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

**Administrative expenses (cont'd)**

Item by nature	1H2020	1H2019	1H2020vs.1H2019 (Change)		Comments
	RMB'000	RMB'000	RMB'000	%	
Unallocated manufacturing overheads allocated in administrative expenses	2,115	708	1,407	199	The increase is due to lower production volumes cause by temporary closure of the Group's production plant over the Lunar New Year period and those of suppliers and customers' requests for delay in delivery due to the Covid 19 resulting in higher unallocated manufacturing overhead recorded under administrative expenses in 1H2020 over 1H2019.
Salaries, bonuses and fees	2,938	2,689	249	9	Include salaries of executive directors and heads of department deployed in administrative functions. Higher in 1H2020 was due to reversal of overprovision in FY 2018 in 1H2019.
Staff welfare expenses	570	771	(201)	(26)	Decrease due to lesser employee lunches provided by Company for temporary closure the Group's production plant during Lunar New Year period due to Covid-19 in 1H2020.
Old-age insurance	48	270	(222)	(82)	Decrease due to the subsidiary being exempted from paying the old-age insurance from February 2020 to December 2020 due to Covid-19.
Travelling expenses	27	129	(102)	(79)	Decrease due to lesser travel activities in 1H2020 over 1H2019 due to Covid-19.
Recruiting fees	9	121	(112)	(93)	Decrease due to lesser recruitment activities for engineering design staff.
Depreciation and amortisation expense	1113	1183	(70)	(6)	Decrease due to fully depreciated property, plant and equipment and disposals in 1H2020.
Professional fees	589	672	(83)	(12)	Decrease mainly due to overprovision of professional fees in FY2019.
Membership fees	23	95	(72)	(76)	Decrease due to part of the membership fees in key associations and professional organizations have delayed in payment.
Other expenses	1,604	1,905	(301)	(16)	Other expenses are an aggregation of expenses of less than RMB0.07 million individually.
<b>Total</b>	<b>9,036</b>	<b>8,543</b>	<b>493</b>	<b>6</b>	

N.M. - not meaningful,

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

### **Research expenses**

#### 1H2020 vs 1H2019

Research expenses decreased by RMB2.5 million or 54% from RMB4.6 million in 1H2019 to RMB2.1 million in 1H2020 mainly attributable to lower expenses incurred for propionaldehyde reactor, a new isothermal shift reactor and pressure drop test of gas distribution of catalyst basket in reactor improvement efforts in 1H2020 due to completion of certain projects and slower pace for some projects.

### **Impairment losses on of financial assets, net**

#### 1H2020 vs 1H2019

Impairment losses on of financial assets increased by RMB7.6 million from RMB0.02 million in 1H2019 to RMB7.62 million in 1H2020 mainly attributable to the increase of the trade and other receivables aging of one to two years. As in previous period, the loss allowance was determined based on lifetime expected credit losses ratios (ECL). Amongst the factors considered for ECL ratios are customer's industry influence, financial stability and past trading experience with the customers. The slowdown of the China economy due to US/China trade tensions and Covid-19 has resulted in slower collections from customers and consequently increase in trade receivables ageing. These factors have resulted in higher ECL ratios and correspondingly increase in impairment losses expense in current period. Details of trade and other receivables ageing and allowance for impairment losses are disclosed under the Balance Sheet heading below.

### **Income tax expenses**

#### 1H2020 vs 1H2019

There was no income tax expense in 1H2020 due to the Group was in a tax loss position in 1H2020.

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

#### 1H2020 vs 1H2019

The net profit attributable to owners of the Company decreased by RMB9.2 million from a net profit of RMB0.31 million in 1H2019 to a net loss of RMB8.9 million in 1H2020 as explained above.

## **B) Balance Sheet Statements**

### **Non-current assets**

Non-current assets decreased by RMB4.2 million or 5% from RMB80.8 million as at 31 December 2019 to RMB76.6 million as at 30 June 2020. Non-current assets comprised of property, plant and equipment, investment property, intangible assets, right of use asset, deferred tax assets and prepayments.

Property, plant and equipment decreased by RMB4.2 million or 7% from RMB64.7 million as at 31 December 2019 to RMB60.5 million as at 30 June 2020, which is mainly due to depreciation charged in 1H2020.

### **Current assets**

Current assets decreased by RMB9.7 million or 3% from RMB297 million as at 31 December 2019 to RMB287.3 million as at 30 June 2020. The decrease was mainly due to the following:

- a) The increase in inventories of RMB5 million was mainly due to raw materials purchased for CSC business contract orders;
- b) The decrease in trade and other receivables of RMB4 million is due to increase in impairment losses on financial assets;

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

**Current assets (cont'd)**

- c) The decrease in contract assets of RMB15 million is due to amounts being transferred to receivables when contractual payment milestones were reached;
- d) The decrease in bills receivable of RMB3.5 million is due to settlement of outstanding bills receivable;
- e) The increase in prepayments of RMB0.9 million was mainly due to the purchases of raw materials for new sale contracts;
- f) The decrease in cash and cash equivalents of RMB33.1 million was due to purchase of investments of RMB40 million. These investments are principal guaranteed investment (保本型理财产品) products issued by China Construction Bank of RMB25 million and Industrial and Commercial Bank of China of RMB15 million. Management seeks to balance yield and risk when purchasing these investment products which enjoy a higher return than fixed deposit. Purchase of property, plant and equipment of RMB0.6 million and increase of cash in flow from operating activities of RMB7.5 million;
- g) The increase in investment of RMB40 million is due to purchase of investment products.

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

Item by nature	30/06/2020 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	58,862	9,232	10,167	16,051	23,412
Less: Impairment losses on trade receivables, net	(34,167)	(1,875)	(2,065)	(8,205)	(22,022)
<b>Sub-total</b>	<b>24,695</b>	<b>7,357</b>	<b>8,102</b>	<b>7,846</b>	<b>1,390</b>
<b>Other Receivables</b>					
A. Operation cash advances	809	809	-	-	-
B. Bid bonds	2,020	2,020	-	-	-
C. Rental deposit	29	-	-	29	-
D. GST receivables	16	16	-	-	-
<b>Total</b>	<b>27,569</b>	<b>10,202</b>	<b>8,102</b>	<b>7,875</b>	<b>1,390</b>

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

Item by nature	30/06/2020 RMB'000	< 6 months RMB'000	6-12 months RMB'000	1-2years RMB'000	>2years RMB'000
<b>Contract Assets</b>					
Contract Assets	94,561	23,009	46,290	18,288	6,974
Less: Impairment losses contract assets, net	(6,974)	-	-	-	(6,974)
<b>Total</b>	<b>87,587</b>	<b>23,009</b>	<b>46,290</b>	<b>18,288</b>	<b>-</b>

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

**Current liabilities**

Current liabilities decreased by RMB5.1 million or 6% from RMB83.4 million as at 31 December 2019 to RMB78.3 million as at 30 June 2020.

- a) The increase in contract liabilities of RMB11.6 million was due to more progressive amounts received from customers according to the contracted payment terms before revenue can be recognised according to the Group's revenue recognition policy;
- b) The decrease in trade and other payables of RMB9.4 million was due to settlements with our suppliers;
- c) The decrease in other liabilities of RMB7.2 million were mainly due to settlement of the employee FY2019 bonuses and settlements with our transportation companies.

**C) Cash Flow Statements**

**1H2020**

Cash and cash equivalents decreased by RMB33 million in 1H2020, which was mainly attributed to cash generated from operating activities of RMB7.5 million, net cash used in investing activities of RMB40.6 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 has not previously disclosed to shareholders any forecast or prospect statement.

**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.

The current outbreak of the 2019 Novel Coronavirus ("Covid-19") has delayed the re-commencement of operations at the Group's production facilities in the Changsha after the Lunar New Year/Spring Festival holidays as directed by the relevant Chinese authorities.

In addition, the current 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 new waves of Coronavirus infections and the uncertainty as to when a vaccine will be available have added further uncertainty to the recovery of the global economy. The Group is vigilantly monitoring industry recovery and for any impact on the financial results of the Group for FY2020.

The Group has continued its efforts to diversify into non-fertiliser industries, which has resulted in revenue of RMB16.6 million for the 6M2020 representing 41% (RMB28.8 million for the 6M2019 representing 39%) of total revenue. The Group will continue to remain vigilant over its costs structure and continue its research efforts to enhance and improve its portfolio of patented products and further build its technical competency so as to be more competitive in the market and be better positioned to take advantage of opportunities when they arise. The Group's order book as of 30 June 2020 was approximately RMB109.0million (31 December 2019: RMB86.8 million) out of which of RMB84.1 million (31 December 2019: RMB 43.2 million) is from non-fertiliser industries. We are cautiously optimistic that we will be able to make further inroads in this direction.



**ANCHUN INTERNATIONAL HOLDINGS LTD.  
UNAUDITED RESULTS FOR THE HALF YEAR ENDED 30 JUNE 2020**

**11) Dividend**

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

The Company does not recommend any dividend for the financial period ended 30 June 2020.

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

The Company did not recommend or declare any dividend for the financial period ended 30 June 2019.

**(c) Date payable**

Not applicable.

**(d) Books closure date**

Not applicable.

**12) If no dividend has been declared/recommended, a statement to that effect**

Based on the Group and Company's financial performance for the 6 months period ended 30 June 2020 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.

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

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

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

As at 30 June 2020, the net proceeds from the Company's initial public offering have been utilized as follows:

<b>Usage of IPO Proceeds</b>	<b>Amount allocated RMB'000</b>	<b>Amount utilized RMB'000</b>	<b>Balance RMB'000</b>
<b>(A) Expand our production facilities and capacities</b>	84,238	18,877	65,361
<b>(B) Enhance our R&amp;D capabilities and widen our range of innovative and cost-effective solutions</b>	15,479	15,479	-
<b>(C) Working capital purposes</b>	33,772	22,074	11,698
<b>Total</b>	133,489	56,430	77,059

The amount of RMB15.5 million utilized for R&D capabilities, innovative and cost-effective solutions are mainly attributable to works on a sulfur removal reactor, a new type of isothermal methanol reactor and shift catalyst production research.

The breakdown of working capital utilization is as follows:

<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>	(22,074)

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

The Company has obtained undertakings from all its directors and executive officers (in the format set out in Appendix 7.7) under Rule 720(1).

**CONFIRMATION BY THE BOARD**

The Directors confirm that, to the best of their knowledge, nothing has come to the attention of the Board of Directors of the Company which may render the unaudited second quarter and half year financial results for the period ended 30 June 2020 to be false or misleading in any material respects.

**By Order of the Board**

Xie Ming  
Executive Chairman  
13 August 2020