



Anchun International Holdings Ltd.

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

**Condensed interim financial statements
For the six months ended 30 June 2021**

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ANCHUN INTERNATIONAL HOLDINGS LTD.
UNAUDITED RESULTS FOR THE HALF YEAR ENDED 30 JUNE 2021

A. Condensed interim consolidated statement of profit or loss and other comprehensive income

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.

	Note	Group		Change %
		Unaudited	Unaudited	
		6 months ended		
		30/06/2021	30/06/2020	
		RMB'000	RMB'000	
Revenue	4	27,315	40,770	(33)
Cost of sales		(21,770)	(32,679)	(33)
Gross profit		5,545	8,091	(31)
Other item of income				
Finance and other income		3,540	3,293	8
Other items of expenses				
Marketing and distribution expenses		(2,334)	(1,460)	60
Administrative expenses		(11,794)	(9,036)	31
Research expenses		(3,901)	(2,129)	83
Impairment losses on of financial assets, net		(634)	(7,622)	(92)
Other operating expense		(49)	(29)	69
Finance costs				
- Bank charges		(3)	(3)	0
- Interest on lease liabilities		-	(2)	N.M
Loss before taxation	6	(9,630)	(8,897)	8
Income taxation		-	-	N.M
Total comprehensive income for the period attributable to owners of the Company		(9,630)	(8,897)	8
(Loss)/earning per share (RMB cents):				
Basic	17	(19.99)	(18.28)	9
Diluted	17	(19.99)	(18.28)	9

N.M. - not meaningful

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B. Condensed interim statements of financial position

	Note	Group			Company		
		Unaudited 30/06/2021 RMB'000	Audited 31/12/2020 RMB'000	Change %	Unaudited 30/06/2021 RMB'000	Audited 31/12/2020 RMB'000	Change %
ASSETS							
Non-current assets							
Property, plant and equipment		51,839	57,892	(10)	–	–	–
Intangible assets	9	713	896	(20)	–	–	–
Investment in a subsidiary		–	–	–	75,619	75,596	1
Investment properties	12	4,064	1,710	138	–	–	–
Right of use asset	10	12,431	12,655	(2)	–	42	(100)
Prepayments		2,646	1,147	131	–	–	–
Deferred tax asset		906	906	0	–	–	–
		72,599	75,206	(3)	75,619	75,638	(1)
Current assets							
Inventories		34,227	27,929	23	–	–	–
Trade and other receivables	13	58,757	41,872	40	38,323	47,257	(19)
Contract assets	4.4	63,064	87,629	(28)	–	–	–
Prepayments		5,433	2,552	113	28	54	(48)
Investments		20,000	–	N.M	–	–	–
Short term deposits		20,000	20,000	0	–	–	–
Cash and cash equivalents	15	78,712	92,368	(15)	12,261	5,111	140
		280,193	272,350	3	50,612	52,422	(3)
Total assets		352,792	347,556	2	126,231	128,060	(1)
EQUITY AND LIABILITIES							
Current liabilities							
Trade and other payables		25,118	28,849	(13)	12,322	12,228	1
Contract liabilities	4.4	44,566	20,091	122	–	–	–
Other liabilities		9,919	15,740	(37)	645	932	(31)
Lease liabilities		–	43	(100)	–	43	(100)
Provisions		–	38	(100)	–	–	–
Income tax payable		6,196	6,196	0	–	–	–
		85,799	70,957	21	12,967	13,203	(2)
Net current assets		194,394	201,393	(3)	37,645	39,219	(4)
Total liabilities		85,799	70,957	21	12,967	13,203	(2)
Net assets		266,993	276,599	(3)	113,264	114,857	(1)
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		(3,021)	(3,021)	0	(3,021)	(3,021)	0
Other reserves		123,798	123,202	1	204	180	13
Accumulated (losses)/profits		(3,062)	7,140	N.M	(33,197)	(31,580)	5
Total equity		266,993	276,599	(3)	113,264	114,857	(1)
Total equity and liabilities		352,792	347,556	2	126,231	128,060	(1)

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C. Condensed interim statements of changes in equity

Statement of Changes in Equity

	Share capital RMB'000	Employee benefit trust shares RMB'000	Treasury shares RMB'000	Contribution from shareholder RMB'000	Statutory reserve fund RMB'000	Statutory reserve fund - safety production reserve RMB'000	Merger reserve RMB'000	Performance share plan reserve RMB'000	Gain on reissuance of EBT shares RMB'000	Accumulated profits/(losses) RMB'000	Total equity RMB'000
Group Unaudited											
Balance at 1 January 2020	149,278	(66)	(2,354)	1,725	40,807	5,710	75,000	78	64	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	-
Balance at 30 June 2020	149,278	(66)	(2,354)	1,725	40,807	5,548	75,000	107	64	15,411	285,520
Group Unaudited											
Balance at 1 January 2021	149,278	(23)	(2,998)	1,725	40,843	5,454	75,000	109	71	7,140	276,599
Representing total comprehensive loss for the period	-	-	-	-	-	-	-	-	-	(9,630)	(9,630)
Grant of equity-settled performance shares to employees	-	-	-	-	-	-	-	24	-	-	24
<u>Others</u>											
Transfer to statutory reserve – safety production reserve	-	-	-	-	-	572	-	-	-	(572)	-
Balance at 30 June 2021	149,278	(23)	(2,998)	1,725	40,843	6,026	75,000	133	71	(3,062)	266,993

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C. Condensed interim statements of changes in equity (cont'd)

Statement of Changes in Equity (cont'd)

	Attributable to owners of the Company						Total equity RMB'000
	Share Capital	Employee benefit trust shares	Performance share plan reserve	Gain on reissuance of EBT shares	Treasury shares	Accumulated losses	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Company Unaudited							
Balance at 1 January 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
Balance at 30 June 2020	149,278	(66)	107	64	(2,354)	(23,891)	123,138
Company Unaudited							
Balance at 1 January 2021	149,278	(23)	109	71	(2,998)	(31,580)	114,857
Representing total comprehensive loss for the period	–	–	–	–	–	(1,617)	(1,617)
<u>Contributions by and distribution to owners</u>							
Grant of equity-settled performance shares to employees	–	–	24	–	–	–	24
Balance at 30 June 2021	149,278	(23)	133	71	(2,998)	(33,197)	113,264

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D. Condensed interim consolidated statement of cash flows

	Note	Group	
		Unaudited 6 months ended 30/06/2021	Unaudited 6 months ended 30/06/2020
		RMB'000	RMB'000
Operating activities			
Loss before tax		(9,630)	(8,897)
<u>Adjustments for:</u>			
Depreciation of property, plant and equipment	6	4,358	4,496
Depreciation of right-of-use asset	6	224	247
Depreciation of investment property	6	265	250
Amortisation of intangible assets	6	183	58
Gain on disposal of property, plant and equipment	6	(37)	(232)
Impairment losses on financial assets, net	6	634	7,622
Write-off of property, plant and equipment	6	1	28
Write-back of provision on onerous contracts	6	(38)	(42)
Performance share plan expense	6	24	29
Net foreign exchange loss/(gain)		74	109
Finance costs		3	5
Finance income		(488)	(769)
Operating cash flows before changes in working capital		(4,427)	2,904
<u>Changes in working capital</u>			
Decrease/(increase) in:			
Inventories		(6,298)	(4,996)
Trade and other receivables		(17,519)	(79)
Contract assets		24,565	14,959
Prepayments		(2,880)	(879)
(Decrease)/increase in:			
Trade and other payables		(3,524)	(9,425)
Contract liabilities		24,475	11,641
Other liabilities		(5,821)	(7,189)
Total changes in working capital		12,998	4,032
Cash flows generated from operations		8,571	6,936
Interest received		488	769
Interest paid		(3)	(5)
Net cash generated from operating activities		9,056	7,700

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D. Condensed interim consolidated statement of cash flows (cont'd)

		Group	
		Unaudited	Unaudited
		6 months ended	
		30/06/2021	30/06/2020
	Note	RMB'000	RMB'000
Investing activities			
Proceed from sale of property, plant and equipment	11	85	232
Purchase of property, plant and equipment	11	(2,680)	(846)
Purchase of investments		<u>(20,000)</u>	<u>(40,000)</u>
Net cash used in investing activities		(22,595)	(40,614)
Financing activity			
Payment of principal portion of lease liabilities		<u>(43)</u>	<u>(65)</u>
Net cash used in financing activity		<u>(43)</u>	<u>(65)</u>
Net decrease in cash and cash equivalents		<u>(13,582)</u>	<u>(32,979)</u>
Cash and cash equivalents at beginning of period		92,368	107,592
Effect of exchange rate changes on cash and cash equivalents		<u>(74)</u>	<u>(109)</u>
Cash and cash equivalents at end of period	15	<u><u>78,712</u></u>	<u><u>74,504</u></u>

E. Notes to the condensed interim consolidated financial statements

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 30 June 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 six months ended 30 June 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 interim period 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.

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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 30 June 2021				
Revenue				
External customers	4,325	21,007	1,983	27,315
Total revenue	4,325	21,007	1,983	27,315
Results:				
Segment gross profit	1,230	3,593	722	5,545
Finance income				488
Other income				3,052
Impairment losses on financial assets, net				(634)
Marketing and distribution expenses				(2,334)
Administrative expenses				(11,794)
Research expenses				(3,901)
Other expenses				(49)
Finance costs				(3)
Loss before tax				(9,630)
Other material non-cash items				
Writeback for provision on onerous contracts, net				38
Depreciation and amortisation				(5,030)
Gain on disposal of property, plant and equipment, net				37
Write-off of property, plant and equipment				(1)

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4. Segment revenue information (cont'd)

4.1. Reportable segments (cont'd)

Group	Catalyst Business	CSC Business	CET Engineering Services	Total
	RMB'000	RMB'000	RMB'000	RMB'000
1 January 2020 to 30 June 2020				
Revenue				
External customers	2,970	35,724	2,076	40,770
Total revenue	2,970	35,724	2,076	40,770
Results:				
Segment gross profit	995	6,046	1,050	8,091
Finance income				769
Other income				2,524
Impairment losses on financial assets, net				(7,622)
Marketing and distribution expenses				(1,460)
Administrative expenses				(9,036)
Research expenses				(2,129)
Other expenses				(29)
Finance costs				(5)
Profit before tax				(8,897)
Other material non-cash items				
Writeback for provision on onerous contracts, net				42
Depreciation and amortisation				(5,051)
Gain on disposal of property, plant and equipment, net				232
Write-off of property, plant and equipment				(28)

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 30 June 2021, revenue from two (2020: two) major customers amount to RMB7,988,000 (2020: RMB10,629,000), arising from sales by the CSC Business segment (2020: CSC Business segment).

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4. Segment revenue information (cont'd)

4.2. Disaggregation of Revenue

	The Group			Total revenue RMB'000
	6 months ended 30 June 2021			
	Catalyst business RMB'000	CSC business RMB'000	CET engineering services RMB'000	
Primary geographical market				
People's Republic of China	4,325	21,007	1,983	27,315
Major product or service lines				
Catalyst	4,325	–	–	4,325
Chemical systems and components	–	21,007	–	21,007
Engineering and design services	–	–	1,983	1,983
	4,325	21,007	1,983	27,315
Timing of transfer of goods or services				
At a point in time	4,325	–	–	4,325
Over time	–	21,007	1,983	22,990
	4,325	21,007	1,983	27,315

	The Group			Total revenue RMB'000
	6 months ended 30 June 2020			
	Catalyst business RMB'000	CSC business RMB'000	CET engineering services RMB'000	
Primary geographical market				
People's Republic of China	2,970	35,724	2,076	40,770
Major product or service lines				
Catalyst	2,970	–	–	2,970
Chemical systems and components	–	35,724	–	35,724
Engineering and design services	–	–	2,076	2,076
	2,970	35,724	2,076	40,770
Timing of transfer of goods or services				
At a point in time	2,970	–	–	2,970
Over time	–	35,724	2,076	37,800
	2,970	35,724	2,076	40,770

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:

	30/06/2021 RMB'000	Group 31/12/2020 RMB'000	01/01/ 2020 RMB'000
Receivables from contracts with customers (Note 13)	20,692	20,984	29,970
Contract assets	63,064	87,629	102,546
Contract liabilities	44,566	20,091	17,625

During current financial period, the Group has recognised impairment losses on receivables, net, on receivables arising from contracts with customers of RMB634,000 (2020: RMB3,664,000).

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, no additional impairment loss was recognised on contract assets (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:

	30/06/2021 RMB'000	Group 31/12/2020 RMB'000
Contract assets reclassified to receivables	28,662	64,462

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4. Segment revenue information (cont'd)

4.4. Contract assets and contract liabilities (cont'd)

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

	Group	
	30/06/2021	31/12/2020
	RMB'000	RMB'000
Revenue recognised that was included in the contract liability balance at the beginning of the year	2,813	11,152

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 30 June 2021 is RMB177,791,000 (2020: RMB116,556,000). The Group expects to recognise RMB101,024,000 as revenue relating to the transaction price allocated to the unsatisfied (or partially satisfied) performance obligations as at 30 June 2021 in the financial year 2021 and RMB76,767,000 in the financial year 2022.

5. Financial assets and financial liabilities

Set out below is an overview of the financial assets and financial liabilities of the Group as at 30 June 2021 and 31 December 2020:

	Group		Company	
	30/06/2021	31/12/2020	30/06/2021	31/12/2020
	RMB'000	RMB'000	RMB'000	RMB'000
Group				
<i>Financial assets</i>				
Trade and other receivables (excluding sales tax receivables)	58,736	41,865	38,302	47,250
Investment	20,000	–	–	–
Cash and bank balances	98,712	112,368	12,261	5,111
Total undiscounted financial assets	177,448	154,233	50,563	52,361
<i>Financial liabilities</i>				
Trade and other payables (excluding sales tax payables)	18,993	19,654	12,322	12,228
Other liabilities	9,919	15,740	645	932
Lease liability	–	43	–	43
Total undiscounted financial liabilities	28,912	35,437	12,967	13,203
Total net undiscounted financial assets	148,536	118,796	37,596	39,158

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6. Loss before taxation

6.1. Significant items

	Group	
	6 months ended 30/06/2021	6 months ended 30/06/2020
	RMB'000	RMB'000
<u>Income</u>		
Interest income on bank balances and deposits	488	769
Government grants	692	108
Sale of scrap materials and parts	930	1,171
Rental income from investment properties	1,070	1,098
Net foreign exchange (loss)/gain	(74)	(109)
Gain from contract penalty	16	7
Gain on disposal of property, plant and equipment, net	37	232
Others	381	17
<u>Expenses</u>		
Depreciation of property, plant and equipment	4,358	4,496
Depreciation of investment property	265	250
Depreciation of right-of-use asset	224	247
Amortisation of intangible assets	183	58
Impairment losses on financial assets, net	634	7,622
Write-off of property, plant and equipment	1	28
Write-back of provision on onerous contracts	(38)	(42)
Finance costs	3	5
Performance share plan expenses	24	29

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>	
	<u>30/06/2021</u>	<u>30/12/2020</u>	<u>30/06/2021</u>	<u>31/12/2020</u>
Net asset value per share (RMB per share)	5.54	5.74	2.35	2.38

Net asset value per ordinary share as at 30 June 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 48,181,900 ordinary shares as at 30 June 2021 and 31 December 2020.

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				
	30 June 2021			
	Investment properties			
	– Xiang Kai Shi Hua Tower	10,106	–	–
	– Lufeng Road, Hi-Tech Industrial Development Zone	–	5,848	1,683
	– Lusong Road, Hi-Tech Industrial Development Zone		2,688	2,381
	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	Group RMB'000
At 31 December 2020	
Cost	2,124
Accumulated amortisation and impairment	(1,228)
Net book amount	896
6 months ended 30 June 2021	
Opening net book amount	896
Amortisation charge for the period	(183)
Closing net book amount	713
At 30 June 2021	
Cost	2,124
Accumulated amortisation and impairment	(1,411)
Net book amount	713

Intangible assets relate to computer software purchased from vendors and have an average remaining amortisation period of 1.5 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.

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

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.

	Office space RMB'000	Land use rights RMB'000	Total RMB'000
Group			
At 31 December 2020			
Cost	266	18,271	18,537
Accumulated depreciation and impairment	(214)	(5,658)	(5,872)
Translation difference	(10)	–	(10)
Net book amount	42	12,613	12,655
6 months ended 30 June 2021			
Opening net book amount	42	12,613	12,655
Amortisation charge for the period	(42)	(182)	(182)
Translation difference			
Closing net book amount	–	12,431	12,431
At 30 June 2021			
Cost	266	18,271	18,537
Accumulated amortisation and impairment	(256)	(5,840)	(6,096)
Translation difference	(10)	–	(10)
Net book amount	–	12,431	12,431
			Office space RMB'000
Company			
At 31 December 2020			
Cost			266
Accumulated depreciation and impairment			(214)
Translation difference			(10)
Net book amount			42
6 months ended 30 June 2021			
Opening net book amount			42
Amortisation charge for the period			(42)
Translation difference			
Closing net book amount			–
At 30 June 2021			
Cost			266
Accumulated amortisation and impairment			(256)
Translation difference			(10)
Net book amount			–

11. Property, plant and equipment

During the six months ended 30 June 2021, the Group acquired assets amounting to RMB2.7 million (30 June 2020: RMB0.8 million), accrued depreciation amounted to RMB4.4 million and disposed of assets amounting to RMB0.09 million (30 June 2020: RMB0.2 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	
	30/06/2021	31/12/2020
	RMB'000	RMB'000
Cost		
Beginning of financial period	10,551	10,551
Transfer from property, plant and equipment	6,475	–
End of financial period	17,026	10,551
Accumulated depreciation and impairment losses		
Beginning of financial period	(8,841)	(8,620)
Transfer from property, plant and equipment	(3,856)	–
Depreciation charge for the period	(265)	(221)
End of financial period	(12,962)	(8,841)
Net book value		
At end of financial period	4,064	1,710
Fair value end of financial period	18,642	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.

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12. Investment properties (cont'd)

12.1 Valuation (cont'd)

The investment properties held by the Group as at 30 June 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	28.5 years (2020: 29 years)
No. 65, Lufeng Road, Industrial Development Zone, Changsha, PRC	Manufacturing	Leasehold, 50 years lease from 16 August 2002	31.5 years (2020: 32 years)
No. 539, Lusong Road, Industrial Development Zone, Changsha, PRC	Manufacturing	Leasehold, 50 years lease from 28 February 2007	35.5 years (2020: nil)

13. Trade and other receivables

13.1. Trade and other receivables

	Group		Company	
	2021	2020	2021	2020
	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables	20,692	20,984	–	–
Bills receivable	36,343	19,117	–	–
VAT/GST receivables	21	7	21	7
Amount due from a subsidiary (non-trade)	–	–	38,302	47,221
Other receivables	1,701	1,764	–	29
Total trade and other receivables	58,757	41,872	38,323	47,257
Add:				
Contract assets	63,064	87,629	–	–
Cash and bank balances	98,712	112,368	12,261	5,111
Less:				
VAT/GST receivables	(21)	(7)	(21)	(7)
Total financial assets carried at amortised cost	220,512	241,862	50,563	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
	30/06/2021	30/06/2021	31/12/2020	31/12/2020
	RMB'000	RMB'000	RMB'000	RMB'000
Movements in the allowance accounts:				
At beginning of financial period	29,278	6,975	26,509	6,975
Charge/(reversal) for the period	634	–	3,664	–
Written-off	–	–	(895)	–
At end of financial period	<u>29,912</u>	<u>6,975</u>	<u>29,278</u>	<u>6,975</u>

14. Borrowings

The Group has no outstanding borrowings and debt securities as at 30 June 2021 (31 December 2020: nil).

15. Cash and cash equivalents

	Group		Company	
	30/06/ 2021	31/12/2020	30/06/2021	31/12/2020
	RMB'000	RMB'000	RMB'000	RMB'000
Cash at banks and on hand	76,249	91,664	12,261	5,111
Short-term deposits	2,463	704	–	–
Total	<u>78,712</u>	<u>92,368</u>	<u>12,261</u>	<u>5,111</u>

Cash at banks

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

Short-term deposits

Short-term deposits are made for varying periods between one to three months (2020: one and three months) and earn 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 30 June 2021 and 31 December 2020	50,500,000	149,278

Convertibles

The Company did not have outstanding options, convertibles or subsidiary holdings as at 30 June 2021 and 31 December 2020.

EBT shares

The Company had 9,000 EBT shares, approximately 0.018% of the total number of issued shares, as at 30 June 2021. (31 December 2020: 9,000).

Of the aforesaid 9,000 EBT shares, no EBT shares remained available for allocation as at 30 June 2021 and 31 December 2020.

Treasury shares

The Company had 2,309,100 treasury shares (approximately 4.57% of the total number of issued shares) as at 30 June 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 30 June:

	Group	
	2021	2020
	RMB'000	RMB'000
Loss for the periods attributable to owners of the Company used in the computation of basic and diluted loss per share	(9,630)	(8,897)
Weighted average number of ordinary shares for basic earnings per share computation ('000) #	48,182	48,665
Effects of dilution of share awards ('000)	169	186
Weighted average number of ordinary shares for diluted earnings per share computation ('000)	48,351	48,851
Basic losses per share (RMB cents)	(19.99)	(18.28)
Diluted losses per share (RMB cents)	(19.99)	(18.28)

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

As at 30 June 2021, no treasury shares and EBT shares are granted to employees under the Performance Share Plan 2014.

In 2020, 17,000 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

1. Review

The condensed consolidated statement of financial position of the Group as at 30 June 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 six-month period then ended and certain explanatory notes have not been audited or reviewed.

2. Review of performance of the Group

A) Income Statements

Revenue

1H2021 vs 1H2020

Revenue decreased by RMB13.5 million or 33% from RMB40.8 million in 1H2020 to RMB27.3 million in 1H2021. The decrease was mainly due to the decrease of revenue from CSC business and Engineering services, partially offset by the increase of revenue from Catalyst business, further described as follows:

Revenue from our Catalyst Business

Revenue from our Catalyst Business increased by RMB1.3 million or 43% from RMB3.0 million in 1H2020 to RMB4.3 million in 1H2021. This was mainly due to increase of revenue from sale of ammonia catalyst.

Revenue from our Engineering Services

Revenue from our Engineering Services decreased by RMB0.1 million or 5% from RMB2.1 million in 1H2020 to RMB2.0 million in 1H2021 mainly due to lower percentage of completion for service contracts.

Revenue from our CSC Business

Revenue from our CSC Business decreased by RMB14.7 million or 41% from RMB35.7 million in 1H2020 to RMB21 million in 1H2021. The decrease was due to lower percentage of completion for CSC contracts. The orders that contributed to revenue in 1H2021 were mainly composed of more quantities of smaller equipment and less quantities of major reactors than that of 1H2020. The high steel price and other raw material cost also delayed the Group's raw material purchase decisions, hence impacted percentage completion in CSC Business.

Gross profit and gross profit margin

1H2021 vs 1H2020

Our overall gross profit decreased by RMB2.5 million or 31% from RMB8.1 million in 1H2020 to RMB5.6 million in 1H2021 and the gross profit margin for 1H2021 was consistent with 1H2020.

Finance and other income

1H2021 vs 1H2020

Finance and other income increased by RMB0.2 million or 6% from RMB3.3 million in 1H2020 to RMB3.5 million in 1H2021. The increase was mainly due to the increase of government grants of RMB0.6 million relating to transformation of scientific and technological achievements and sales of accessories of RMB0.2 million offset by the decrease of sale of scrap metals of RMB0.3 million, financial income of RMB0.3 million.

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

A) Income Statements (cont'd)

Marketing and distribution expenses

1H2021 vs 1H2020

Marketing and distribution expenses increased RMB0.8 million or 53% from RMB1.5 million in 1H2020 to RMB2.3 million in 1H2021. The increase was mainly attributable to increase of travelling expenses of RMB0.2 million, entertainment expenses of RMB0.2 million, Old-age insurance of RMB0.1 million and increase of sales staff's salary of RMB0.3 due to more sales staff headcount in 1H2021 over 1H2020.

Administrative expenses

1H2021 vs 1H2020

Administrative expenses increased by RMB2.8 million or 31% from RMB9.0 million in 1H2020 to RMB11.8 million in 1H2021. The increase was mainly due to higher unallocated plant overheads of RMB1.8 million charged to profit or loss under administrative expenses and the increase of expenses as outlined in the table below.

Item by nature	1H2021	1H2020	1H2021vs.1H2020 (Change)		Comments
	RMB'000	RMB'000	RMB'000	%	
Unallocated plant overheads allocated in administrative expenses	3,952	2,115	1,837	87	The increase is due to lower production volumes cause by customers' requests for delay in delivery resulting in higher unallocated plant overhead recorded under administrative expenses in 1H2021 over 1H2020.
Factory repair and maintenance	749	—	749	N.M	Repair and maintenance cost incurred for investment property.
Old-age insurance	223	48	175	365	Decrease due to the subsidiary being exempted from paying the old-age insurance from February 2020 to December 2020 due to Covid-19.
Other expenses	6,870	6,873	(3)	(0.04)	Other expenses are an aggregation of expenses of less than RMB0.2 million individually.
Total	11,794	9,036	2,758	31	

N.M. - not meaningful,

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

A) Income Statements (cont'd)

Research expenses

1H2021 vs 1H2020

Research expenses increased by RMB1.8 million or 86% from RMB2.1 million in 1H2020 to RMB3.9 million in 1H2021. This was mainly attributable to higher expenses incurred for new structural design for internal vessel of CO shift reactor improvement efforts.

Income tax expenses

1H2021 vs 1H2020

There was no income tax expense in 1H2021 due to the Group's loss in 1H2021.

Net profit attributable to owners of the Company

1H2021 vs 1H2020

The net profit attributable to owners of the Company decreased by RMB0.7 million from a net loss of RMB8.9 million in 1H2020 to a net loss of RMB9.6 million in 1H2021 as explained above.

B) Balance Sheet Statements

Non-current assets

Non-current assets decreased by RMB2.6 million or 3.5% from RMB75.2 million as at 31 December 2020 to RMB72.6 million as at 30 June 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 10.5% from RMB57.9 million as at 31 December 2020 to RMB51.8 million as at 30 June 2021, mainly due to depreciation charges of RMB4.4 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 period.

Current assets

Current assets increased by RMB7.8 million or 2.9% from RMB272.4 million as at 31 December 2020 to RMB280.2million as at 30 June 2021. The increase was mainly due to the following:

- a) The increase in inventories of RMB6.3 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 RMB0.3 million is due to increase in impairment losses on trade receivables;
- c) The decrease in contract assets of RMB24.6 million is due to amounts being transferred to receivables when contractual payment milestones were reached;
- d) The increase in bills receivable of RMB17.2 million is due to receipt of more bills receivable.
- e) The increase in prepayments of RMB2.9 million was mainly due to the purchases of raw materials for new sale contracts;
- f) The decrease in cash and bank equivalents of RMB13.6 million was due to purchase of investments of RMB20 million. Purchase of property, plant and equipment of RMB2.6 million and increase of cash in flow from operating activities of RMB9 million;

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

B) Balance Sheet Statements (cont'd)

Current assets (cont'd)

- g) The increase in investment of RMB20 million is due to purchase of capital guaranteed investment (保本型理财产品) products issued by Industrial and Commercial Bank of China. Management seeks to balance yield and risk when purchasing the investment product which enjoy a higher return than fixed deposit.

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

Item by nature	30/06/2021 RMB'000	< 6 months RMB'000	6-12 months RMB'000	1-2years RMB'000	>2years RMB'000
Trade Receivables					
Receivables from sales	50,604	5,037	12,676	5,961	26,930
Less: Impairment losses on trade receivables, net	(29,912)	(826)	(2,077)	(3,061)	(23,948)
Sub-total	20,692	4,211	10,599	2,900	2,982
Other Receivables					
A. Bills receivable	36,343	31,193	5,150	–	–
B. Operation cash advances	249	249	–	–	–
C. Bid bonds	1,452	1,452	–	–	–
D. GST receivables	21	21	–	–	–
Total	58,757	37,126	15,749	2,900	2,982

Current liabilities

Current liabilities increased by RMB14.8 million or 21% from RMB71 million as at 31 December 2020 to RMB85.8 million as at 30 June 2021.

- a) The increase in contract liabilities of RMB24.4 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 RMB3.7 million was due to settlements with our suppliers;
- c) The decrease in other liabilities of RMB5.8 million were mainly due to settlement of the employee FY2020 bonuses and settlements with our transportation companies.

C) Cash Flow Statements

1H2021

Cash and cash equivalents decreased by RMB13.6 million in 1H2021, which was mainly attributed to cash generated from operating activities of RMB9.1 million, net cash used in investing activities of RMB22.6 million and cash used in financing activities of RMB0.1 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 RMB23.1 million for the 1H2021 representing 84% (RMB16.6 million for the 1H2020 representing 41%) 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 30 June 2021 was approximately RMB177.8 million (31 December 2020: RMB118.6 million) out of which of RMB147.9 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 30 June 2021.

(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 2020.

(c) Date payable

Not applicable.

(d) Books closure date

Not applicable.

6. 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 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.

7. Interested person transactions

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

8. 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.

9. 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 half year ended 30 June 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
10 August 2021