



Anchun International Holdings Ltd.

(Incorporated in Singapore)

(Company registration number: 200920277C)

Unaudited Results for the Third Quarter and 9 Months Ended 30 September 2019

INTRODUCTION

Anchun International Holdings Ltd. ("Anchun") is a leading integrated EPC provider of process technology, design, manufacturing and engineering services to the PRC environmental protection industry, and petrochemical and chemical industries, in particular, ammonia and methanol industries.

Anchun's integrated business model is anchored on strong R&D capabilities and registered patents for our key technologies, and allows us to capture value across the value chain from system design, system manufacturing and project management, and after-sales. Based on core principles of production efficiency, energy saving and environmental protection, our range of integrated chemical systems engineering and technology solutions can be broadly categorised as follows:-

- (i) Chemical systems engineering and technology design services (**Engineering Services**);
- (ii) Chemical systems and components, including reactors applicable in a wide range of various reactions, pressure vessels and other auxiliary equipment; along with chemical process technologies such as alcohol-hydrocarbon reactor technology, ammonia synthesis reactor technology and methanol synthesis reactor technology, gasification technology and CO shift technology ("**CSC Business**"); and
- (iii) Catalysts and pre-reduced catalysts and other products ("**Catalysts Business**")

Anchun's chemical systems are generally used by our customers to produce ammonia and methanol, which are subsequently used as crucial feedstock in our customers' production system to produce other downstream products such as urea, compound fertiliser, methanol fuel, formaldehyde, dimethyl ether and explosives.

Anchun has received several enterprise awards and accolades, including status of designated company for technological support for China Petroleum & Chemical Industry in Environmental Protection and Green Production (中国石油和化工行业环境保护与清洁生产重点支撑技术单位) and 2013 outstanding technological advancement award (工业科技进步奖) conferred by both China Fertilizer Industry Association (中国氮肥工业协会) and China Petroleum and Chemical Industries Association (中国石油和化学工业联合会).

PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR RESULTS

1(a)(i) An income statement and statement of comprehensive income or a statement of comprehensive income (for the Group) together with a comparative statements for the corresponding period of the immediately preceding financial year.

The Group's operations are principally conducted in the People's Republic of China ("PRC"). Accordingly, the consolidated financial statements have been prepared in Chinese Renminbi ("RMB"), being the functional currency of the Company and its subsidiary.

	Group			Group		
	Unaudited	Unaudited	Change	Unaudited	Unaudited	Change
	3 months ended			9 months ended		
	30/09/2019	30/09/2018	%	30/09/2019	30/09/2018	%
	RMB'000	RMB'000		RMB'000	RMB'000	
Revenue	53,825	26,868	100	127,892	75,528	69
Cost of sales	(37,976)	(23,348)	63	(99,457)	(63,419)	57
Gross profit	15,849	3,520	350	28,435	12,109	135
Other item of income						
Finance and other income	1,847	2,813	(34)	4,889	10,077	(51)
Other items of expenses						
Marketing and distribution expenses	(2,089)	(1,087)	92	(4,169)	(3,005)	39
Administrative expenses	(5,318)	(5,799)	(8)	(13,861)	(18,162)	(24)
Research expenses	(169)	(761)	(78)	(4,839)	(2,598)	86
Write-back of losses on financial assets, net	641	7,568	(92)	621	8,723	(93)
Finance costs						
- Bank charges	-	-	0	(2)	(2)	0
- Loans from former shareholders	-	-	0	-	(38)	(100)
Profit before tax	10,761	6,254	72	11,074	7,104	56
Income taxation	(528)	267	N.M	(528)	267	N.M
Profit for the period, representing total comprehensive income for the period attributable to owners of the Company	10,233	6,521	57	10,546	7,371	43

N.M. - not meaningful

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

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

	Group			Group		
	Unaudited	Unaudited	Change	Unaudited	Unaudited	Change
	3 months ended			9 months ended		
	30/09/2019	30/09/2018		30/09/2019	30/09/2018	
	RMB'000	RMB'000	%	RMB'000	RMB'000	%
Depreciation of property, plant and equipment	2,543	2,855	(11)	7,749	8,909	(13)
Depreciation of investment property	125	125	0	375	240	56
Amortisation of land use rights	92	92	0	274	274	0
Amortisation of intangible assets	23	81	(72)	63	240	(74)
Write-back of losses on financial assets, net	(641)	(7,568)	(92)	(621)	(8,723)	(93)
(Gain)/loss on disposal of property, plant and equipment	(23)	23	N.M.	(78)	(435)	(82)
Write-off of property, plant and equipment	13	–	N.M.	41	2	1,950
Net foreign exchange gain	(29)	(84)	(65)	(14)	(92)	(85)
Provision on onerous contracts	219	–	N.M.	160	–	N.M.
Finance income	(413)	(992)	(58)	(1,506)	(2,265)	(34)
Finance costs	–	–	0	2	40	(95)
Performance share plan expenses	15	2	650	43	6	617

N.M. - not meaningful

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

	Group		Company	
	Unaudited 30/09/2019 RMB'000	Audited 31/12/2018 RMB'000	Unaudited 30/09/2019 RMB'000	Audited 31/12/2018 RMB'000
ASSETS				
Non-current assets				
Property, plant and equipment	67,169	74,037	–	–
Intangible assets	234	185	–	–
Land use rights	13,070	13,344	–	–
Investment in a subsidiary	–	–	75,525	75,482
Investment property	2,057	2,432	–	–
Prepayments	43	24	–	–
Deferred tax asset	–	628	–	–
	82,573	90,650	75,525	75,482
Current assets				
Inventories	31,507	28,672	–	–
Trade and other receivables	33,763	28,420	35,853	35,846
Contract assets	90,367	62,856	–	–
Bills receivable	7,488	22,279	–	–
Prepayments	15,117	16,180	112	102
Investment	50,000	20,000	–	–
Cash and cash equivalents	59,100	114,518	17,098	19,086
	287,342	292,925	53,063	55,034
Total assets	369,915	383,575	128,588	130,516
EQUITY AND LIABILITIES				
Current liabilities				
Trade and other payables	38,928	30,973	11,844	11,625
Contract liabilities	12,829	44,809	–	–
Other liabilities	15,904	16,478	1,049	836
Provisions	219	59	–	–
Income tax payable	6,853	6,560	–	–
	74,733	98,879	12,893	12,461
Net current assets	212,609	194,046	40,170	42,573
Non-current liability				
Deferred tax liabilities	–	100	–	–
	–	100	–	–
Total liabilities	74,733	98,979	12,893	12,461
Net assets	295,182	284,596	115,695	118,055
Equity attributable to owners of the Company				
Share capital	149,278	149,278	149,278	149,278
Employee benefit trust shares	(66)	(66)	(66)	(66)
Treasury shares	(541)	(538)	(541)	(538)
Other reserves	121,851	121,981	64	85
Accumulated profits/(losses)	24,660	13,941	(33,040)	(30,704)
Total equity	295,182	284,596	115,695	118,055
Total equity and liabilities	369,915	383,575	128,588	130,516

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

The Group has no outstanding borrowings and debt securities as at 30 September 2019 (31 December 2018: 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.

	Group Unaudited 3 months ended		Group Unaudited 9 months ended		
	30/09/2019	30/09/2018	30/09/2019	30/09/2018	
	Note	RMB'000	RMB'000	RMB'000	RMB'000
Operating activities					
Profit before tax		10,761	6,254	11,074	7,104
<u>Adjustments for:</u>					
Depreciation of property, plant and equipment		2,543	2,855	7,749	8,909
Depreciation of investment property		125	125	375	240
Amortisation of intangible assets		23	81	63	240
Amortisation of land use rights		92	92	274	274
(Gain)/loss on disposal of property, plant and equipment		(23)	23	(78)	(435)
Write-back of losses on financial assets, net		(641)	(7,568)	(621)	(8,723)
Write-off of property, plant and equipment		13	–	41	2
Provision on onerous contracts		219	–	160	–
Performance share plan expense		15	2	43	6
Net foreign exchange gain		(29)	(84)	(14)	(92)
Finance costs		–	–	2	40
Finance income		(413)	(992)	(1,506)	(2,265)
Operating cash flows before changes in working capital		12,685	788	17,562	5,300
<u>Changes in working capital</u>					
Decrease/(increase) in:					
Inventories		10,120	(1,217)	(2,835)	(7,777)
Trade and other receivables		4,158	9,603	(4,722)	14,914
Contract assets		(24,721)	(11,291)	(27,511)	(19,629)
Bills receivable		5,452	(1,648)	14,791	9,464
Prepayments		1,512	(509)	1,062	(3,932)
(Decrease)/increase in:					
Trade and other payables		(324)	1,136	7,934	1,149
Contract liabilities		(15,895)	9,709	(31,980)	14,177
Other liabilities		(1,482)	635	(574)	(2,201)
Total changes in working capital		(21,180)	6,418	(43,835)	6,165
Cash flows (used in)/generated from operations		(8,495)	7,206	(26,273)	11,465
Interest received		413	992	1,506	2265
Interest paid		–	–	(2)	(3)
Income taxes paid		293	–	293	–
Net cash (used in)/generated from operating activities		(7,789)	8,198	(24,476)	13,727

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

	Group Unaudited 3 months ended		Group Unaudited 9 months ended	
	30/09/2019	30/09/2018	30/09/2019	30/09/2018
	RMB'000	RMB'000	RMB'000	RMB'000
Investing activities				
Proceed from sale of property, plant and equipment	78	1	224	922
Purchase of Intangible assets - software	(112)	(98)	(112)	(240)
Purchase of property, plant and equipment	(230)	(187)	(1,065)	(607)
Withdraw/(purchase) of investment at fair value through profit or loss managed by a fund manager	10,000	40,000	(30,000)	(75,000)
Net cash generated from/(used in) investing activities	9,736	39,716	(30,953)	(74,925)
Financing activities				
Purchase of treasury shares	(3)	(173)	(3)	(173)
Repayment of loans from former shareholders of a subsidiary	–	–	–	(17,990)
Net cash used in financing activities	(3)	(173)	(3)	(18,163)
Net increase/(decrease) in cash and cash equivalents	1,944	47,741	(55,432)	(79,361)
Cash and cash equivalents at beginning of period	57,127	49,595	114,518	136,689
Effect of exchange rate changes on cash and cash equivalents	29	84	14	92
Cash and cash equivalents at end of period	59,100	97,420	59,100	57,420

Note A:

Purchase of property, plant and equipment

	Group Unaudited 3 months ended		Group Unaudited 9 months ended	
	30/09/2019	30/09/2018	30/09/2019	30/09/2018
	RMB'000	RMB'000	RMB'000	RMB'000
Current period additions to property, plant and equipment	308	307	1,068	496
Less: Payable to creditors for current period purchases	(88)	(122)	(207)	(163)
Prepayment made in prior period	(11)	(8)	(24)	(26)
Add: Payments for prior period purchase	–	10	186	114
Prepayments made in current period	21	–	42	186
Net cash outflow for purchase of property, plant and equipment	230	187	1,065	607

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1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

Statement of Changes in Equity

Attributable to owners of the Company

	Share Capital	Employee benefit trust shares	Performance share plan reserve	Gain on reissuance of EBT shares	Treasury shares	Contribution from shareholder	Statutory reserve fund	Statutory reserve fund - safety production reserve	Merger reserve	Accumulated profits	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Group Unaudited											
Balance at 1 January 2018	149,278	(66)	–	64	(222)	1,725	38,691	5,521	75,000	7,954	277,945
Profit for the period, representing total comprehensive income.	–	–	–	–	–	–	–	–	–	7,475	7,475
<u>Contributions by and distribution to owners</u>											
Grant of equity-settled performance shares to employees	–	–	6	–	–	–	–	–	–	–	6
Purchase of treasury share	–	–	–	–	(173)	–	–	–	–	–	(173)
<u>Others</u>											
Transfer to statutory reserve – safety production reserve	–	–	–	–	–	–	–	568	–	(568)	–
Balance at 30 September 2018	149,278	(66)	6	64	(395)	1,725	38,691	6,089	75,000	14,861	285,253
Group Unaudited											
Balance at 1 January 2019	149,278	(66)	21	64	(538)	1,725	39,230	5,941	75,000	13,941	284,596
Profit for the period, representing total comprehensive income	–	–	–	–	–	–	–	–	–	10,546	10,546
<u>Contributions by and distribution to owners</u>											
Grant of equity-settled performance shares to employees	–	–	43	–	–	–	–	–	–	–	43
Purchase of treasury share	–	–	–	–	(3)	–	–	–	–	–	(3)
<u>Others</u>											
Transfer to statutory reserve	–	–	–	–	–	–	–	(173)	–	173	–
Balance at 30 September 2019	149,278	(66)	64	64	(541)	1,725	39,230	5,768	75,000	24,660	295,182

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1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

Statement of Changes in Equity (cont'd)

	Attributable to owners of the Company						Total equity
	Share Capital	Employee benefit trust shares	Performance share plan reserve	Gain on reissuance of EBT shares	Treasury shares	Accumulated losses	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Company Unaudited							
Balance at 1 January 2018	149,278	(66)	–	64	(222)	(27,972)	121,082
Loss for the period, representing total comprehensive loss for the period	–	–	–	–	–	(1,961)	(1,961)
<u>Contributions by and distribution to owners</u>							
Grant of equity-settled performance shares to employees	–	–	6	–	–	–	6
Purchase of treasury share	–	–	–	–	(173)	–	(173)
Balance at 30 September 2018	149,278	(66)	6	64	(395)	(29,933)	118,954
Company Unaudited							
Balance at 1 January 2019	149,278	(66)	21	64	(538)	(30,704)	118,055
Loss for the period, representing total comprehensive loss for the period	–	–	–	–	–	(2,400)	(2,400)
<u>Contributions by and distribution to owners</u>							
Grant of equity-settled performance shares to employees	–	–	43	–	–	–	43
Purchase of treasury share	–	–	–	–	(3)	–	(3)
Balance at 30 September 2019	149,278	(66)	64	64	(541)	(33,104)	115,695

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

Ordinary shares

	Number of Shares	Amount RMB'000
Ordinary shares including employee benefit trust ("EBT") shares & treasury shares as at 30 September 2019 and 30 September 2018	50,500,000	149,278

Convertibles

The Company did not have outstanding options, convertibles or subsidiary holdings as at 30 September 2019 and 30 September 2018.

EBT shares

The Company had 26,000 EBT shares, approximately 0.051% of the total number of issued shares, as at 30 September 2019 (vs. 26,000 shares as at 30 September 2018).

Of the aforesaid 26,000 EBT shares, there were no EBT shares remain available for allocation as at 30 September 2019 and 30 September 2018.

Treasury shares

The Company had 420,100 treasury shares (approximately 0.83% of the total number of issued shares) as at 30 September 2019 (30 September 2018: 311,400).

The Company had granted an award comprising 160,000 treasury shares to an eligible employee of our Group on 13 December 2018 and these shares will be transferred to the relevant employee upon the fulfilment of the 3 years' service condition of the award granted.

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 September 2019 is as follow:

	As at 30.09.19	As at 31.12.18
Number of ordinary shares issued and fully paid	50,500,000	50,500,000
Treasury shares	(420,100)	(417,400)
EBT shares	(26,000) ⁽¹⁾	(26,000) ⁽¹⁾
Total number of ordinary shares issued and fully paid (excluding Treasury shares and EBT shares)	50,053,900	50,056,600

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 2019, the same accounting policies and methods of computation have been applied. A summary of the effect on the financial performance or position of the Group and the Company on adoption of FRSs beginning on or after 1 January 2019 is disclosed in Note 5 below.

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

The Group has not adopted any other mandatory standards, amendments and interpretations to existing standards that have been published but are only effective for the Group's accounting periods beginning or after 1 January 2019 except for SFRS(I) 16 Leases as disclosed below.

SFRS(I) 16 Leases ("SFRS(I) 16")

The Group have adopted SFRS(I) 16 on its effective date, being 1 January 2019. Under SFRS(I) 16, Right-of-use assets and lease liabilities are recognised for its leases previously classified as operating leases, with a corresponding adjustment in the opening retained earnings as of 1 January 2019.

On the adoption of SFRS(I) 16, the Group chosen on a lease-by-lease basis to measure the right-of-use asset at its carrying amount as if SFRS(I) 16 had been applied since the commencement date, but discounted using the lessee's incremental borrowing rate as of 1 January 2019.

In addition, the Group elected the following practical expedients:

- not to reassess whether a contract is, or contains a lease at the date of initial application and to apply SFRS(I) 16 to all contracts that were previously identified as leases
- to apply the exemption not to recognise right-of-use asset and lease liabilities to leases for which the lease term ends within 12 months as of 1 January 2019.

On adoption of SFRS(I) 16, the Group have considered right-of-use assets and lease liabilities for its leases previously classified as operating leases, with a corresponding adjustment in the opening retained earnings as of 1 January 2019. SFRS(I) 16 has no major impact to the Group and Company.

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

	Group			
	3 months ended 30/9/2019	3 months ended 30/9/2018	9 months ended 30/9/2019	9 months ended 30/9/2018
Profit net of tax attributable to owners of the Company (RMB '000)	10,233	6,521	10,546	7,371
Weighted average number of ordinary shares (excluding EBT shares) ('000) on issue	50,056	50,301	50,057	50,311
Weighted average number of ordinary shares (including EBT shares) ('000) on issue	50,242	50,350	50,243	50,336
Basic earnings per share (RMB cents)	20.44	12.96	21.07	14.65
Diluted earnings per share (RMB cents)	20.37	12.95	20.99	14.64

Basic earnings per share for the 9 months ended 30 September 2019 and 30 September 2018 are computed by dividing the 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 9 months ended 30 September 2019 and 30 September 2018 are computed by dividing the profit net of tax attributable to owners of the Company by the weighted average number of ordinary shares including EBT shares. The EBT shares have a dilutive effect on earnings per share.

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

	Group		Company	
	30/9/2019	31/12/2018	30/9/2019	31/12/2018
Net asset value per share (RMB per share)	5.90	5.69	2.31	2.36

Net asset value per ordinary share as at 30 September 2019 and as at 31 December 2018 were calculated based on the existing number of shares in issue excluding EBT shares of 50,053,900 ordinary shares as at 30 September 2019 and 31 December 2018.

- 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

9M2019 VS 9M2018

Revenue increased by RMB52.4 million or 69 % from RMB75.5 million in 9M2018 to RMB127.9 million in 9M2019. The increase was mainly due to the increase of revenue from CSC business and catalyst business, partially offset by the decrease of revenue from engineering services, further described as follows:

Revenue from our Catalyst Business

Revenue from our Catalyst Business increased by RMB11.5 million or 225% from RMB5.1 million in 9M2018 to RMB16.6 million in 9M2019 mainly due to increase of revenue from various product types of catalysts, including catalyst processing business, reduced catalysts, hydrocarbon catalysts and ammonia catalyst.

Revenue from our Engineering Services

Revenue from our Engineering Services decreased by RMB0.01 million or 0.3% from RMB3.54 million in 9M2018 to RMB3.53 million in 9M2019. This was mainly due to lower percentage of completion for service contracts in 9M2018.

Revenue from our CSC Business

Revenue from our CSC Business increased by RMB40.9 million or 61% from RMB66.9 million in 9M2018 to RMB107.8 million in 9M2019. The increase was due to higher percentage of completion for CSC contracts and increase in number of contracts in progress during the period of 9M2019.

3Q2019 vs 3Q2018

The Group's revenue increased by RMB26.9 million or 100% from RMB26.9 million in 3Q2018 to RMB53.8 million in 3Q2019. This was mainly due to more contracts in progress and higher percentage of completion for CSC Business of RMB17.9 million and catalyst Business of RMB9.1 million respectively partially offset by the decrease of revenue from engineering services of RMB0.1 million in 3Q2019 compared to 3Q2018.

Gross profit and gross profit margin

9M2019 VS 9M2018

Our overall gross profit increased by RMB16.3 million or 135% from RMB12.1 million in 9M2018 to RMB28.4 million in 9M2019 and our gross profit margin increased from 16% in 9M2018 to 22% in 9M2019.

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

- 1) The gross profit of our Catalyst business increased by RMB5.1 million from RMB 2.5 million in 9M2018 to RMB7.6 million in 9M2019 mainly due to increase of revenue from various product types of catalysts, including catalyst processing business, reduced catalysts, hydrocarbon catalysts and ammonia catalyst. The gross profit margin decreased by 2% from 48% in 9M2018 to 46% in 9M2019, mainly attributable to decrease in the proportion of hydrocarbon catalysts sold which contributed higher gross margin in 9M2019.

A) Income Statements (cont'd)

Gross profit and gross profit margin (cont'd)

- 2) Gross profit of our CSC business increased by RMB12.3 million from RMB7.4 million in 9M2018 to RMB19.7 million in 9M2019 mainly attributable to more contracts in progress and higher percentage of completion for CSC contracts during the period of 9M2019. The gross profit margin increased by 7% from 11% in 9M2018 to 18% in 9M2019 mainly attributable to increase of revenue from patented technologies, including isothermal CO shift technology, propionaldehyde reactor, low- pressure methanol ammonia technology and ammonia synthesis technology which contributed higher gross margin.
- 3) The gross profit of our engineering design decreased by RMB1.1 million from RMB2.2 million in 9M2018 to RMB1.1 million in 9M2019. The gross profit margin decreased by 32% from 64% in 9M2018 to 32% in 9M2019 mainly attributable to decrease of revenue from environmental protection engineering services which contributed higher gross margin.

3Q2019 vs 3Q2018

Our overall gross profit increased by RMB12.3 million or 350% from RMB3.5 million in 3Q2018 to RMB15.8 million in 3Q2019 and our gross profit margin increased from 13% in 3Q2018 to 29% in 3Q2019.

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

- 1) Gross profit of Catalyst business increased by RMB4.6 million from Nil in 3Q2018 to RMB4.6 million in 3Q2019. The gross profit margin increased from nil in 3Q2018 to 52% in 3Q2019, mainly attributable to increase of revenue from catalyst processing business, hydrocarbon catalysts ammonia catalyst, and reduced catalysts in 3Q2019 which contributed higher gross margin.
- 2) Gross profit of our CSC business increased by RMB8.2 million from RMB2.5 million in 3Q2018 to RMB10.7 million in 3Q2019. This was mainly attributable to higher percentage of completion for CSC contracts during the period of 3Q2019. The gross profit margin increased by 15% from 10% in 3Q2018 to 25% in 3Q2019 mainly attributable to increase of revenue from patented products which contributed higher gross margin.
- 3) Gross profit of our engineering design decreased by RMB0.5 million from RMB1.0 million in 3Q2018 to RMB0.5 million in 3Q2019. The gross profit margin decreased by 27% from 65% in 3Q2018 to 38% in 3Q2019 mainly attributable to decrease of revenue from the environmental protection engineering services completed in the current quarter which contributed higher gross margin.

Finance and other income

9M2019 VS 9M2018

Finance and other income decreased by RMB5.2 million or 51% from RMB10.1 million in 9M2018 to RMB4.9 million in 9M2019. The decrease was mainly due to the sales of scrap metal of RMB2.1 million, government grants of RMB0.9 million, and financial income of RMB0.8 million, Property rental income of RMB0.5 million and sales of accessories of RMB0.3 million, gain on disposal of PPE of RMB0.4 million gain from contract penalty of RMB0.2 million.

3Q2019 vs 3Q2018

Finance and other income decreased by RMB1.0 million or 34% from RMB2.8 million in 3Q2018 to RMB1.8 million in 3Q2019. The decrease was mainly due to the decrease of property rental income of RMB0.4 million, sales of scrap metal of RMB0.4 million and financial income of RMB0.6 million offset by the increase of government grants of RMB0.4 million.

**ANCHUN INTERNATIONAL HOLDINGS LTD.
UNAUDITED RESULTS FOR THE THIRD QUARTER AND 9 MONTHS ENDED 30 SEPTEMBER 2019**

A) Income Statements (cont'd)

Marketing and distribution expenses

9M2019 VS 9M2018

Marketing and distribution expenses increased RMB1.2 million or 39% from RMB3.0 million in 9M2018 to RMB4.2 million in 9M2019. The increase was mainly attributable to increase of sales staff's bonus of RMB0.9 million for FY2019 and after-sales maintenance of RMB0.3 million.

3Q2019 vs 3Q2018

Marketing and distribution expenses increased by RMB1.0 million or 91% from RMB1.1 million in 3Q2018 to RMB2.1 million in 3Q2019. The increase was mainly attributable to increase of sales staff's bonus in total of RMB0.9 million for FY2019.

Administrative expenses

9M2019 VS 9M2018

Administrative expenses decreased by RMB4.3 million or 24% from RMB18.2 million in 9M2018 to RMB13.9 million in 9M2019 as explained below:

Item by nature	9M2019	9M2018	9M2019 vs.9M2018 (Change)		Comments
	RMB'000	RMB'000	RMB'000	%	
Unallocated manufacturing overheads allocated in administrative expenses	922	4,069	(3,147)	(77)	The decrease is due to higher production volumes and lower labor cost resulting in lower unallocated manufacturing overhead recorded under administrative expenses in 9M2019 over 9M2018.
Professional fees	1030	2,066	(1,036)	(50)	Decrease due to the renewal fees for engineering design qualifications.
Factory repair and maintenance	116	770	(654)	(85)	Decrease of repair and maintenance cost incurred for factory.
Depreciation and amortisation expense	1,674	1,950	(276)	(14)	Decrease due to fully depreciated fixed assets and disposals in 3Q2019.
Salaries, bonuses and fees	5,443	4,756	687	14	Include salaries of executive directors and heads of department deployed in administrative functions. Increase due to provision of bonuses in FY2019.
Recruiting fees	168	47	121	257	Increase due to more network recruitment activities for engineering design staff.
Other expenses	4,508	4,504	4	(0.01)	Other expenses are an aggregation of expenses of less than RMB0.09 million each. It includes meeting expenses, travelling expenses, etc.
Total	13,861	18,162	(4,301)	(24)	

N.M. - not meaningful

ANCHUN INTERNATIONAL HOLDINGS LTD.
UNAUDITED RESULTS FOR THE THIRD QUARTER AND 9 MONTHS ENDED 30 SEPTEMBER 2019

A) Income Statements (cont'd)

Administrative expenses (cont'd)

3Q2019 vs 3Q2018

Administrative expenses decreased by RMB0.5 million or 8% from RMB5.8million in 3Q2018 to RMB5.3million in 3Q2019 as explained below:

Item by nature	3Q2019	3Q2018	3Q2019 vs.3Q2018 (Change)		Comments
	RMB'000	RMB'000	RMB'000	%	
Unallocated manufacturing overheads allocated in administrative expenses	215	1,340	(1,125)	(84)	The decrease is due to higher production volumes and lower labor cost resulting in lower unallocated manufacturing overhead recorded under administrative expenses in 3Q2019 over 3Q2018.
Depreciation and amortisation expense	542	676	(134)	(20)	Decrease due to fully depreciated fixed assets and disposals in 3Q2019.
Salaries, bonuses and fees	2,740	1,514	1,226	81	Include salaries of executive directors and heads of department deployed in administrative functions. Increase due to provision of bonuses in FY2019.
Professional fees	358	485	(127)	(26)	Decrease due to the renewal fees for engineering design qualifications.
Staff welfare expenses	336	155	181	117	Increase due to more employees enjoy lunches provided by Company in 3Q2019 over 3Q2018.
Other expenses	1,127	1,629	(502)	(31)	Other expenses are an aggregation of expenses of less than RMB0.09 million each. It includes maintenance expenses, litigation costs, etc.
Total	5,318	5,799	(481)	(8)	

N.M. - not meaningful

Research expenses

9M2019 VS 9M2018

Research expenses increased by RMB2.2 million or 85% from RMB2.6 million in 9M2018 to RMB4.8 million in 9M2019. This was mainly attributable to higher expenses incurred for a new waste heat boiler, propionaldehyde reactor and pressure drop test of gas distribution of catalyst basket in reactor improvement efforts in 9M2019.

3Q2019 vs 3Q2018

Research expenses decreased by RMB0.6 million or 70% from RMB0.8 million in 3Q2018 to RMB0.2 million in 3Q2019. This was mainly attributable to less research and development expenses incurred in 3Q2019.

A) Income Statements (cont'd)

Finance costs

9M2019 VS 9M2018

Finance costs decreased by RMB0.03 million or 97% from RMB0.04 million in 9M2018 to RMB0.01 million in 9M2019. The decrease was mainly due to the decrease in interest expenses as a result of the full repayment of the loan from the former shareholders of our subsidiary in 1Q2018.

3Q2019 vs 3Q2018

Finance costs remained constant in 3Q2019 of nil which is the same as the corresponding period in 3Q2018.

Income tax expenses

9M2019 VS 9M2018

Income tax expenses increased by RMB0.8 million from negative RMB0.27 million in 9M2018 to RMB0.53 million in 9M2019 due to the profits reported by the Group's subsidiary in 9M2019.

3Q2019 vs 3Q2018

Income tax expenses increased by RMB0.8 million from negative RMB0.27 million in 3Q2018 to RMB0.53 million in 3Q2019 due to the profits reported by the Group's subsidiary in 3Q2019.

Net profit attributable to owners of the Company

9M2019 VS 9M2018

The net profit attributable to owners of the Company increased by RMB3.1 million from net profit of RMB7.4 million in 9M2018 to net profit of RMB10.5 million in 9M2019 as explained above.

3Q2019 vs 3Q2018

The net profit attributable to owners of the Company has decreased by RMB3.7 million from a net profit of RMB6.5 million in 3Q2018 to a net profit of RMB10.2 million in 3Q2019 as explained above.

B) Balance Sheet Statements

Non-current assets

Non-current assets decreased by RMB8 million or 8.8% from RMB90.6 million as at 31 December 2018 to RMB82.6 million as at 30 September 2019. Non-current assets comprised of property, plant and equipment, investment property, intangible assets, land use rights, deferred tax assets and prepayments for property, plant and equipment.

Property, plant and equipment decreased by RMB6.8 million or 9.2% from RMB74.0 million as at 31 December 2018 to RMB67.2 million as at 30 September 2019, which is mainly due to depreciation charged in 9M2019.

Current assets

Current assets decreased by RMB5.6 million or 1.9% from RMB292.9 million as at 31 December 2018 to RMB287.3 million as at 30 September 2019. The decrease was mainly due to the following:

- a) The increase in inventories of RMB2.8 million was mainly due to raw materials purchased for CSC business contract orders.
- b) The increase in trade and other receivables of RMB5.3 million is due to increase of contractual milestone billings.
- c) The increase in contract assets of RMB27.5 million is due to increase number of on-going contracts during the year and a higher percentage of completion on these contracts, for which contractual milestone billings have not been reached.

B) Balance Sheet Statements (cont'd)

Current assets (cont'd)

- d) The decrease in bills receivable of RMB14.8 million is due to settlement of outstanding bills receivable.
- e) The decrease in prepayments of RMB1.0 million was mainly due to less payment was made to the vendors for purchasing raw materials.
- f) The decrease in cash and cash equivalents of RMB55.4 million was due to purchase of investment at fair value through profit or loss managed by a fund manager of RMB30 million, purchase of property, plant and equipment of RMB1.0 million and decrease of cash in flow from operating activities of RMB24.4 million.
- g) The increase in investment of RMB30 million is due to purchase of investment at fair value through profit or loss managed by a fund manager. The investment products of RMB50 million as at 30 September 2019 were obtained from China Construction Bank of RMB25 million and Industrial and Commercial Bank of China of RMB25 million. These investment products are “Principal Guaranteed Investment Products 保本型理财产品”. Management seeks to balance yield and risk when purchasing these investment products 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	30/9/2019 RMB'000	< 6 months RMB'000	6-12 months RMB'000	1-2years RMB'000	>2years RMB'000
Trade Receivables					
Receivables from sales	58,412	17,910	12,621	6,908	20,973
Less: Impairment losses on trade receivables, net	(27,306)	(2,885)	(2,019)	(2,892)	(19,510)
Sub-total	31,106	15,025	10,602	4,016	1,463
Other Receivables					
A. Operation cash advances	290	290	-	-	-
B. Bid bonds	2,305	2,305	-	-	-
C. Rental deposit	29		-	29	-
D. GST receivables	33	33	-	-	-
Total	33,763	17,653	10,602	4,045	1,463

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

Item by nature	30/09/2019 RMB'000	< 6 months RMB'000	6-12 months RMB'000	1-2years RMB'000	>2years RMB'000
Contract Assets					
Contract Assets	97,341	52,788	36,315	1,264	6,974
Less: Impairment losses contract assets, net	(6,974)	-	-	-	(6,974)
Total	90,367	52,788	36,315	1,264	-

B) Balance Sheet Statements (cont'd)

Current liabilities

Current liabilities decreased by RMB24.2 million or 24% from RMB98.9 million as at 31 December 2018 to RMB74.7 million as at 30 September 2019.

- a) The decrease in contract liabilities of RMB31.9 million due to contract liabilities are recognised as revenue as the Group performs under the contract according to the Group's revenue recognition policy.
- b) The increase in trade and other payables of RMB7.9 million was due to the increase of purchase of raw materials for new sale contracts.
- c) The decrease in other liabilities of RMB0.5 million were mainly due to settlement of the employee FY2018 bonuses.

C) Cash Flow Statements

9M2019

Cash and cash equivalents decreased by RMB55.4 million in 9M2019, which was mainly attributed to cash used in operating activities of RMB24.5 million and net cash used in investing activities of RMB30.9 million.

3Q2019

Cash and cash equivalents increased by RMB1.9 million in 3Q2019, which was mainly attributed to cash used in operating activities of RMB7.8 million and net cash generated from investing activities of RMB9.7 million.

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

The Company did not make any forecast and prospect statement in respect of its results for 30 September 2019.

10) A commentary at the date of the announcement of the competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.

The products and services the Group provides are mostly related to capital intensive engineering projects in China. The macro-economic environment in China, particularly government policies in relation to the issue of credit and provision of utility subsidies to the industry, have a large impact on the Group's customers buying and investing decisions. This coupled with nitrogen fertilizer and urea prices remaining low, the Group expects the next 12 months to continue to be challenging for the Nitrogen Fertilizer Industry and the majority of basic chemical producers in PRC.

The Group has continued its efforts to diversify into non-fertiliser industries, which has resulted in revenue of RMB47.8 million for the 9M2019 representing 37.4% (RMB17.67 million for 9M2018 representing 23.4%) of total revenue.

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

The Group's order book as of 30 September 2019 was approximately RMB95.6 million (30 June 2019: RMB121 million) out of which of RMB20.5 million is from non-fertiliser industries. We are cautiously optimistic that we will be able to make further inroads in this direction.

11) Dividend

(a) Current financial period reported on

The Company does not recommend any dividend for the financial period ended 30 September 2019

(b) Corresponding period of the immediately preceding financial year

The Company did not recommend or declare any dividend for the financial period ended 30 September 2018.

(c) Date payable

Not applicable.

(d) Books closure date

Not applicable.

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

No dividend has been declared or recommended for the financial period ended 30 September 2019 in view of the uncertain market conditions and uncertainties the nitrogen fertiliser and basic chemical industries are experiencing, the Group wishes to reserve cash to facing these market challenges. The Group will continue to review its cash flow requirements keeping in view the macro-economic environment and where its operating cash flow position allows, consider making appropriate dividend distributions to its shareholders.

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

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

14) Update on usage of IPO proceeds

As at 30 September 2019, the net proceeds from the Company's initial public offering have been utilized as follows:

Usage of IPO Proceeds	Amount allocated	Amount utilized	Balance
	RMB'000	RMB'000	RMB'000
(A) Expand our production facilities and capacities	95,936	18,465	77,471
(B) Enhance our R&D capabilities and widen our range of innovative and cost-effective solutions	15,479	14,961	518
(C) Working capital purposes	22,074	22,074	-
Total	133,489	55,500	77,989

The amount of RMB15.0 M utilized for R&D capabilities, innovative and cost-effective solutions are mainly attributable to works on a sulfur removal reactor, a new type of isothermal methanol reactor and shift catalyst production research.

The breakdown of working capital utilization is as follows:

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

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

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

CONFIRMATION BY THE BOARD

The Directors confirm that, to the best of their knowledge, nothing has come to the attention of the Board of Directors of the Company which may render the unaudited financial results for the third quarter and the period ended 30 September 2019 to be false or misleading in any material respects.

By Order of the Board

Xie Ming
Executive Chairman
13 November 2019