ANCHUN INTERNATIONAL HOLDINGS LTD.

CHARTING OUR NEXT PHASE OF GROWTH

30th Anniversary

携手共进
再创辉煌

Annual Report 2023

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CORPORATE PROFILE

Anchun specialises in integrated chemical systems engineering, environmental system engineering and technology solutions that are environmentally friendly and energy-efficient to the petrochemical and chemical industry in People's Republic of China ("PRC") in particular, ammonia and methanol industries. Today, we are an one-stop solutions provider offering a full scope of services ranging from design, manufacturing to system production and project management for our customers.

Anchun is led by our senior management team with in-depth knowledge and experiences in technology, marketing and management. Anchun has a professional and dedicated team of senior and national registered engineers with strong capabilities in research and developments. Efficient, professional, completed integrated business model and diversified services, as well as independent intellectual property rights in its innovative technologies and products have provided Anchun an unique competitive advantage in the industry whereby its technologies and products are applied to more than 300 enterprises in 31 provinces and municipalities in PRC. It has made Anchun to be one of the leading solutions providers in PRC and has a strong market influence on its industry.

Over the years, we have been awarded fifty-three (53) patents in PRC, three (3) patents in United States and participated in the formulation of eight (8) standards for chemical industry in PRC. Our advanced technologies in engineering and environmental designs, and key equipment and catalyst technology have us awarded two (2) second prize for Scientific and Technological Progress in PRC and more than ten (10) first prize of Scientific and Technological Progress in Provinces of PRC including multiple awards and honours issued by government and respective industries which have make the competitiveness and innovation of Anchun to be advanced than other companies and lead the trend for industries' technology and innovation. Anchun is located at the Changsha National Hi-Tech Industrial Development Zone in Hunan province with a total building area of 95,000 square meters which comprising two (2) Science and Technology parks with total area of 60,000 square meters and has one of the largest equipment and technology manufacturing for ammonia and methanol-related equipment in PRC. Anchun is listed in the Singapore Exchange Mainboard on 25 October 2010.

OUR CORE COMPETENCE

With a key focus on sustainable development and stability, continuously advanced and new technological and improvements, Anchun has recorded and achieved a stable and sustained performance in chemical engineering industry over the past 30 years based on our successful and proven business model, the "Anchun Model" which has been widely praised by China's petroleum and chemical industries.

- Specialises in integrated chemical systems engineering and technology solutions
- Recognised intellectual propert
- Well-qualified and experienced management and working teams with solid professional skill
- Most well represented ammonia and methanol technology provider with established track record of accountability and agility

MARKET OPPORTUNITIES

Increasing emphasis by the Government of China on environmental protection and energy saving policies will pave the way for demand of systems and solutions that reduce carbon emissions, energy consumption and air pollution. These have wide impacts on industries such as oil and petrochemical, electric power, iron and steel, nonferrous metals, coal, building materials, chemicals and transportation, as well as state-owned enterprises that need to achieve reductions in their chemical oxygen demand and emissions of carbon dioxide, sulphur dioxide, ammonia, nitrogen oxides and other major pollutants to the national average levels. On this, Anchun's outstanding innovation and multiple patented technologies and products which focus on energy conservation and pollution reduction are well position to meet the market's needs.

As a major technology developer and reactor manufacturer in PRC, Anchun strives to capture these favourable opportunities in PRC for more efficient and more environmentally-friendly in engineering systems and solutions.

WHAT WE OFFER

From System Design To Production and Project Management, we provide Integrated Chemical Systems Engineering and Technology Solutions for our valued clients.

OUR VALUE CHAIN

- DESIGN SYSTEM
- SYSTEM PRODUCTION & PROJECT MANAGEMENT
- AFTER SALES

WHAT WE OFFER

CEO'S MESSAGE

Our relentless pursuit for innovation has driven the development of cutting-edge solutions that address the evolving needs of our customers, while enhancing our competitive market position. Through our strategic investments in research and development, we obtained three new patented technologies, especially in areas of isothermal shift reactor and low-temperature and low-pressure ammonia synthesis catalysts.

CEO'S MESSAGE

Dear Shareholders,

On behalf of the Board of Directors, I am pleased to present to you the Annual Report of Anchun International Holdings Ltd ("Anchun" or together with its subsidiary, the "Group"), for the financial year ended 31 December 2023 ("FY2023").

FY2023 was yet another transformative year for Anchun. It marked the 30th anniversary of our establishment. Looking back, we have successfully navigated and overcome the challenges and complexities of the global market and industry landscape, and I am proud to report that the Group has continued to demonstrate resilience, innovation and sustained growth.

Amidst challenging macroeconomic conditions and the evolving business environment, we have remained steadfast in our commitment to delivering value to our shareholders, customers, employees and the communities in which we operate. Our strategic focus on operational excellence, technological advancement, and sustainability has empowered us not only weather uncertainties but also to emerge stronger.

During the year under review, the Group saw continued growth in product sales across various business lines in our Catalyst Business, achieving revenue increase of 64% from RMB12.1 million in financial year ended 31 December 2022 ("FY2022") to RMB19.8 million in FY2023. However, lower percentage of completion for Chemical Systems and Components ("CSC") contracts and reduced contracts in progress resulted in a 34% fall in revenue from this segment from RMB157.9 million in FY2022 to RMB104.1 million in FY2023. Additionally, revenue from our Engineering Services also decreased by 23% to RMB 9.8 million in FY2023. These resulted in a 27% decline in overall revenue to RMB133.7 million in FY2023, as compared to RMB182.8 million in FY2022. The net profit attributable to owners of the Group decreased by RMB27.9 million from a net profit of RMB30.2 million in FY2022 to a net profit of RMB2.4 million in FY2023.

CHARTING OUR NEXT PHASE OF GROWTH

Despite that, we continued to achieve significant milestones across various fronts in the past year. Our relentless pursuit for innovation has driven the development of cutting-edge solutions that address the evolving needs of our customers, while enhancing our competitive market position. Through our strategic investments in research and development, we obtained three new patented technologies, especially in areas of isothermal shift reactor and low-temperature and low-pressure ammonia synthesis catalysts, thereby expanding our portfolio of proprietary technologies. These have enabled us to offer products and services that deliver superior performance and value.

With this commitment to quality and innovation, we managed to boost our order book by 28% in FY2023. As at 31 December 2023, our order book stood at RMB175.1 million, as compared to RMB136.3 million as at 31 December 2022. This is a testament to the trust in the quality of our products and services. During the year, the Group's cash position also grew stronger, as we achieved a 1.9% increase in cash and cash equivalents and short term deposits, amounting to RMB179.0 million as at 31 December 2023, enabling the Group to make strategic acquisitions and investments when the opportunities arise.

In addition, we were honoured to be awarded numerous acclamations in FY2023, including the National Specialised & Innovative "Emerging Giant" Enterprise, the Innovative Small & Medium Sized Enterprise and others, recognising our efforts in research and development and technological breakthroughs.

As part of our strategic growth initiatives, the Group is actively pursuing geographical expansion opportunities to diversify our market presence and capture new growth avenues. During the year, we completed and delivered our isothermal carbon monoxide ("CO") shift reactor in Thailand. As a company specialised in offering integrated chemical and environmental systems engineering and technology that are environmentally-friendly, we will continue to explore global markets to make revenue in niche market with our innovative solutions and sustainable practices through strategic collaborations.

To commemorate our journey and success over the last three decades, and in appreciation of the hard work and contributions by each and every one in the Anchun family, we organised a series of exciting events throughout the year such as the Lake Run, Sports Day, Model Employee of the Year and many more. These events have not only bonded our people, but also inculcate and strengthen our enterprise culture.

CEO'S MESSAGE

STRATEGISING AHEAD

Looking ahead, we remain cautiously optimistic about the prospects for our markets and industry. While we anticipate continued volatility and intensified competition in the operating environment, we are confident in our ability to leverage on our core competencies to navigate challenges and capitalise on opportunities as they arise. The Group will continue to strive in research and development, invest in technological innovation, and diversify our strengths.

The Chinese economy is expected to sustain its steady recovery throughout 2024, as the Chinese government continues to focus on expanding domestic demand and attract global investments. Although challenges and uncertainties persists both domestically and globally, we believe that the Group's main business segments which are closely linked to the petroleum and petrochemical industry remain as one of the key sectors that the government is constantly developing. Accelerating transformation within the industry is the primary focus, calling for greener and low-carbon solutions has put us in a strategic position for greater and sustainable growth.

Diversifying into non-fertiliser industries remain and will continue to be an integral part of our strategic growth initiatives. In FY2023, revenue from non-fertiliser industries contributed RMB127.5 million representing 95% (RMB165.4 million for FY2022 representing 90.5%) of the overall revenue. With the popularity of green ammonia, green methanol and green hydrogen on the rise, we will continue to explore new areas of uses and applications for our various patented technologies to bring solutions that have increasing relevance in the world today.

Internally, our unwavering commitment to sustainability will continue to underpin our business practices and operations. We recognise the importance of environmental stewardship, and as such, we implemented robust initiatives to minimise our ecological footprint, and promote responsible practices throughout our value chain. By prioritising sustainability, we not only mitigate risks but also unlock new opportunities for growth and innovation.

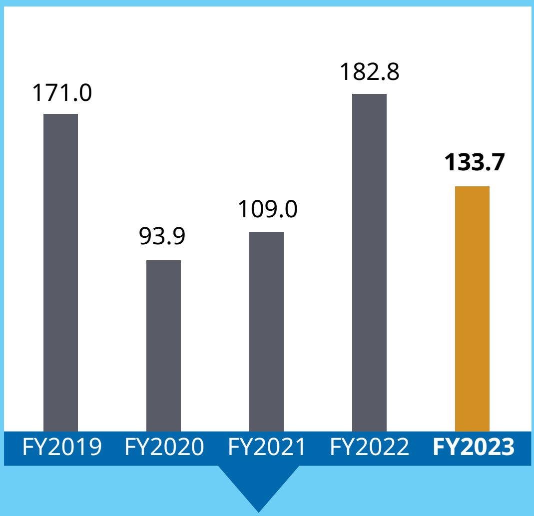
As we journey on our next phase of growth, we will leverage on our integrated strengths in engineering design, equipment manufacture, catalyst and technological capabilities, as they continue to drive our long-term growth. With a strong foundation, a talented team, and a clear strategic vision, we are well-positioned to drive sustainable growth and create long-term value for our stakeholders.

ACKNOWLEDGEMENTS

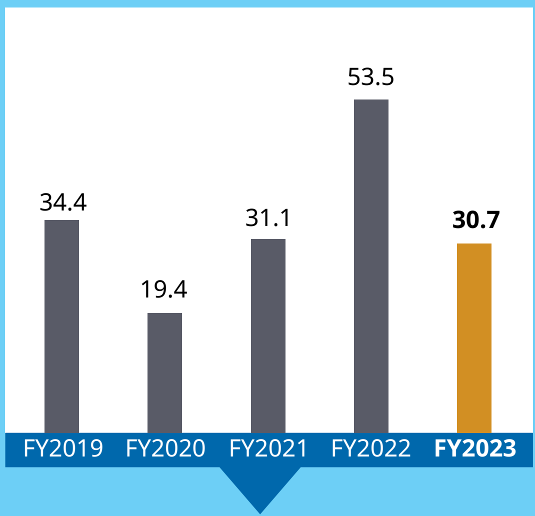
In closing, I would like to take this opportunity to thank our customers, business partners and employees for their invaluable contributions and faith in us. I would also like to express my sincere gratitude to our valued shareholders for your continued support and confidence in Anchun. It is through your partnership and trust that we are able to pursue our mission of delivering excellence and innovation. Together, we will chart a course for success and prosperity in the years to come.

ZHENG ZHI ZHONG
CEO & EXECUTIVE DIRECTOR

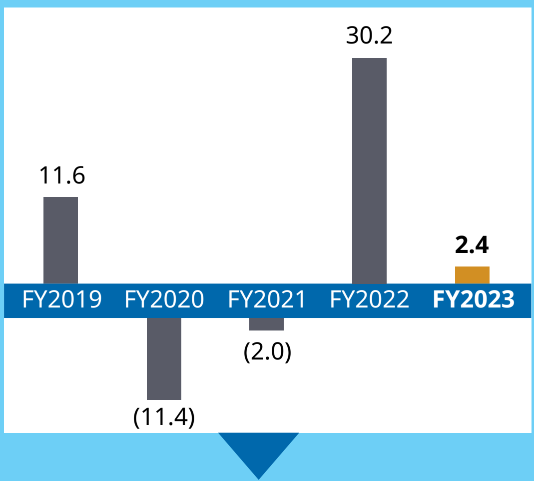
FINANCIAL HIGHLIGHTS



REVENUE
(RMB' MILLION)



GROSS PROFIT
(RMB' MILLION)



PROFIT/(LOSS) AFTER TAX
(RMB' MILLION)

OPERATIONS AND FINANCIAL REVIEW

YEAR IN REVIEW

FY2023 was a year marked by hurdles and challenges. The global economic landscape has been fraught with uncertainties and geopolitical tensions. In China, the overall business environment was also characterised by subdued consumer spending and tepid business investment.

Though confronted by these adversities, the Group has navigated through the turbulent waters with steadfast resolve. Through our relentless efforts and commitment to deliver, we managed to boost sales in our Catalyst Business in FY2023, registering an increase of 64% in revenue for this segment. However, turnover from both our Engineering Services and CSC Business fell 23% and 34% respectively, resulting in the Group's overall revenue to decline 27% from RMB182.8 million in FY2022 to RMB133.7 million in FY2023. This lead to decline in net profit attributable to owners of the Company to RMB2.4 million in FY2023, as compared to RMB30.2 million in FY2022.

REVENUE FROM CATALYST BUSINESS

Revenue from our Catalyst Business increased by RMB7.7 million or 64% from RMB12.1 million in FY2022 to RMB19.8 million in FY2023 as a result of increased sales volume of ammonia catalysts.

REVENUE FROM ENGINEERING SERVICES

Conversely, revenue from our Engineering Services dipped by RMB3.0 million or 23% from RMB12.8 million in FY2022 to RMB9.8 million in FY2023 mainly due to lower revenue from EPC Services.

REVENUE FROM CSC BUSINESS

In addition, revenue from our CSC Business also decreased by RMB53.8 million or 34% from RMB157.9 million in FY2022 to RMB104.1 million in FY2023. Lower percentage of completion for CSC contracts and decrease in number of new contracts undertaken in FY2023 resulted in the drop in revenue.

GROSS PROFIT

Consequently, our overall gross profit decreased by RMB22.8 million or 43% from RMB53.5 million in FY2022 to RMB30.7 million in FY2023 with gross profit margin for FY2023 lowered from 29% in FY2022 to 23% in FY2023.

Looking deeper, gross profit for our Catalyst business increased by RMB2.2 million from RMB3.7 million in FY2022 to RMB5.9 million in FY2023 mainly due to higher sales of ammonia catalysts in FY2023. The gross profit margin stayed consistent with FY2022 at 30%.

For the Engineering Design business, gross profit dropped from RMB6.6 million in FY2022 to RMB5.4 million in FY2023. The gross profit margin rose slightly by 3% from 52% in FY2022 to 55% in FY2023 mainly attributable to the increase of revenue from the engineering services which contributed to higher gross margin in FY2023.

For the CSC business, gross profit dropped by RMB23.8 million from RMB43.2 million in FY2022 to RMB19.4 million in FY2023 mainly attributable to the decrease in number of contracts in progress, lower percentage of completion for CSC contracts in FY2023. This led to a lower gross profit margin of 18% in FY2023 as compared to 27% in FY2022, mainly due to the absence of new Engineering, Procurement and Construction ("EPC") services in FY2023, which can contribute to a higher gross profit margin.

OTHER INCOME & OPERATING EXPENSES

During the year under review, finance and other income decreased by RMB2.2 million or 21% to RMB8.5 million from RMB10.7 million in FY2022. The decrease was mainly due to the fall in interest income on bank balances and deposits of RMB1.2 million, government grants of RMB0.4 million and sales of scrap metal of RMB0.6 million.

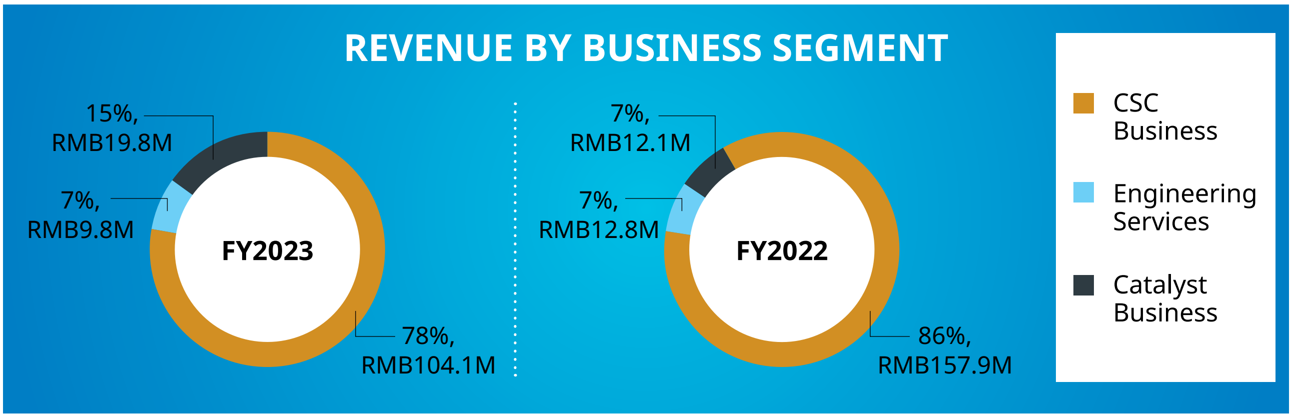
Marketing and distribution expenses increased RMB0.4 million or 6% from RMB6.2 million in FY2022 to RMB6.6 million in FY2023. The increase was mainly attributable to the increase in travelling expenses of RMB0.4 million and promotional expenses of RMB0.3 million, partially offset by the decrease in sales staff's salary and bonus amounting to RMB0.3 million in FY2023 as compared to FY2022.

Likewise, administrative expenses also increased by RMB2.4 million or 12% from RMB20.0 million in FY2022 to RMB22.4 million in FY2023. Despite lower salaries, bonuses and fees, staff welfare as well as property lease fees, these were offset by higher unallocated manufacturing overheads allocated of RMB1.9 million, higher safety cost of RMB0.4 million, increased factory repair and maintenance fees of RMB0.8 million and higher staff compensation fees of RMB0.2 million.

Research expenses were also higher by RMB1.0 million or 14% from RMB7.0 million in FY2022 to RMB8.0 million in FY2023. This was mainly attributable to higher expenses incurred for CO split shift reactor improvement efforts in FY2023.

In tandem with our financial performance, income tax expenses decreased by RMB0.4 million from income tax expenses of RMB0.2 million in FY2022 to income tax credits of RMB0.2 million in FY2023 mainly due to income tax refund in previous year.

OPERATIONS AND FINANCIAL REVIEW



FINANCIAL POSITION

The Group's non-current assets which comprised property, plant and equipment, investment property, intangible assets, right of use asset, deferred tax assets and prepayments were lower by RMB4.6 million or 8% from RMB60.6 million as at 31 December 2022 to RMB56.0 million as at 31 December 2023.

Property, plant and equipment decreased by RMB3.0 million or 7% from RMB44.7 million as at 31 December 2022 to RMB41.7 million as at 31 December 2023, mainly due to depreciation charges of RMB7.8 million. The decrease was partially offset by additions during the year.

Correspondingly, current assets decreased by RMB9.7 million or 3% from RMB348.6 million as at 31 December 2022 to RMB338.9 million as at 31 December 2023. The reduction was mainly due to the decrease in inventories of RMB7.3 million from the decrease of raw materials purchased for CSC business contract orders; the decrease in trade and other receivables of RMB3.7 million due to receipt of the interest receivables; the decrease in bills receivables of RMB8.6 million due to the settlement of outstanding bills receivables, and the decrease in cash and bank equivalents of RMB36.8 million attributable to the increase of cash flow from operating activities of RMB14.7 million, net cash used in investing activities of RMB45.0 million and cash used in financing activities of RMB6.5 million, which was partially offset by the increase in contract assets of RMB6.3 million as there was an increase in works incurred for contracts where billings for contractual milestones have not been satisfied and the increase in prepayments of RMB0.3 million mainly due to higher volume of purchases of raw materials from vendors.

The Group's current liabilities decreased by RMB10.2 million or 10% from RMB105.9 million as at 31 December 2022 to RMB95.7 million as at 31 December 2023. The decrease was mainly due to the decrease in contract liabilities of RMB4.4 million as there was revenue recognition as the Group satisfied the contract obligations according to the Group's revenue recognition policy and there was fewer advance received from customers as at year end. It was also contributed by the decrease in trade and other payables of RMB4.1 million due to the delayed payment of VAT payables by the subsidiary pertaining to the preferential tax policies in China; the decrease in other liabilities of RMB0.7 million attributable to decrease in provision of staff bonuses, and the decrease in income tax payable of RMB1.0 million due to the payment of RMB1.0 million made during the year.

CASH FLOW

During the financial year, the Group's cash and cash equivalents fell by RM36.8 million, which was mainly attributed to cash generated from operating activities of RMB14.7 million being offset by net cash used in investing activities and net cash used in financing activities of RMB45.0 million and RMB6.5 million respectively.

ORDER BOOK & OUTLOOK

As of 31 December 2023, the Group's order book was approximately RMB175.1 million (31 December 2022: RMB136.3 million), of which RMB123.3 million (31 December 2022: RMB114.5 million) is from the non-fertiliser industries.

Looking ahead, we expect the challenging market conditions to persist and the road to recovery may still be arduous. Nevertheless, we believe that our collective ability, coupled with the dedication and commitment to product innovation and sustainability will position us well to weather the storm and capitalise on the opportunities ahead. We will continue to demonstrate resilience and adaptability in the face of any challenges that may come our way.

BOARD OF DIRECTORS

XIE MING

Non-Independent, Non-Executive Chairman
Appointed on 2 November 2009

Xie Ming is our Non-Independent Non-Executive Chairman and was last re-elected as a Director on 25 April 2022. She was re-designated from Executive Director and CEO to Executive Chairman on 1 June 2018. Subsequently, she was re-designated to Non-independent Non-executive Chairman on 1 December 2020. She worked for specialty chemical companies and a research institute in the USA for 13 years prior to joining Anchun, first as an analytical chemist in the Health & Science Center of Louisiana State University, the research laboratory of INVISTA and then as a Sr. Chemist for Champion Technologies. Xie Ming earned her EMBA from Rice University, USA in May 2013. She holds a Bachelor's Degree in Specialty Chemical Engineering from Jiangsu Institute of Petrochemical and Chemical Engineering, China and a Master Degree in Science from Department of Chemistry, The University of Louisiana at Monroe, USA.

ZHENG ZHI ZHONG

Executive Director and Chief Executive Officer
Appointed on 1 June 2014

Zheng Zhi Zhong is our Executive Director and Chief Executive Officer ("CEO") and was last re-elected as a Director on 26 April 2023. He is responsible to execute the strategic business directions set by the Board, oversee the daily operations and business development of the Group, manage and lead the project management department. He was re-designated from Executive Director and Chief Operating Officer to Executive Director and CEO on 1 June 2018. He is currently the Legal Representative of the PRC subsidiary of the company, Hunan Anchun Advanced Technology Co., Ltd ("Hunan Anchun"). He has more than 30 years of extensive experience working in the industry and gained expertise in the areas of chemical engineering process design and programming, instrumentation and control system, information management, project management, reactor manufacture, marketing and sales. He started his career with Hunan Anchun in 1993 as a Process Technology Programmer. Leveraging on his computer science knowledge, he worked closely with chemical engineers to develop the first generation computation software for Anchun's key technologies. His main contribution includes the process design and programming of "IIIJ D Type Adiabatic Inner-cooling Split-flow Internals of Ammonia Synthesis Reactor" and "Process and Application of Syn-gas Purification AlcoholHydrocarbon Technology", which won the National Scientific and Technological Progress Award (2nd-highest honours). Zheng Zhi Zhong is a certified Senior Engineer. He assumed the roles of IT Manager, Project Manager, Assistant General Manager, Deputy Manager and Executive manager in the past 30 years with Hunan Anchun. He also holds some social posts, including Standing Director of China Nitrogen Fertilizer Industry Association, Standing Director of Hunan Association for Science and Technology, Standing Director of Hunan Petroleum Association and Vice President of Hunan Petroleum and Chemical Industry Association. He holds a Bachelor's Degree in Computer Science and Technology from Shenyang Industrial University.

BOARD OF DIRECTORS

DAI FENG YU

Executive Director
Appointed on 9 September 2010

Dai Feng Yu is our Executive Director and was last re-elected on 26 April 2023. She is responsible for overall research and development ("R&D") including provision of basic supporting technologies, initiating new R&D projects and management of the company's proprietary intellectual property rights. She has more than 30 years of experience in the chemical industry. Between 1988 and 1993, she was a R&D staff in Changsha Chromic Salts Factory responsible for catalysts quality improvement and new product development. Between 1993 and 1998, she was head of the laboratory of Anchun Energy Saving and was responsible for the research and development of catalysts as well as the introduction of catalysts to the market. In 1998, when operations of Anchun Energy Saving ceased and Hunan Anchun was established, she remained The Head of the Laboratory of Hunan Anchun and was subsequently promoted to Deputy General Manager to be in charge of the overall R&D matters and management of Hunan Anchun's proprietary intellectual property rights in 2002. She holds a Bachelor's Degree in Industrial Catalyst from East China University of Science and Technology (formerly known as the East China Institute of Chemical Technology). She was qualified as a registered senior engineer in 2001. She is also an expert database member of the National Energy Conservation Center and a standing director of the China Chemical Industry Environmental Protection Association. The significant awards that Dai Feng Yu has won include the 2003 National Scientific and Technological Progress Award (2nd-highest honours) by the State Council in 2004, the Excellent Engineering Consultancy Award (2nd-highest honours) by the China Petroleum and Chemical Engineering Survey and Design Association in 2006, the Outstanding Individual of Hunan Province contributed to scientific and technological progress by the Economic Committee of Hunan Province in 2008, and the 2016 China Nitrogen Fertilizer Industry Technology Progress Award (First-prize) by China Nitrogen Fertilizer Industry Association.

XIE DING ZHONG

Non-Executive Director
Appointed on 2 November 2009

Xie Ding Zhong is our Founder, Non-Executive Director, and member of the Nominating Committee, and was last re-elected as a Director on 25 April 2022. He was re-designated from Non-Executive Chairman to Non-Executive Director on 1 June 2018. He has accumulated more than 40 years of experience in the chemical industry. Between 1961 and 1974, Xie Ding Zhong was a lecturer in the chemical engineering faculty of Hunan University. From 1975 to 1976, he was a technician in Dongting Nitrogen Fertiliser Factory. Between 1976 and 1993, he was the chief engineer in Fertiliser Industry Company of Hunan Province, where he took charge of the production, R&D and system design of the small-sized nitrogen fertiliser manufacturers and provided solutions to technological problems as well as promoted technical innovation in Hunan Province. Between 1993 and 1998, he was the legal representative and general manager cum general engineer of Anchun Energy Saving in charge of the overall operations and management. In 1998, when operations of Anchun Energy Saving ceased, he set up Hunan Anchun with our founding management team and then employees to carry on the business, and he has since then been the legal representative and general manager cum general engineer responsible for directing the strategic directions and growth of Hunan Anchun. Xie Ding Zhong graduated with a Bachelor's degree in Chemical Engineering from Hunan University in 1961. In November 1999, he was qualified as a registered senior engineer (research fellow), which is the highest rank of engineers in the PRC. He has won numerous awards at the national, provincial and city levels in recognition of his achievements and contribution to the chemical industry. The significant awards that Xie Ding Zhong had won include the National Scientific and Technological Progress Award (2nd-highest honours) by the National Science and Technology Committee of PRC in 1995, and the 2003 National Scientific and Technological Progress Award (2nd-highest honours) by the State Council in 2004, which is regarded as one of the most prestigious awards in the PRC in recognition of achievement and contribution to scientific and technological progress. In addition, in recognition of his contributions towards the development of engineering technology in the PRC, he has been entitled to a special subsidy granted by the State Council since 1991.

BOARD OF DIRECTORS

LEE GEE AIK

Lead Independent Non-Executive Director
Appointed on 4 January 2016

Lee Gee Aik was appointed as an Independent Director of the Company on 4 January 2016. He is currently the Chief Financial Officer of AlphaRock Family Office Pte Ltd., a multi-family office with a capital market services licence and director of AlphaRock Singnet VCC. He was the Executive Vice Chairman of E2-Capital Holdings Limited, listed on the Catalist Board of the Singapore Stock Exchange playing a key role in its successful RTO. He is an accountant with many years of finance, tax and assurance experience having been with both KPMG Singapore and USA and as a practising public accountant in Singapore. He also has hospitality industry experience working for a leading chain of hotels in Asia. He qualified as a Chartered Certified Accountant with The Association of Chartered Certified Accountants, United Kingdom. He also obtained a Master of Business Administration from Henley Management College (now known as Henley Business School), United Kingdom. He is currently a Fellow with The Association of Chartered Certified Accountants, United Kingdom and The Institute of Singapore Chartered Accountants. He presently also serves as an Independent Director on the board of Uni-Asia Group Limited and SHS Holdings Limited, and a Non-Independent Non-Executive Director of Astaka Holdings Limited.

TAN MIN-LI

Independent Director
Appointed on 9 September 2010

Tan Min-Li is our Independent Director, Chairman of the Remuneration Committee and member of the Nominating Committee & Audit Committee, and was last re-elected as a Director on 26 April 2021. She is currently a partner at CNPLaw LLP (former known as Colin Ng & Partners LLP), a firm of advocates and solicitors in Singapore, and has over 16 years of experience in the legal profession. She has considerable experience in the areas of initial public offerings, regional investments, corporate restructuring, cross border joint ventures and mergers and acquisitions in the region. She regularly advises on Singapore Exchange compliance and corporate governance issues. She heads the Corporate Finance Practice Group, Greater China Practice Group and Japan Focus Group at CNPLaw LLP. Her principal areas of practice are in corporate and financial services with particular emphasis on corporate finance and mergers and acquisitions in Singapore and the region. Prior to joining CNPLaw LLP in 2003, she was a partner with KhattarWong (now known as Withers KhattarWong LLP), a firm of advocates and solicitors in Singapore, and had also held other positions at other law firms since graduation. She graduated with a Bachelor of Laws (Honours) from the National University of Singapore and a Master of Laws from University College London, University of London, and was admitted as an Advocate and Solicitor of the Supreme Court of Singapore in 1992. She currently also serves as Independent Director of Union Steel Holdings Limited, Ocean Sky International Limited and GSH Corporation Limited.

BOARD OF DIRECTORS

ANDREW BEK

Independent Director
Appointed on 1 March 2014

Andrew Bek is our Independent Director, and member of the Audit Committee, and was last re-elected on 26 April 2023. Andrew Bek started his career in Arthur Andersen & Co and was there from 1988 to 1997. He later joined a manufacturing company from 1997 to 1998 overseeing the accounts and finance department. He was with Ernst & Young from Jan 1999 to May 2007. He was an Investment Director at OneEquity SG Private Limited from July 2007 to Jan 2020.

Currently, he also serves as an Independent Director of a company listed on the SGX-ST Catalist Board.

He formerly served as an Executive Director of two other companies listed on the SGX-ST. He graduated with an A Level.

HE MING YANG

Independent Director
Appointed on 1 January 2019

He Ming Yang is our Independent Director, Chairman of Nominating Committee and member of Remuneration Committee. He was last re-elected on 25 April 2022. He is the Professor of the School of Petrochemical Engineering at Changzhou University from July 2006 to present, Dean of the School of Petrochemical Engineering at Changzhou University from March 2010 to April 2017. He researched on Synthesis, structure, properties and application of ion exchange polymer catalyses, Fine chemicals cleaning production processes and technologies and Clean environment and energyrelated metal-organic framework material (MOF). The project of Professor He Ming Yang researched was awarded the National Scientific and Technological Progress Award (2nd-highest honors) in 2006. He regularly contributes professional articles on national newspapers, periodicals and publications. He has also gotten many patents.

KEY EXECUTIVES

HE ZU BING

Chief Financial Officer

He Zu Bing is our Chief Financial Officer and was appointed to our Group on 20 March 2019. He is responsible for our Group's overall finance and accounting functions. He has over 17 years of finance management experience. He worked as the Cost Accountant, General Ledger Accountant, Purchaser Member of Production Group and Deputy Financial Controller in Hunan Anchun since July 2010. He worked as the Accounting Manager in Hunan Guoda Investment Co., Ltd for more than 4 years since 2006. He has experience in enterprise finance management, accounting, tax, investment and finance management and internal control. He holds a China Certified Public Accountant certificate, and also possess the intermediate Accountants Certificate.

LI JUAN

Financial Controller

Li Juan is our Financial Controller and was appointed to our Group on 16 May 2017. She is responsible for our Group's overall finance management and financial reporting, financial planning and analysis, business support and corporate strategic objectives management. She has more than 12 years of experience in accounting, management reporting, financial control, treasury management, corporate and risk management, performance management, investor relations and tax compliance in China. She worked as the General Ledger Supervisor in corporations for more than 4 years since 2014. She has experience in accounting, tax, financing management and internal control. Li Juan got the China Certified Public Accountant certificate in August 2014, and the US Certified Management Accountant certificate in December 2015. Li Juan also obtained the financial management training course-completion certificate from School of Economics, Peking University in November 2023.

KEY EXECUTIVES

ZHONG XU GUANG

Technology Director

Zhong XuGuang is our Technology Director, responsible for technology development and innovation. He has 18 years of experience in chemical and related industries. After graduation in 2006, he had been engaged in the inspection and design of pressure vessels. In 2009, He joined Hunan Anchun as a design engineer. Since then, he has been engaged in product design, product research and development, technology management and human resources management.

He graduated from Nanchang University with a Master Degree in Chemical Process Equipment in 2006 and was qualified as an intermediate engineer in 2010. He has won the Outstanding Engineer of Petrochemical Industry awarded by Hunan Petroleum Society in 2013 and the Outstanding Contribution Award (1st-highest honours) awarded by our company in 2015.

XIE FANG HUA

Manufacture Director

Xie Fanghua is our Manufacturer Director, responsible for equipment manufacture and quality control department. She has more than 21 years of experience in chemical equipment industry. Between 1994 and 1996, she was an product design engineer in Hunan Yiyang City Chemical Machinery Factory. Thereafter, she was head of the product design department of Hunan ILIDA Industrial Co., Ltd responsible for the design of large boilers and pressure vessels in petroleum refining and chemical industry between 1997 and 2009. She joined in Hunan Anchun in 2009, successively served as Deputy Minister of Quality Control Department, Deputy Manager of Equipment Manufacture Factory, Manager of Equipment Manufacture Factory and General Manager Assistant,and was promoted to Deputy General Manager in 2023 to take charge of quality control and the manufacture management of the chemical equipment products.

She graduated from Xiangtan University with a Bachelor’s Degree in Chemical Machinery in 1994. She obtained pressure vessel design review qualification issued by China Standardization Committee on Boilers and Pressure Vessels in 2010. She was qualified as a registered senior engineer in 2011. She participated in the research and development of intelligent oilfield phase change heating furnace and won Changsha City Scientific Progress Award (2nd-highest honours) in 2009.

SUSTAINABILITY REPORT

1. BOARD STATEMENT

We are pleased to present our annual Sustainability Report (the "Report") of Anchun International Holdings Ltd. (the "Company" or "Anchun") and together with its subsidiary, Hunan Anchun Advanced Technology Co., Ltd. (collectively known as "Group" or "we") for the financial year ended 31 December 2023 ("FY2023"). This Report provides an overview of the Group's commitment and approaches towards sustainability and key economic, environmental, social and governance ("EESG") related initiatives and performances.

Sustainability is a part of the Group's wider strategy to create long-term value for all its stakeholders. The Board of Directors of the Company (the "Board") determines the material EESG factors, oversees the management and monitoring of these factors and takes them into consideration in the determination of the Group's strategic sustainability direction and policies. In addition, the Board has the ultimate responsibility for the Group's sustainability reporting. Under the Board's delegation, the management of the Group assists the Board to identify and manage the Group's material EESG factors, collects and analyses EESG-related metrics, implements the sustainability strategies and monitors and reviews EESG-related targets. The management of the Group will report to the Board on the Group's EESG performance and their suggestion regularly.

Our sustainability report is a testament to our efforts to manage sustainability issues and conduct business responsibly. We have relied on internal data monitoring and verification to ensure accuracy of data and information. This Report has undergone the internal review process of the Group, and was reviewed by the Board. We have engaged an internal auditor to perform an internal review of our sustainability report process. We have not sought external assurance for this Report. We acknowledge the importance of external assurance on a sustainability report and plan to seek assistance in the future.

We welcome feedback from our stakeholders with regards to our sustainability efforts as this enables us to consistently improve our policies and performance. Please send your comments and suggestions to info@anchun.com.

28 March 2024

SUSTAINABILITY REPORT

2. REPORTING FRAMEWORK

This Report has been prepared in accordance with the Singapore Exchange Securities Trading Limited ("SGX-ST") Listing Rule 711A and 711B, and with reference to the Practice Note 7.6 Sustainability Reporting Guide issued by the SGX-ST. This Report is in line with SGX-ST's 'comply or explain' requirements for sustainability reporting. This Report has also been prepared with reference to the Global Reporting Initiative ("GRI") Standards 2021. GRI Standards are chosen as the standards as they are globally recognised standards which provide a comprehensive framework for measuring, monitoring, and reporting on our key EESG-related initiatives carried throughout a 12-month period from 1 January to 31 December 2023. In articulating our approach, we have applied the GRI principles of accuracy, balance, clarity, comparability, completeness, sustainability context, timeliness and verifiability. In terms of climate-related disclosures, this Report adopts the recommendations of the Taskforce on Climate-related Financial Disclosures ("TCFD") as required by SGX-ST. Please refer to pages 31 to 34 on the GRI Content Index and TCFD Content Index for details.

3. REPORTING SCOPE

Corresponding to GRI's emphasis on materiality, the Report highlights the key EESG-related performance and initiatives carried out during FY2023 covering the Company and its subsidiary, Hunan Anchun Advanced Technology Co., Ltd. ("Hunan Anchun"), which is same as the reporting scope of this Annual Report.

4. SUSTAINABILITY APPROACH

STAKEHOLDERS ENGAGEMENT

An important starting point in our sustainability journey is to identify our stakeholders and material factors relevant to our business. The interests and requirements of key stakeholders are also considered when formulating corporate strategies. These key stakeholders include but are not limited to employees and labour unions, customers and consumers, suppliers and service providers, investors and shareholders, local communities, government and regulators, and trade associations.

We adopt both formal and informal channels of communication to understand the needs of key stakeholders and incorporate these into our corporate strategies to achieve mutually beneficial relationships.

Our Sustainability Methodology

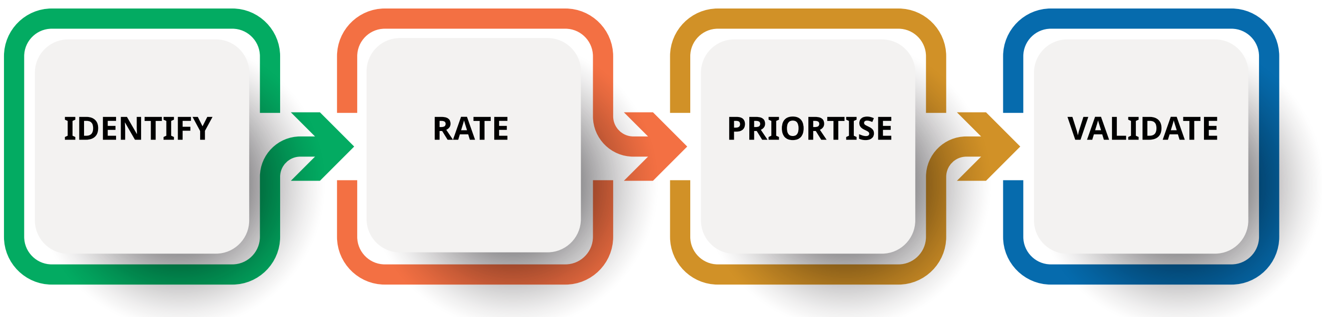
Stakeholders	Engagement Platforms	Frequency of Engagement	Key Concerns Raised
Employees and Labour Unions	Townhall sessions	Annually	Compensation including annual increments
	Open dialogues among teams	Monthly	Health and safety
	Intranet portal	Ad-hoc	Training

SUSTAINABILITY REPORT

Stakeholders	Engagement Platforms	Frequency of Engagement	Key Concerns Raised
Customers and consumers	Hotline Email queries Customer visit Onsite audit Customer survey	Ad-hoc Ad-hoc Quarterly Annually Annually	Product safety Health and safety Customer service
Suppliers and service providers	Face-to-face meetings Annual review and feedback sessions	Weekly Annually	Positive relationship Contract, credit and payment terms
Investors and Shareholders	Annual report Annual General Meeting Corporate announcements and financial results announcements Informal discussion	Annually Annually Semi-annually Ad-hoc	Business growth and opportunities Business performance
Local communities	Face-to-face meetings Various social events	Ad-hoc Quarterly	Impact to community
Government and regulators	Face-to-face meetings Regular reports Participation in discussions	Ad-hoc Quarterly Quarterly	Compliance to regulations
Trade associations	Engagements through business partnerships Leading working groups in industry associations	Quarterly Annually	Contribute and support the developments of industries

MATERIALITY ASSESSMENT

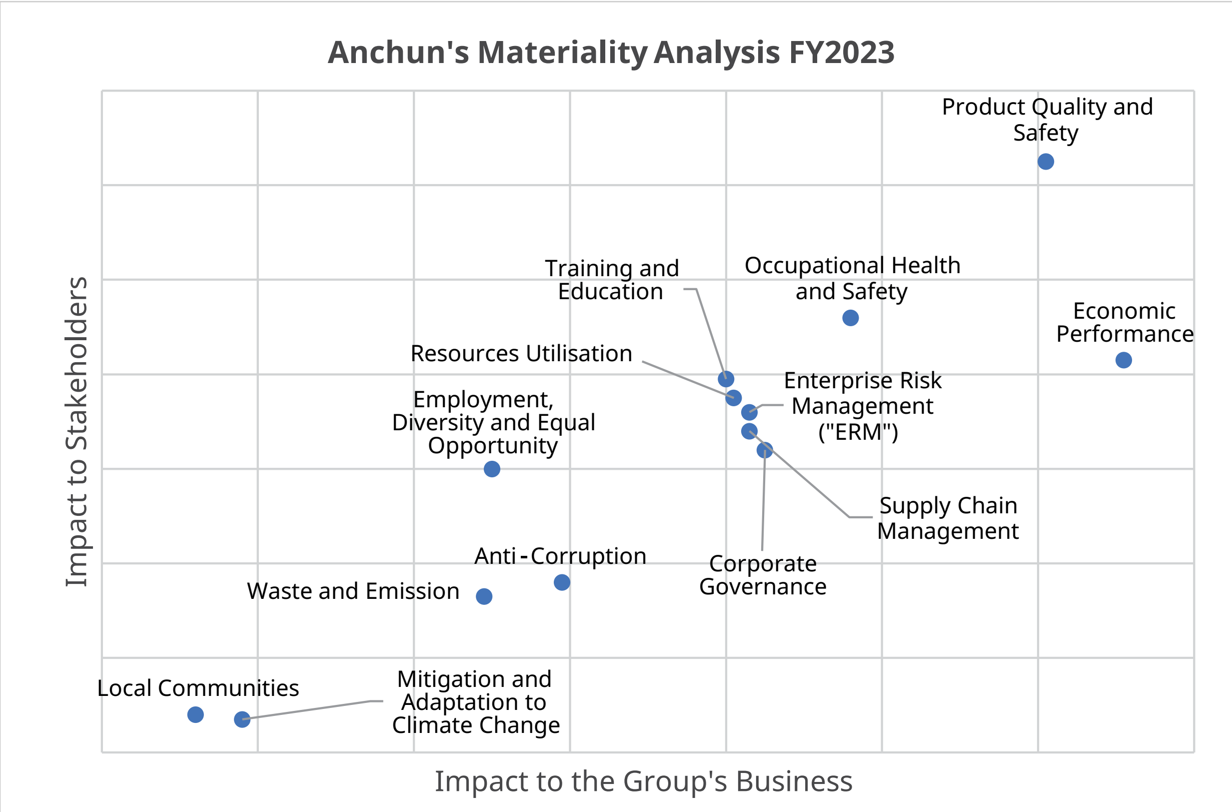
Our sustainability process begins with the identification of material factors. When identifying material factors, we take global and local emerging sustainability trends, material factors identified by industry peers, industrial best practices, sustainability reporting frameworks and the guidance from SGX-ST Practice Note 7.6 into consideration. After these factors are identified, material factors are rated based on the significance of their impact to the Group's business operation and stakeholders. After further evaluation and analysis, the selected factors will become our prioritised material factors. The result of this process is a list of material factors disclosed in the sustainability report, processes of which is as shown below:



SUSTAINABILITY REPORT

The Group has conducted a materiality assessment in FY2023. We engaged different stakeholders and sought feedback from stakeholders via online surveys to prioritise these material factors. Such materiality review will be conducted every year, incorporating inputs gathered from stakeholders' engagement.

Applying the guidance from SGX-ST Practice Note 7.6, we have identified the following as our material factors:



5. ECONOMIC

ECONOMIC PERFORMANCE

Anchun specialise in integrated chemical systems engineering, environmental system engineering and technology solutions that are environmentally-friendly and energy-efficient to the petrochemical and chemical industry in People's Republic of China ("PRC"), in particular ammonia and methanol industries.

The Group is committed to growing our customers and exceeding our customers' expectations and providing them with competitive edge products by enhancing operational efficiency. The Group incorporates effective use of technology, develops performance measures, communicates outcomes and results and implements necessary changes to provide fast and high-quality services at a competitive transactional cost.

For detailed financial results, please refer to the following sections in this Annual Report:
- Financial Highlights, page 7
- Operations and Financial Review, pages 8 and 9
- Financial Statements, pages 86 to 136.

SUSTAINABILITY REPORT

FY2023 was a significant year for Anchun, marking our 30th anniversary and a period of transformation. Looking back, we successfully navigated the challenges of the global market and industry landscape, demonstrating resilience, innovation, and sustained growth.

We continued to achieve significant milestones across various fronts in the past year. Our relentless pursuit of innovation has driven the development of cutting-edge solutions that address the evolving needs of our customers, while enhancing our competitive market position. Through strategic investments in research and development, we obtained three new patented technologies, especially in areas of isothermal shift reactor and low-temperature and low-pressure ammonia synthesis catalysts, thereby expanding our portfolio of proprietary technologies. These enabled us to offer products and services that deliver superior performance and value.

With this commitment to quality and innovation, we managed to boost our order book by 28% in FY2023. As at 31 December 2023, our order book stood at RMB175.1 million, as compared to RMB136.3 million as at 31 December 2022. During FY2023, the Group saw continued growth in product sales across various business lines in our catalyst business, achieving a revenue increase of 64% from RMB12.1 million in the financial year ended 31 December 2022 ("FY2022") to RMB19.8 million in FY2023.

Diversifying into non-fertiliser industries remains and will continue to be an integral part of our strategic growth initiatives. In FY2023, revenue from non-fertiliser industries contributed RMB127.5 million representing 95% of the overall revenue. The overall revenue of FY2023 is RMB133.7 million.

We recognise the importance of environmental stewardship, and as such, we implemented robust initiatives to minimise our ecological footprint and promote responsible practices throughout our value chain. By prioritising sustainability, we not only mitigate risks but also unlock new opportunities for growth and innovation. With a strong foundation, a talented team, and a clear strategic vision, we are well-positioned to drive sustainable growth and create long-term value for our stakeholders.

Financial Year Ending 31 December 2024 ("FY2024")
Target: To grow our customers and exceed their expectations and provide them with competitive edge products.

6. ENVIRONMENTAL

ENVIRONMENTAL COMPLIANCE

The Group recognises its potential impact of its business operations on the environment and is committed to environmental conservation and compliance of all applicable environmental laws and regulations. During FY2023, there was zero (FY2022: Nil) incidents of non-compliance with laws and regulations resulting in significant fines or sanctions.

Adhering to the principle of "green and energy conservation, work together for win-win", the Group has established policies to manage its environmental impact. The Group is certified with ISO 14001 "Environmental Management System" qualification. In order to mitigate the environmental impact produced by the Group's operations, the Group has adopted different measures which will be outlined in the following sections.

At Anchun, we have been adhering to local and international environmental guidelines. Our production facilities and processes have been awarded for engineering design with a focus on the environment:

- Class A Engineering Design (Ministry of Housing and Urban-Rural Construction, PRC)
- Class A Environmental Engineering Design (Ministry of Housing and Urban-Rural Construction, PRC)
- Pressure Pipeline Design (General Administration of Quality Supervision, Inspection and Quarantine, PRC)
- Pressure Vessel Design (State Administration for Market Regulation, PRC)
- Pressure Vessel Manufacture (State Administration for Market Regulation, PRC)
- ASME U Mark Certificate Pressure Vessel Manufacture (The American Society of Mechanical Engineers)
- ASME U2 Mark Certificate Pressure Vessel Manufacture (The American Society of Mechanical Engineers)

SUSTAINABILITY REPORT

RESOURCES UTILISATION

The Group is fully aware of its responsibilities for nurturing the environment and reducing negative environmental impacts at our worksites and the environment where we operate. We monitor our resources consumption at our workplaces to ensure that we use our resources economically, meaningfully, and responsibly.

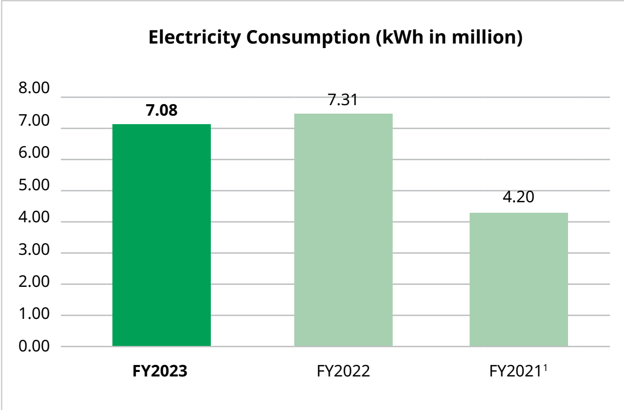
The Group recognises the precious of water resources and is dedicated to conserve water resources. The Group does not generate a significant amount of sewage from its manufacturing, major sources of its sewage is daily water usage from employees and cleaning water. We have implemented the following methods to conserve water resources:

1. Install septic tank, grease trap and filter in toilet and canteen to filter oil and contaminants in wastewater and carry out basic sewage treatment.
2. Prohibit the use of phosphates-containing detergent.
3. Collect and treat the sewage generated when cleaning the outside of equipment before discharge.
4. Prohibit placing raw material and waste in outdoor area to prevent contaminating storm drain.
5. Invite professional environmental-monitoring institutions to inspect the quality of sewage discharged annually, in order to ensure its quality complies with national standard on wastewater quality.

All the water consumption of the Group was supplied by local water department, the Group did not withdraw water from water body directly. In FY2023, the Group consumed 32,500 m^3 of water, all consumed water is discharged to municipal sewage treatment system.

The principal sources of the Group's energy consumption were petrol consumption by vehicles, diesel consumption by machinery as well as purchased electricity. The Group aims to minimise the environmental impacts resulted from its operations by identifying and adopting appropriate measures. Energy-saving policies, measures, and practices have been developed to show our commitment to improving energy efficiency.

We started to collect data of fuel consumption by vehicles and machinery in FY2023. The fuel consumption of the Group in FY2023 was 7,112 GJ. The electricity consumption in FY2023 was 7.08 million kWh (FY2022: 7.31 million kWh), which is equal to 25,497 GJ. The electricity consumption intensity was 0.05 million kWh/million RMB revenue. The electricity consumption in FY2023 is maintained at the same level as FY2022, which is lower than the target of 8.1 million kWh we set for FY2023. The total energy consumption of the Group in FY2023 was 32,609 GJ, with an intensity of 244.04 GJ/million RMB revenue in FY2023.



Note(s):

1. FY2021 refers to the financial year ended 31 December 2021.

The measures we took to reduce electricity consumption in FY2023 were as follows:

1. Set the upper and lower limit for temperature of air-conditioner.
2. Change the light bulb the manufacturing area to prioritise the usage of LED lights to increase lighting level.
3. Procure energy-saving machines when its capability and price match with the requirement.
4. Turn off the lights, computer, printer, and machinery during lunch break and when unattended.
5. Arrange regular inspection on the implementation of energy conservation initiatives in different departments.
6. Monitor and record the electricity consumption data every month. Abnormal electricity usage will be investigated, reviewed and summarised.
7. Perform regular inspection of electrical appliances to ensure their energy efficiency.

FY2024 Target: Maintain total electricity consumption to be below 7.50 million kWh.

SUSTAINABILITY REPORT

WASTE

Our daily operation produces hazardous wastes which fall under the Directory of National Hazardous Wastes of the PRC. The Group is dedicated to implement the best practice of hazardous waste management. The hazardous wastes the Group generated are stored properly on erosion and leaching-proof surface with firefighting equipment equipped, and they are handled by qualified waste collectors.

In accordance with the Measures for the Disclosure of Environmental Information by Enterprises and Public Institutions of the PRC, the Group has maintained and disclosed the record of its hazardous wastes, including type of waste, quantity of disposal, way of storage and treatment, and internal emergency plans and third-party waste collector in charge. The Group has also established an Emergency Reaction Plan for Hazardous Waste, which defines what is emergency, composition and duty of the emergency reaction team and the standardised procedures of emergency reaction.

During FY2023, the Group generated 1 tonnes of wastes mineral oil and related waste (HW08), waste oil/water and hydrocarbon/water mixtures and emulsion (HW09), and other hazardous waste (HW49), including paint buckets, oil buckets, oily wraps, gloves and VOCs-containing active carbon, respectively. All have been handled by qualified third-party collectors and records of transactions are properly kept.

Non-hazardous wastes generated by the Group were mainly scrap metal and other leftover material from production. To minimise the environmental impacts from non-hazardous wastes generated from its business operation, the Group has implemented measures to manage different types of waste and launched different waste reduction initiatives. We identify soil pollution from waste as one of the key environmental factors and assess the potential environmental risk of waste generated by us by various type of waste from different department, and thus we can understand our waste-related environmental risk and prioritise it against other environmental risk and impact. We encourage employees to conduct waste separation at the source and inculcate the habit of waste recycling, therefore it has placed recycling bins in accessible areas to encourage recycling as a daily practice. The Production Department is responsible for compiling a list of waste generated in the factory which include the category of waste, its collection and storage method and way of disposal.

During FY2023, there were 125 tonnes of non-hazardous waste generated by the Group, all of them were scrap metal and other leftover material from production. Recognising the recycling potential of scrap metal and other leftover material from production, we engaged professional third-party for handling all scrap metal.

FY2024 Target: 100% of hazardous waste is handled by qualified third-party.

MITIGATION AND ADAPTATION TO CLIMATE CHANGE

The Group acknowledges that the TCFD provides recommendations regarding the disclosure of climate-related financial information. We recognised that climate change would have significant impact on our business operations and the community. We assessed the impact of key climate-related risks and opportunities and disclosed the adopted strategies under four overarching elements, including governance, strategy, risk management and metrics and targets.

Governance

The Board oversees the Group's strategies to manage climate-related issues to ensure the Group has implemented appropriate measures to enhance climate resilience, mitigate climate-related risks and capitalise climate-related opportunities. It is also responsible for approving relevant objectives and targets and reviewing the Group's performance towards the target set. Under the Board's delegations, the management of the Group is responsible for identifying and assessing the climate-related risks and opportunities, developing and implementing mitigation plans, relevant objectives and targets, and collecting and reviewing performance metrics against the objectives. The management of the Group reports to the Board on the Group's climate-related risk and opportunities and related strategy, metrics and targets regularly.

Strategy

The Group continuously updates itself on climate-related risks, including physical risks and transition risks, and climatic events affecting its business, strategy and financial planning.

In terms of acute physical risks, the increased frequency and severity of extreme weather, such as extreme heat and flash floods, can disrupt our business operations in short-term by damaging the power grid and communication infrastructures, disrupting supply chains, hampering and injuring our employees on the way to work or during their work. These events could also damage the Group's assets, resulting in extra repairing and maintenance cost.

Therefore, the Group have formulated a crisis response plans to reduce negative impacts brought to the Group by extreme weather events. An extreme weather condition work arrangement guideline is standardised to ensure the safety of employees and business continuity, such as the operating procedures under bad weather conditions.

On the other hand, the Group identified disclosure and compliance risk as a transition risk of short-to-medium-term. With the strengthening of global commitments to decarbonisation, there have been stricter climate legislations and regulations worldwide to support the vision of global carbon neutrality. For example, the SGX-ST has imposed more stringent disclosure requirements on listed companies regarding climate-related information, and the PRC government has implemented more and tighter climate-related policies to align with its climate target. Failure to fulfil climate change compliance requirements may expose the Group to the risk of claims and litigation, which could result in possible damage to its reputation.

The transition to low carbon economy also brings market risk of the demand on the Group's goods and services in the long-term. With the rising consumers' awareness towards climate change and low carbon economy, the demand for petrochemical products may reduce, which may further affect the demand for the Group's chemical and petrochemical engineering and technology solutions. It may result in decrease in the Group's revenue.

In response to the transition risks mentioned above, the Group regularly monitors existing and emerging climate-related trends, policies and regulations and is prepared to alert senior management if necessary to avoid increased costs, fines for non-compliance or reputational risks due to delayed responses. Meanwhile, the Group would continue focusing on innovation of more environmentally-friendly and energy-efficient technology to meet the demand from chemical and petrochemical industry on sustainable technology for transition towards sustainability.

Risk Management

The management of the Group identifies climate-related risks and opportunities by considering existing and emerging trends, policies and regulations related to climate change, issues identified by industrial peers and TCFD framework. With the assistance of an external consultant, the management accesses, prioritises and determines the most material climate-related risks and opportunities to be disclosed in the sustainability report. The Group recognised that climate-related risks are inherently linked to other strategic, financial and operational risks and has integrated climate change into its internal control procedures and enterprise risk management.

The Board is responsible for risk governance and ensuring that the management of the Group maintains a comprehensive system of risk management and internal controls. The Group regularly monitors existing and emerging trends to identify the change in climate-related risks and opportunities. In addition, the Group has set a target related to climate change and adopted different measures to mitigate climate-related risks. The target, progress and action plans are monitored and reviewed by the management regularly. The Group will continue to monitor and review climate-related risks and opportunities and fine-tune its management framework.

Metrics and Targets

To assess the impact of climate-related risks and opportunities, we review our greenhouse gas ("GHG") emissions performance. We record and collect data related to GHG-emitting activities in our operation and calculate our GHG emissions to understand related climate issues. We have measured the direct (Scope 1) and energy indirect (Scope 2) GHG emissions in this Report. The major sources of GHG emissions of the Group were from fuel consumed by vehicles and machinery (Scope 1) as well as purchased electricity (Scope 2). We also understood the connection between GHG emissions and business activities, and therefore calculated the GHG emissions intensity per revenue. We are committed to collecting more information, including assets and business operations vulnerable to climate risks and align with climate opportunities, to better understand our resilience against climate-risks and opportunities.

SUSTAINABILITY REPORT

In FY2023, the Group generated 407 tonnes of carbon dioxide equivalent ("tCO_2e") Scope 1 GHG emissions and 4,039 tCO_2e Scope 2 GHG emissions. The total GHG emissions was 4,446 tCO_2e, with an intensity of 33.27 tCO_2e/million revenue RMB. The data on GHG emissions are calculated based on widely applied standards, including but not limited to, "The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standards" issued by the World Resources Institute and the World Business Council for Sustainable Development, "How to prepare an ESG report — Appendix 2: Reporting Guidance on Environmental KPIs" issued by the Stock Exchange of Hong Kong Limited, and the "Notice on the Management of GHG Emissions Reporting for Power Generation Sector from 2023 to 2025" published by the Ministry of Ecology and Environment of the PRC.

FY2024 Target: Maintain the same level of GHG emissions intensity as FY2023, and organise at least one activity to raise stakeholders' awareness on energy saving and climate change.

7. SOCIAL

Anchun considers the core principles and is committed to the advancing of human rights both within our operations and in the wider value chain.

We recognise the increasing focus on human rights. Human rights are fundamental and embedded across our organisation's values and operations. Our compliance with labour and employment laws on working hours, non-discriminative colleagues' treatments, and whistleblowing systems are a testament to our efforts to safeguard human rights.

We take early action to prevent and mitigate negative human rights impacts. Please refer to our "Employment, Diversity and Equal Opportunity" section on page 25 for compliance with labour and employment laws and our commitment to non-discriminative employee treatment.

OCCUPATIONAL HEALTH AND SAFETY

Our employees' safety and health at the workplace is one of our top priorities, and our ultimate goal is to have a zero-accident workplace. We are committed to managing and reducing safety and health risks through effective risk management. The Group has established an occupational health and safety management system. Our management system is ISO 45001 "Occupational Health and Safety Management System" certified, which is applied to the entire Group. The Group's management is responsible for the establishment, implementation, monitoring and review of the occupational health and safety system, to ensure the effectiveness of the system.

Despite the gradual release of the anti-epidemic measures during FY2023, the Group is still striving to protect the health and safety of its employees by requiring the wearing of masks in the workplace and disinfecting and cleaning our facilities regularly.

In FY2023, there were 4 work-related injuries involving the Group's employees, all of them minor recordable injuries, and one minor recordable injury involving a worker who is not our employee but whose workplace is controlled by the Group (FY2022: 2 equipment operations accidents and 3 minor injuries, FY2021: 9 minor injuries). The rate recordable work-related injuries that involved the Group's employees was 8.83 per 1 million working hours. All the work-related injuries were handled in compliance with laws and regulations and the injured have received appropriate medical treatment. The Group has met the target of FY2023 of maintaining zero equipment accidents, major injuries and fatalities, less than two cases of equipment operations accidents and not more than three cases of minor injuries.

Measures that are taken to prevent incidents recurrence:

1. Invite the relevant parties of the accident to discuss and analyse the accident, take preventive measures and deal with the accident liability, and report to all employees.
2. Conduct "Safe Production Month" educational series of activities in June annually by inviting experts to give lectures on safety production, organising safety production educational video screenings for employees, providing safety production training, and circulating banners and posters of safety production for employee awareness.
3. Organise meetings on safety and production tasks by the production department before the start of work.
4. Require all new employees to undergo safety training to familiarise themselves with the operating environment, safety risks, and controls.
5. Carry out risk assessment regularly to identify, assess and prioritise the potential occupational health and safety risks in the workplace, thus develop mitigation measures for material health and safety risk.
6. Distribute personal protective equipment to employees based on their job natures, require all personnel entering the manufacturing area to comply with the dress code.

SUSTAINABILITY REPORT

7. Provide free health examination to employees in special positions once a year and to employees in operational department once per two years.
8. Strive to achieve the company's annual safety production goals by combining the 6S work with a regular safety inspection, i.e., implement safety production, carry out safety education and improve the safety literacy of employees, listen carefully to the safety needs of employees, and enhance a safe environment for our employees.

We concede the importance of employees' acknowledgement in occupational health and safety. We communicate with our employees through different engagement channel regularly to understand their expectations and concerns, including issues related to occupational health and safety. We also communicate our measures to employees by providing training on health and safety.

In FY2023, Hunan Anchun organised a fire safety training for its employees in response to the theme "Everyone talks about safety, and everyone knows how to respond in emergencies" of the 22nd national safety production month. During the training, a expert from Hunan Fuan Fire Services Training School was invited to give a talk on fire safety to all our employees and demonstrated the use of different firefighting equipment. The employees also participated in a fire drill. The training gained an inspiring success, by raising employee's awareness of fire safety and increasing their ability to deal with emergencies.

FY2024 Target: We will continue to focus on workplace safety and maintain zero equipment accidents, major injuries and fatalities. We also aim for less than two cases of equipment operations accidents and not more than three cases of minor injuries.

EMPLOYMENT, DIVERSITY AND EQUAL OPPORTUNITY

Anchun ensures compliance with all applicable labour and employment laws, including working hours. Furthermore, we ensure that no colleagues should be discriminated against because of age, gender, national origin, disability, religion, sexual orientation, marital or maternity status, union membership or political opinion, among others. Non-compliance in relation to discrimination is reportable through our whistleblowing system.

Board Diversity

At present, our Board is composed of individuals with varied backgrounds. We have representation from different genders and backgrounds. As at 31 December 2023, the Board is comprised of 3 female and 5 male directors, all of their ages are above 50. The diverse Board members also bring in different skills and professional experiences. Our diversity of perspectives allows us to make decisions that are reflective of the needs and opinions of a wide range of stakeholders.

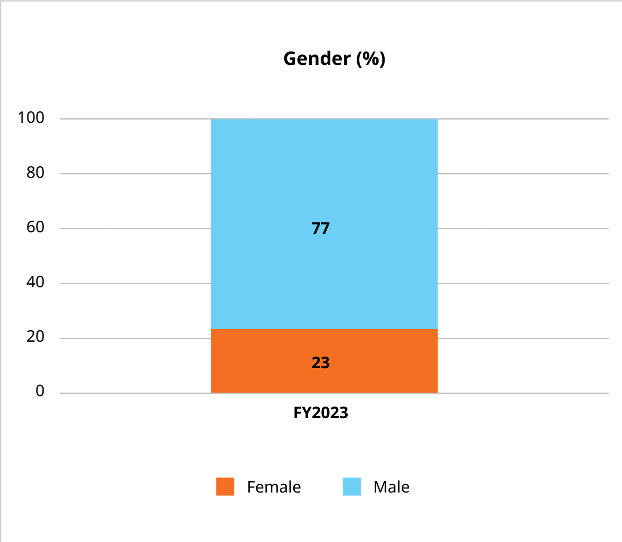
Employee Diversity

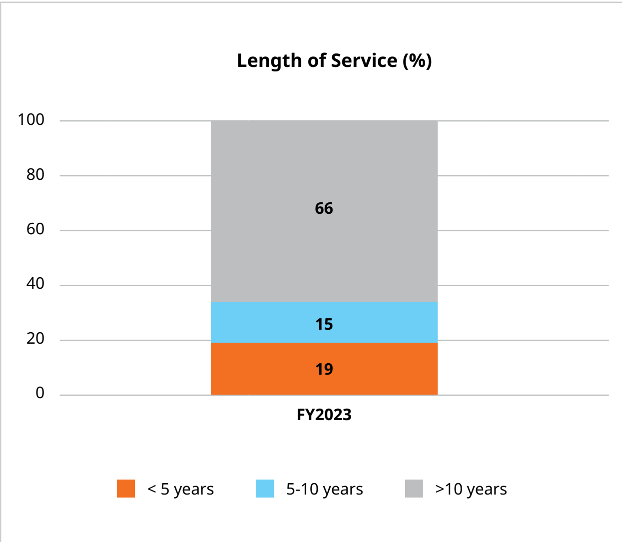
Below is the Group's staff composition chart. As at 31 December 2023, the Group had a total of 217 full-time employees and 58 agency workers, all of them work full-time. The agency workers mainly work as technical staff in the Group, *e.g. welder*. Due to the nature of work, our employees are predominately male staff. In this particular aspect, the Group does not favour male over female job applicants. To ensure equal opportunity is provided to both male and female employees, the Group has set a policy for the protection of the rights and interests of female employees. The policy ensures gender equality and prohibits any form of discrimination against female employees. It demonstrates the Group's strong commitment to promoting and empowering women in management positions. Additionally, the Group provides comprehensive support and welfare measures for female employees, including flexible work arrangements for pregnant and breastfeeding employee.

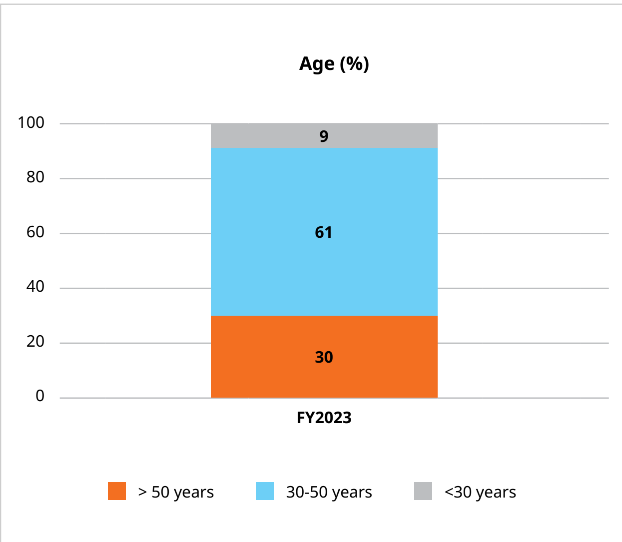
Employee Distribution as at 31 December 2023

Number of employees	By Gender		By Region	
	Male	Female	PRC	Singapore
Total	167	50	216	1
Permanent Employees	112	25	136	1
Temporary Employees	55	25	80	-

SUSTAINABILITY REPORT







Remuneration and Welfare

Our employees are offered a competitive remuneration package to attract and retain talent. The remuneration package includes the employee retirement scheme pertaining to the PRC's statutory provision and other voluntary benefits including overtime pay, meal allowance, telecommunication allowance, housing subsidy, holiday allowance, paid annual leave, sick leave, marriage leave, maternity leave, paternity leave and the "Five Social Insurance And One Housing Fund" (endowment insurance, medical insurance, unemployment insurance, work-related injury insurance, childbirth insurance, and housing accumulation funds). As all of the Group's employees are full-time employees, the remuneration package is applied to all employees.

Labour Union

The labour union of the Group is operated by existing employees. All employees are members of the labour union. The labour union focuses on new employees' orientation, team bonding, festival gift-giving, and handling employees' complaints. Every year, our labour union organises collective bargaining and is given the right to exercise freedom of association.

In FY2023, the labour union of the Group organised a variety of activities, such as providing assistance to employees in difficulty, distributing fruits and gifts during various festivals and purchasing Changsha Employee Medical Mutual Insurance for all our employees.

Similar to the past, we have achieved our target and there was no reported discrimination in the Group in FY2023 (FY2022 and FY2021: Nil).

FY2024 Target: To maintain zero complaints on discrimination.

TRAINING AND EDUCATION

We are committed to providing training and education to our employees. We understand that the success of our organisation relies on having a well-trained and educated team of professionals.

Our commitment on training and education begins with our onboarding process, which is designed to ensure that all employees have the basic knowledge necessary to be successful in their roles. We also offer continued education opportunities, such as orientation, seminars, in-person mentoring, and training with experts so that employees can stay up to date on the latest safety trends and industry best practices.

SUSTAINABILITY REPORT

Although the list is not exhaustive, the following categories of training programmes were conducted in FY2023:

- Leadership Training
- Safety Management Training
- Design Management Training
- Production Management Training
- Human Resources Management Training
- Financial Management Training

We achieved a total of 5,500.00 training hours in FY2023, with an average training hours per employee of 25.35 hours. We have achieved the target set in FY2022, to maintain the same level of average training hours per employee. All the employees have received performance review in FY2023. The average training hours per employee and percentage of employees receiving regular performance and career development reviews by gender and by employee category are as follows:

Indicators		Average Training Hours (Hours)	Percentage of Employees Receiving Regular Performance and Career Development Reviews
By gender	Male	27.07	100%
	Female	19.60	100%
By employee category	Senior Management	12.00	100%
	Middle Management	11.11	100%
	General Staff	27.09	100%

FY2024 Target: To maintain the same level of average training hours per employee.

SUPPLY CHAIN MANAGEMENT

Recognizing the importance of suppliers as an external resource for the survival and development of the Group, the Group maintains strict control over our materials and equipment procurement and tender management procedures. During supplier selection process, the Group takes into account suppliers' track record, prevailing market price and delivery time. The Group periodically evaluates and monitors the performance of its suppliers to ensure their compliance with quality and service standards. The result of supplier evaluation is documented for record.

The Group also acknowledges its responsibility to manage the environmental and social consequences of its purchasing decisions. The Group will consider the supplier's environmental and social performance when selecting new suppliers and evaluating suppliers. The Group has communicated its requirements and expectations on the suppliers' environmental and social performance. The Group's environmental and social criteria for assessing supplier cover: regular inspection of vehicles, proper disposal of hazardous waste, the environmental impact of manufacturing the raw materials and the establishment of efficient environmental and occupational health and safety management system (e.g. ISO 14001 & ISO 45001 certificated). Priorities will be given to materials that are manufactured in clean and green ways. During FY2023, the total number of suppliers of the Group was 140, including 11 new suppliers. All major suppliers, which are the suppliers of crucial raw materials, were screened using environmental and social criteria. The total number of suppliers screened are 50, including 7 new suppliers. In FY2023, no significant negative environmental and social impact in the supply chain is identified.

FY2024 Target: Ensure that environmental and social criteria is considered when screening all major suppliers.

SUSTAINABILITY REPORT

PRODUCT QUALITY AND SAFETY

The Group is committed to providing products that meet customer, regulatory and legal requirements. The Group continues to innovate and improve its products and services while consulting with our customers and observing industry trends. Meanwhile, the Group focuses on research and development of new technology and application on product. As at 31 December 2023, the Group hold 53 patents in the PRC, 3 patents in the United States and 1 patent registered under the Patent Cooperation Treaty.

The Group has developed effective quality control systems to ensure that the quality of products and meet the specified requirement. We are ISO 9001 "Quality Management System" certified, an international guideline that ensures we meet the statutory and regulatory requirements while delivering high quality products and services to our customers. The Group has established a Quality Management Department to oversee the quality management matters of the Group and a Quality Management Taskforce to manage the quality control of manufacturing departments. Penalties on practices violating quality control measures are set. During FY2023, there was no incidents of non-compliance concerning the health and safety impacts of products and services, nor product or service whose health and safety impacts are assessed for improvement.

Upholding high requirements on product quality and striving to develop higher efficiency and greener products and technology, Hunan Anchun was awarded the "High-new Technology Enterprises" certification by Hunan Provincial Department of Science and Technology, Hunan Provincial Department of Finance and Hunan Provincial Taxation Bureau, and the "National Specialised & Innovative "Emerging Giant" Enterprise" award by Ministry of Industry and Information Technology of the PRC.

FY2024 Target: No incidents of non-compliance concerning the health and safety impacts of products and services.

LOCAL COMMUNITIES

The Group recognised that its operation may affect local communities and has worked on assessing the impact and contributing to community's need. The Group embraces the philosophy of giving back to the community by encouraging proactive involvement in the Group's various corporate social responsibility initiatives and environmental conservation programs. Contributing time and resources, we are committed to aid the development and improvement of the society in which we live and work.

During FY2023, we engaged professional third-party to carry out air and water quality assessment of the air emitted and sewage discharged by the Group. It ensures that the air and water quality of the Group's air emission and wastewater comply with the national standard and have limited impact to the environment. We also carried out environmental risk assessment to rate the frequency, severity, scope of impact and level of concern of different environmental risk concerning our operations, to understand the impact we may have on local environment and prioritise them.

To support the development of local economies, the Group joined 11 career fairs in FY2023 in response to the needs of job opportunities of local communities. The Group especially focuses on the career development of vulnerable groups and youth. Among the 11 career fairs we joined, 8 are campus career fairs, reaching graduates from more than 7 universities and technological institutes. The other 3 career fairs are community career fairs opening to public and targeting on retired military personnel, disabled person, registered unemployed people and other people-in-needs.

We also value our relationship with other internal and external stakeholders. labour union and designed departments are formed and assigned to manage employee-related issues and response to the needs and concerns of employees, including occupational health and safety, training and development and employment. We also maintained a List of Stakeholders' Needs and Expectations and different policies to understand and manage the needs of different stakeholders. Different departments, for example Sales Department, Procurement Department, communicate with different stakeholder proactively and design different engagement strategies based on their needs and expectations. These local community engagement, impact assessments, and development programs are implemented in all of the Group's operations.

Membership Associations

The Group's contribution to the industry and Hunan province is clearly marked by our management positions in key associations and professional organisations. The following are the industrial or academic professional organisations the Group joined:

- Director Unit of China Petroleum and Chemical Engineering Survey and Design Association
- Standing Member of China Nitrogen Fertiliser Industry Association
- Standing Member of China Chemical Industry Environmental Protection Association
- Director Unit of China Petroleum Chemical Industry Federation
- Standing Member of Hunan Society of Chemical and Chemical Engineering
- Director Unit of Hunan Survey and Design Association
- Vice President Unit of Hunan Petroleum Chemical Industry Association
- Member Unit of Chemical Catalyst Division Technical Committee of National Standardisation Technical Committee of Chemical
- Standing Member of Hunan Petroleum Society
- Member Unit of Hunan Association of Special Equipment Inspection
- Vice President Unit of Changsha Special Equipment Safety Management Association
- Member Unit of Changsha Work Safety Association
- Member Unit of China Chemical Industry Equipment Association
- Director Unit of the Green Ammonia and Methanol Industry Alliance
- Branch Association of the Hunan Provincial Association of Retired Scientists and Technologists
- Vice Chairman Unit of Hunan Enterprise Science and Technology Federation
- Director Unit of Hunan Society of Civil Engineering and Architecture
- Director Unit of Hunan Engineering Consulting Association
- Member Unit of Changsha Federation of Industry and Commerce

FY2024 Target: Encourage employees to support local community by charitable activity.

8. GOVERNANCE

CORPORATE GOVERNANCE

The Board and the management of the Group are committed to the leading practices in corporate governance to ensure sustainability of the Group's operations. We believe that our constant drive for corporate excellence will allow us to establish a more transparent, accountable, and equitable system, thereby increasing the value of the Group and its value to our shareholders. Please refer to the Group's Report of Corporate Governance Report on pages 37 to 75 in the Annual Report for detailed information on the Group's corporate governance.

The Group was not subjected to any substantiated complaints or incidents of corruption, bribery, anti-competitive behaviour, data loss or privacy breaches from FY2021 to FY2023. There were no incidents of material penalties in relation to the sale of banned products, non-compliance with marketing and labelling regulations, product health and safety, occupational health and safety or environmental laws and regulations. We abide by the listing rules as stated in SGX-ST Rulebooks on Code of Corporate Governance and believe in the honesty, integrity and vigilance of our management and employees. Our commitment of responsible business conduct was embodied by our policy, which stipulates respecting human rights, including specific policies addressing women's rights, and applying precautionary principles. Our policy commitment is applied to all of our operations and is communicated to our stakeholders, including employees and suppliers. We are expecting our stakeholders to work closely with us in achieving responsible business conduct.

We have achieved the target we set last year. There was no incident of non-compliance with laws and regulations resulting in significant fines or sanctions in FY2023, so as in FY2022 and FY2021.

FY2024 Target: To maintain zero non-compliance with applicable laws and regulations while upholding the Code of Corporate Governance.

SUSTAINABILITY REPORT

ANTI-CORRUPTION

Fair Operating Practice

We are committed to driving the business development according to good corporate governance and compliance with relevant laws and regulations in order to continuously improve our operations.

The Group does not tolerate corruption in any form and ensure that we uphold fair operating practices. The Group sees the importance of educating employees on anti-corruption related matters. The Group's anti-corruption policies and procedures have been communicated to all employees and Directors through a policy statement. All employees and members of the governance body have received anti-corruption training. We also communicated our principle of fairness and integrity and anti-corruption practices externally with our customers and suppliers.

In FY2023, Hunan Anchun has been assessed for risks related to corruption, no significant risks related to corruption were identified through the risk assessment and 100% of the Group's operations are assessed for corruption risk.

We have established an anti-corruption policy. We prohibit corruption in all forms, including extortion and bribery. As set out in our whistleblowing policy, all complaints shall be reported to the Audit Committee Chairman and Company Secretary of the Company either in person, or via mail to the provided address or via an email to designated officer that is only accessible by the Audit Committee Chairman.

Similar to FY2021 and FY2022, in FY2023, there was zero confirmed incidents of corruption or public legal case regarding corruption brought against the Group or its employees. There were neither any termination of contracts with employees or business partners due to violations related to corruption, nor any material non-compliance with relevant anti-corruption laws and regulations. We have met the target in FY2023 we set in FY2022.

FY2024 Target: To maintain zero incident of corruption.

ENTERPRISE RISK MANAGEMENT

The Board is committed to ensuring that the Group has an effective and practical Enterprises Risk Management framework in place to safeguard shareholders' interests, and the sustainability of the Group, as well as provide a basis to make informed decisions having regard to the risk exposure and risk appetite of the Group. As the Group does not have a risk management committee, the Board, the Audit Committee and the management of the Group assume the responsibility of the risk management function. The management regularly reviews the Group's business and operational activities and control policies and procedures, and highlights areas of significant risks to the Board. For detailed disclosure of our risk management, please refer to page 61 in the Report of Corporate Governance of this Annual Report.

FY2024 Target: To conduct annual review on our risk management framework and internal control systems.

9. GRI CONTEXT INDEX

Statement of use	Anchun International Holdings Ltd. has reported the information cited in this GRI content index for the period from 1 January 2023 to 31 December 2023 with reference to the GRI Standards.
GRI used	GRI 1: Foundation 2021

GRI STANDARD	DISCLOSURE		LOCATION / EXPLANATION
GRI 2: General Disclosures 2021	2-1	Organisational details	• Legal name: Anchun International Holdings Ltd. • Nature of ownership and legal form: publicly owned incorporated entity • Location of headquarters and country of operation: PRC
	2-2	Entities included in the organisation's sustainability reporting	Page 17
	2-3	Reporting period, frequency and contact point	• Reporting period: 1 January 2023 to 31 December 2023 • Reporting frequency: annually • Publication date: 28 March 2024 • Contact point: info@anchun.com
	2-4	Restatements of information	No restatement has been made in this Report.
	2-5	External assurance	No external assurance was conducted for this Report, and we may seek external assurance in the future.
	2-6	Activities, value chain and other business relationships	Pages 19-20
	2-7	Employees	Pages 25-26
	2-8	Workers who are not employees	Page 25
	2-9	Governance structure and composition	Pages 10-15
	2-22	Statement on sustainable development strategy	Page 16
	2-23	Policy commitments	Page 29
	2-27	Compliance with laws and regulations	Page 29
	2-28	Membership associations	Page 29
	2-29	Approach to stakeholder engagement	Pages 17-18
	2-30	Collective bargaining agreements	Page 26

SUSTAINABILITY REPORT

GRI STANDARD	DISCLOSURE		LOCATION / EXPLANATION
GRI 3: Material Topics 2021	3-1	Process to determine material topics	Page 18
	3-2	List of material topics	Page 19
	3-3	Management of material topics	Page 18
GRI 201: Economic Performance 2016	201-1	Direct economic value generated and distributed	Page 19
	201-2	Financial implications and other risks and opportunities due to climate change	Pages 22-23
GRI 205: Anti-corruption 2016	205-1	Operations assessed for risks related to corruption	Page 30
	205-2	Communication and training about anti-corruption policies and procedures	Page 30
	205-3	Confirmed incidents of corruption and actions taken	Page 30
GRI 302: Energy 2016	302-1	Energy consumption within the organisation	Page 21
GRI 303: Water and Effluents 2018	303-3	Water withdrawal	Page 21
	303-4	Water discharge	Page 21
	303-5	Water consumption	Page 21
GRI 305: Emissions 2016	305-1	Direct (Scope 1) GHG emissions	Page 24
	305-2	Energy indirect (Scope 2) GHG emissions	Page 24
	305-4	GHG emissions intensity	Page 24
GRI 306: Waste 2020	306-1	Waste generation and significant waste-related impacts	Page 22
	306-2	Management of significant waste-related impacts	Page 22
	306-3	Waste generated	Page 22
GRI 308: Supplier Environmental Assessment 2016	308-1	New suppliers that were screened using environmental criteria	Page 27
	308-2	Negative environmental impacts in the supply chain and actions taken	Page 27
GRI 401: Employment 2016	401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	Page 26

SUSTAINABILITY REPORT

GRI STANDARD	DISCLOSURE		LOCATION / EXPLANATION
GRI 403: Occupational Health and Safety 2018	403-1	Occupational health and safety management system	Pages 24-25
	403-2	Hazard identification, risk assessment, and incident investigation	Pages 24-25
	403-4	Worker participation, consultation, and communication on occupational health and safety	Pages 24-25
	403-5	Worker training on occupational health and safety	Pages 24-25
	403-6	Promotion of worker health	Pages 24-25
	403-8	Workers covered by an occupational health and safety management system	Pages 24-25
	403-9	Work-related injuries	Pages 24-25
GRI 404: Training and Education 2016	404-1	Average hours of training per year per employee	Page 27
	404-2	Programs for upgrading employee skills and transition assistance programs	Page 27
	404-3	Percentage of employees receiving regular performance and career development reviews	Page 27
GRI 405: Diversity and Equal Opportunity 2016	405-1	Diversity of governance bodies and employees	Page 25
GRI 406: Non-discrimination 2016	406-1	Incidents of discrimination and corrective actions taken	Page 26
GRI 413: Local Communities 2016	413-1	Operations with local community engagement, impact assessments, and development programs	Page 28
GRI 414: Supplier Social Assessment 2016	414-1	New suppliers that were screened using social criteria	Page 27
	414-2	Negative social impacts in the supply chain and actions taken	Page 27
GRI 416: Customer Health and Safety 2016	416-1	Assessment of the health and safety impacts of product and service categories	Page 28
	416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	Page 28

SUSTAINABILITY REPORT

10. TCFD CONTENT INDEX

TCFD PILLAR	RECOMMENDED DISCLOSURE	LOCATION/ EXPLANATION
GOVERNANCE	Describe the board's oversight of climate-related risks and opportunities	Page 22
	Describe management's role in assessing and managing climate-related risks and opportunities	Page 22
STRATEGY	Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term	Pages 22-23
	Describe the impact of climate-related risks and opportunities on the organisation's business, strategy, and financial planning	Pages 22-23
	Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario	The Group has assessed its resilience based on its best understanding of the current trend of climate change. We will strive to adopt different climate-related scenarios when addressing climate resilience.
RISK MANAGEMENT	Describe the organisation's processes for identifying and assessing climate-related risk	Page 23
	Describe the organisation's processes for managing climate-related risks	Page 23
	Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management	Page 23
METRICS AND TARGET	Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process	Pages 23-24
	Disclose Scope 1, Scope 2, and if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks	Pages 23-24
	Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets	Pages 23-24

CORPORATE INFORMATION

BOARD OF DIRECTORS:

Xie Ming
(Non-Independent
Non-Executive Chairman)

Zheng Zhi Zhong
(Executive Director and CEO)

Dai Feng Yu
(Executive Director)

Xie Ding Zhong
(Non-Executive Director)

Lee Gee Aik
(Lead Independent Director)

Tan Min-Li
(Independent Non-Executive Director)

Andrew Bek
(Independent Non-Executive Director)

He Ming Yang
(Independent Non-Executive Director)

COMPANY SECRETARY:

Thum Sook Fun

REGISTERED OFFICE:

138 Cecil Street
#12-01A Cecil Court
Singapore 069538
Telephone: (65) 6202 0594

PRINCIPAL OFFICE AND CONTACT DETAILS:

No. 539, Lusong Road
Changsha National Hi-tech Industrial
Development Zone
Changsha City, Hunan Province,
PRC 410205
Telephone: (86) 731-88958633, 88958632
Facsimile: (86) 731-88958611

IR CONTACT:

Website Address:
https://www.anchun.com

SHARE REGISTRAR:

Boardroom Corporate & Advisory
Services Pte. Ltd.
1 Harbourfront Avenue
#14-07 Keppel Bay Tower
Singapore 098632

AUDITOR:

Ernst & Young LLP
One Raffles Quay
North Tower, Level 18
Singapore 048583
Partner-in-charge:
Andrew Tan Chwee Peng
(Date of appointment:
since financial year ended
31 December 2021)

PRINCIPAL BANKERS:

China Construction Bank
China Merchants Bank
DBS Bank Limited
Industrial and
Commercial Bank of China
Overseas Chinese Banking
Corporation Limited

FINANCIAL CONTENTS

REPORT OF CORPORATE GOVERNANCE

The Board of Directors ("Board") of Anchun International Holdings Ltd. (the "Company") and together with its subsidiary (the "Group") is committed to upholding a high standard of corporate governance by adopting and complying, where possible, with the Principles and Provisions of the Code of Corporate Governance 2018 (last amended 11 January 2023) (the "Code"). The Group believe that good corporate governance is imperative and an integral element of a sound corporation that provides the framework for an ethical and accountable corporate environment, which will protect the interests of the Company's shareholders ("Shareholders"), promote investors' confidence and create long-term value and return for its Shareholders.

This corporate governance report ("Report") describes the Company's corporate governance processes and activities that were in place during the financial year ended 31 December 2023 ("FY2023"), with specific reference made to the principles and provisions of the Code and accompanying by the voluntary Practice Guidance (last amended 31 December 2023) which is in line with Rule 710 of the Listing Manual of Singapore Exchange Securities Trading Limited ("Listing Manual"). Where there are any deviations from the Code, the Board considered alternative practices adopted by the Group are sufficient to meet the underlying objectives of the Code. Appropriate explanations have been provided in the relevant sections when there are deviations.

BOARD MATTERS

The Board's Conduct of its Affairs

Principle 1: The Company is headed by an effective Board which is collectively responsible and works with Management for the long-term success of the company.

Provision 1.1

The primary function of the Board is to provide effective leadership and direction to enhance the long-term value of the Group to the Company's Shareholders and other stakeholders. The Board oversees the business affairs of the Group and has the overall responsibility for reviewing the strategic plans and performance objectives, financial plans, key operating initiatives, major funding and investment proposals, financial performance reviews and corporate governance practices.

Besides carrying out its statutory responsibilities, the Board's other roles are to:

i) provide entrepreneurial leadership, set long-term strategic objectives which should include the appropriate focus on value creation and innovation;

ii) establish a framework of prudent and effective controls which enables the identification, assessment and management of risks, including safeguarding of Shareholders' interests and to preserve the integrity of the Group's assets;

iii) review management performance including interested person transaction(s);

iv) identify the key stakeholder groups and recognise that their perceptions affect the Group's reputation;

v) set the Group's values and standards (including a code of conduct and ethical standards), set appropriate tone-from-the-top and desired organisational culture, ensure proper accountability within the Company and ensure that obligations to Shareholders and other stakeholders are understood and met;

vi) consider sustainability issues (including environmental and social factors) as part of its long-term strategic formulation; and

vii) provide oversight of the proper conduct of the Group's business and assume responsibility for corporate governance.

REPORT OF CORPORATE GOVERNANCE

The directors of the Company (the "Directors") are of the view that they have objectively discharged their duties and responsibilities at all times as fiduciaries in the best interests of the Company and hold Management accountable for the overall performance for long-term success of the Group. All Directors, in the course of carrying out his or her duties, exercise due diligence and independent judgement, comply with applicable laws, act in good faith and in the best interests of the Group and its Shareholders at all times.

In furtherance of this principle, internal guidelines have been established which requires all Board members who have a potential conflict of interest in a particular agenda item to recuse themselves from the discussion involving the relevant Board discussion. This policy also applies to all Board Committees. Directors are not to allow themselves to be placed in a position of real or apparent conflict of interest. In order to address and manage conflicts of interest, Directors are required to promptly declare any actual, potential and perceived conflict of interest, in relation to a transaction or proposed transaction at a Board meeting or by written notification to the Company Secretary (the "Company Secretary"). In addition, the Company has in place procedures for Directors to give general notice of any interests in any corporation or firm, in order to anticipate possible conflicts of interest between the Director and the Group. This procedure is conducted upon appointment and annually, prompting Directors to update any change in interests and/or confirm its previous disclosures. Directors that are in conflict of interest with the Company, whether actual or potential, are required to recuse themselves from discussions and abstain from voting on the matter.

Continuous Training for Directors and Orientation for Incoming Directors

A formal letter will be sent to each new Director, upon his/her appointment, setting out the Director's statutory duties and obligations. Newly appointed Directors undergo an orientation program with materials provided to help them get familiarise with the business and organisation structure of the Group. To get a better understanding of the Group's business, the newly appointed Directors will also be briefed on their duties and obligations as directors. They are also given the opportunity to visit the Group's operational facilities and meet with the Management to gain a better understanding of the Group's business operations. Provision 1.2

For a new Director who has no prior experience as a director of a public listed company in Singapore, in addition to the induction programme as mentioned above, he or she will be required to attend specific modules of the Listed Entity Directors ("LED") Programme conducted by the Singapore Institute of Directors ("SID") or the necessary training as prescribed by Singapore Exchange Securities Trading Limited ("SGX-ST") in order to acquire the relevant knowledge of what is expected of a listed company director, which is a mandatory requirement under the Listing Manual, unless the Nominating Committee ("NC") is of the view that such training is not required because the Director has other relevant experience.

During FY2023, no new Director was appointed.

The Directors are also kept abreast of developments which are relevant to the Group, which have an important bearing on the Group and the Directors' obligations to the Group, from time to time. Relevant updates or new releases issued by the SGX-ST and the Accounting and Corporate Regulatory Authority ("ACRA") which are relevant to the Directors or new articles/reports (if any) including analyst reports which are relevant to the Group are circulated to all the Directors from time to time. The Group's External Auditors also provide periodic briefing to the Audit Committee ("AC") on changes or amendments to the accounting standards and their impact on the financial statements, if any. In addition, the CEO also updated the Board at each meeting on the business and strategic developments pertaining to the Group's business.

REPORT OF CORPORATE GOVERNANCE

During FY2023, Directors have the opportunity to visit the Group's operational facilities in China and to meet with the Management to gain a better understanding of the Group's business operations. It also allows the Directors to get acquainted with the Management, thereby facilitating Board interaction and independent access to the Management.

The Directors are conscious of the importance of continuing education in areas such as legal and regulatory responsibilities and accounting issues, so as to update and refresh themselves on matters that may affect their performance as a Board, or as a member of a Board committee by attending training for Directors on such relevant new laws, regulations and changing commercial risks from time to time when appropriate.

Pursuant to Rule 720(7) of the Listing Manual, all directors have to undergo training on sustainability matters as prescribed by the SGX-ST. All the Directors have completed the said mandated sustainability training course organised by SID and the Institute of Singapore Chartered Accountants ("ISCA") as required by the enhanced SGX sustainability reporting rules.

Matters Requiring Board Approval

The Group has adopted internal guidelines setting out matters reserved for the Board's approval. Within these guidelines, the Board approves transactions that exceed certain thresholds. Material matters which specifically require the Board's decision or approval are clearly communicated to the management in writing. They include the following corporate matters (*but not limited to*): - Provision 1.3

i) Announcements to be released via SGXNet, including half-yearly and full year financial announcements;

ii) Authorisation of material acquisitions, divestments, joint ventures or investments;

iii) Share issuances or changes in the capital of the Company;

iv) Interested person transaction (as defined under Chapter 9 of the Listing Manual);

v) Change in business direction or corporate strategies;

vi) Declaration of interim dividends, proposal of final dividends or other returns to Shareholders;

vii) Any matters relating the Company's Annual or Extraordinary General Meeting,

viii) Change of directors (including the Board Committee) and key management staff, including the review of performance and remuneration packages; and

ix) Any other matters as prescribed under the relevant legislations and regulations, as well as the provision of the Company's Constitution.

While matters relating to the Group's strategies and policies require the Board's decision and approval, the Management is responsible for the day-to-day operations and administration of the Group.

Delegation of Authority to Board Committees

To facilitate effective management and assist in discharging the Board's responsibilities, the Board has delegated certain functions to various committees, namely AC, NC and Remuneration Committee ("RC") (each, "Board Committee", and collectively, "Board Committees"). Committees or subcommittees may be formed from time to time to address specific areas as and when the need arises. Provision 1.4

REPORT OF CORPORATE GOVERNANCE

All Board Committees, consist of a majority of Independent and Non-Executive Directors (or "Independent Directors"), are chaired by Independent Director. Functions of these Board Committees including their compositions, authorities and duties are clearly written in its terms of reference ("TOR"), which have been approved by the Board. The effectiveness of each Board Committee is constantly monitored and reviewed on a regular basis to ensure their continued relevance. Further details of the scope and functions of the various Board Committees, including their TOR are provided below in this Report.

The Board accepts that while the Board Committees have delegated power to make decisions, execute actions or make recommendations in their specific areas respectively, the ultimate responsibility for the decisions and actions vests with the Board and the Chairmen of each Board Committee will report back to the Board with its decisions and/ or recommendations.

Meetings of Board and Board Committees

Board and Board Committee meetings including the Annual General Meeting ("AGM") are scheduled well in advance, in consultation with the Directors. There are four scheduled Board meetings each year at regular intervals and on an ad-hoc meeting is convened, as and when they are deemed necessary to address significant transactions and issues that may arise in between the scheduled meetings. These meetings are scheduled in advance to facilitate the individual Director's planning in view of their ongoing commitments. Provision 1.5

To ensure maximum Board participation, the Constitution of the Company provides for the Directors to participate in the meetings of the Board and Board Committees by tele-conferencing or video-conferencing means. The Board and Board Committees may also make decisions through circulating written resolutions. Minutes of the Board Committees meetings are made available to all Board members, if requested and in the absence of any conflict.

The attendance of Directors at meetings of the Board and Board Committees meetings during FY2023 is tabulated below:

Name	Designation	Number of meetings attended / Number of meetings held			
		Board	AC	NC	RC
Current Directors					
Ms. Xie Ming	Non-Independent Non-Executive Chairman	4/4	–	–	1/1
Mr. Zheng, ZhiZhong	Executive Director and Chief Executive Officer	4/4	–	–	–
Ms. Dai, FengYu	Executive Director	4/4	–	–	–
Mr. Xie, DingZhong	Non-Independent Non-Executive Director	4/4	–	2/2	–
Mr. Lee Gee Aik	Lead Independent Director	4/4	4/4	2/2	–
Ms. Tan Min-Li	Independent Director	4/4	4/4	2/2	1/1
Mr. Andrew Bek	Independent Director	4/4	4/4	–	–
Professor He, MingYang	Independent Director	4/4	–	2/2	1/1

REPORT OF CORPORATE GOVERNANCE

In addition, all the Directors of the Company had attended the last AGM held by way of electronic means on 26 April 2023 at 9:30 a.m. (Singapore time).

Access to Information

To enable the Board to fulfil its responsibilities, the Management provides adequate and timely information to the Board to make informed decisions. All scheduled Board and Board Committees' meetings are planned in advance of each financial year and meeting papers are normally circulated to the Directors prior to each Board or Board Committee meeting. All Directors have unrestricted access to the Management and are free to request for additional information when necessary. Provision 1.6

In order to ensure that the Board is able to fulfil its responsibilities, prior to scheduled meetings, the Management provides the Board members with the meeting materials, which include management financial statements and explanations on material variance. This would also enable the Directors to oversee the Group's operational and financial performance more effectively. The Management also endeavours to furnish the Board with information concerning the Group prior to meetings and on an on-going basis to enable them to make informed decisions and discharge their duties and responsibilities. Any other matters may also be tabled at the Board meeting and discussed without papers being distributed. The Directors are entitled to request additional information as needed to make informed decisions.

The Management and the Company's internal and external auditors, who can provide insight and views on matters under discussion, are also invited from time to time to attend Board or Board Committee meetings and to respond to any queries that the Directors may have. When circumstances require, Board members exchange views outside the formal environment of Board meetings.

The Company Secretary and/or her representative(s) attend all Board and Board Committee meetings during FY2023. The Company Secretary, together with other management staff of the Company, also ensures that the Company complies with the applicable statutory and regulatory rules.

Separate and Independent access to Management and Company Secretary

The Directors have separate and independent access to the Company's Management and the Company Secretary at all times. Should the Directors, whether as a group or individually, require independent professional advice on specific issue, the Company may engage an independent professional advisor at the Company's expenses, subject to approval by the Chairman, to enable them to discharge their duties with adequate knowledge and on advise on the matter being deliberated. Provision 1.7

The role of the Company Secretary is clearly defined and includes responsibility for ensuring that Board procedures are followed, and that applicable rules and regulations are complied with. As secretary for all Board Committees, the Company Secretary assists in ensuring coordination and liaison between the Board, the Board Committees and management. The Company Secretary assists the Chairman of the Board, the Chairman of Board Committees and management in the development of the agendas for the various Board and Board Committee meetings.

The Company Secretary and/or her representative attends and prepares minutes for all meetings of the Board and Board Committees. Minutes of the Board and Board Committees are also circulated to the whole Board for review and information.

The appointment and removal of the Company Secretary is a decision of the Board as a whole.

REPORT OF CORPORATE GOVERNANCE

Board Composition and Balance

Principle 2: The Board has an appropriate level of independence and diversity of thought and background in its composition to enable it to make decisions in the best interests of the company.

Independence of Directors

As set out under the Code, an Independent Director is one who is independent in conduct, character and judgement, and has no relationship with the Company, its related corporations, its substantial shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Director's independent business judgement in the best interests of the Company. Provision 2.1

The NC is tasked to determine on an annual basis and as and when the circumstances require whether or not a director is independent, bearing in mind the provisions set forth under Provision 2.1 of the Code and any other salient factor which would render a director to be deemed not independent.

The NC deliberates annually to determine the independence of a director, taking into consideration the Listing Manual, the Code, its accompanying Practice Guidance as well as whether there is any circumstance or relationship that might impact the Director's independence or perception of independence. In determining whether a director is independent, the NC adopts the definition in the Code of what constitutes an Independent Director. Accordingly, the NC considers an "independent" Director as one who is independent in conduct, character and judgement, and has no relationship with the Company, its related corporations, its substantial shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Director's independent business judgment with a view to the best interests of the Company.

Each Independent Director is required annually to complete an independence checklist and to declare whether they consider themselves independent – even if they have any of the relationships which are deemed to be non-independent based on the standards of independence in the Code. Such declarations assist the NC in its determination of the Directors' independence.

All Independent Directors have made declarations on their respective status of independence and have confirmed that they do not have any relationships with the Company, its related corporations, its substantial shareholders, or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Directors' independent business judgement with a view to the best interests of the Company.

Based on the annual confirmation of independence and self-declaration submitted by the Independent Directors, the NC has reviewed and determined that Mr. Lee Gee Aik, Ms. Tan Min-Li, Mr. Andrew Bek and Professor He MingYang are independent in character and judgement and there are no relationships or circumstances which are likely to affect, or could appear to affect, the Independent Directors' judgement. The Board has accepted the NC's assessment of Directors' independence.

Each member of the NC and the Board recused themselves from the deliberations on their independence.

REPORT OF CORPORATE GOVERNANCE

The Board recognises that independent directors may over time develop significant insights in the Group's business and operations and can continue to provide noteworthy and valuable contribution objectively to the Board as a whole. The independence of the independent director must be based on their professionalism, integrity, objectivity as well as they possess core competencies such as financial, accounting and legal and not merely based on form such as the number of years which they have served on the Board.

With effect from 11 January 2023, Rule 210(5)(d)(iv) of the Listing Manual further provides that a director will not be independent if he/she has been a director of the Company for an aggregate period of more than nine years (whether before or after listing). Concurrently, the transitional provisions also came into effect on 11 January 2023 ("Transitional Provision") to allow issuers to have sufficient time for board appointments. The transitional arrangements apply between 11 January 2023 and the date of the issuers' AGM for the financial year ending on or after 31 December 2023 ("Transitional Period"). During the Transitional Period, independent directors whose tenure exceeds the nine-year limit may continue to be independent until the conclusion of the next AGM of the issuers for the financial year ending on or after 31 December 2023. In view of the Transitional Provision, Ms. Tan Min-Li, Mr. Lee Gee Aik and Mr. Andrew Bek who have served the Board beyond 9 years from the date of their initial appointment (collectively known as "Affected Directors"), may remain as Independent Directors until the next AGM of the Company to be held in April 2024. In view of this, the other Directors have been asked to particularly review and assess the independence of the Affected Directors.

After due consideration and with the recommendation of the NC, the Board continues to regard the Affected Directors as independent, notwithstanding the length of tenure of their service, after taking into consideration, inter alia, the guidelines for independence as provided for under the Code, the absence of potential conflicts of interest for the Independent Directors which may arise through, inter alia, a shareholding interest in the Company and/or business dealings directly or indirectly with the Group, and as they have demonstrated independence in character and judgment, through, inter alia, their contributions to Board discussions and deliberations and ability and preparedness to exercise independent business judgment and/or decisions with the view to the best interests of the Company, without undue reliance, influence or consideration of the Group's interested parties such as the Chairman, the other non-independent Directors, controlling shareholders and/or their associates.

The NC and the Board have also evaluated the participation of the Affected Directors at the Board and Board Committee meetings and determined that they remain objective and independent minded in Board deliberations. Their vast experience enables them to provide the Board and the various Board Committees on which they serve, with pertinent experience and competence to facilitate sound decision-making and that their length of service does not in any way interfere with their exercise of independent judgment nor hinder their ability to act in the best interests of the Company. Additionally, the Affected Directors fulfil the definition of independent directors of the Listing Manual and the Code. More importantly, the Board trusts that the Affected Directors are able to continue to discharge their duties independently with integrity and competency. The Affected Directors have recused themselves from all NC and Board deliberations and decisions relating to their continued independence.

Taking into account the above, the Board has affirmed their independence status and resolved that the Affected Directors continues to be considered an independent director, notwithstanding they have served the Board beyond nine years from the date of their first appointment.

REPORT OF CORPORATE GOVERNANCE

Nonetheless, in compliance with the amended Rule 210(5)(d)(iv) of the Listing Manual which imposed a hard tenure limit for independent directors, beyond which such Directors will no longer be considered independent, the Affected Directors will either to step down or re-designate as Non-Independent Director at the forthcoming AGM to be held in April 2024 ("2024 AGM") and as part of the Board renewal plan:

a) Mr. Lee Gee Aik and Ms. Tan Min-Li, who are due for retirement pursuant to Article 89 of the Company's Constitution, have decided not to seek for re-election at the 2024 AGM to be in compliance with Rule 210(5)(d)(iv) of the Listing Manual;

b) Three (3) new independent directors, namely Mr. Tan Wei Shyan, Mr. Wang HeMing and Mr. San Meng Chee, will be appointed as Directors of the Company with effect from 1 May 2024; and

c) Mr. Andrew Bek will be re-designated as Non-Independent Non-Executive Director upon the conclusion of the forthcoming AGM in compliance with the Rule 210(5)(d)(iv) of the Listing Manual and will thereafter relinquish his position as Director of the Company on 1 May 2024.

As a result of the foregoing Board renewal plan, the Board remained at 8 members which including four (4) Independent Non-Executive Directors, two (2) Executive Directors, and two (2) Non-Independent Non-Executive Directors. The relevant announcements of such changes have been released via SGXNet on the same day of releasing this Annual Report 2023.

For more details on the "*Selection, Appointment and re-appointment of Directors*", kindly refer to Provision 4.3. The Company will continuously review and take the necessary steps to comply with such requirements and relevant announcements will be published, where appropriate.

Independent Directors comprising Majority of the Board
Proportion of Independent Non-Executive Directors

The Non-Executive Chairman, Ms. Xie Ming is not independent in accordance with the definition of the Code. Provision 2.2 Provision 2.3

The Company believes that there should be a strong and independent element on the Board in order for it to exercise objective judgment on corporate and business affairs. Hence, the Board comprises eight (8) Directors, out of whom four (4) are Independent Directors, two (2) are Non-Independent and Non-Executive Directors and two (2) are Executive Directors, and the AC, RC and NC are constituted in compliance with the Code.

The Board has a strong and independent element with four (4) independent Directors that make up more than one-third of the Board, in compliance with Rule 210(5)(c) of the Listing Manual. The Company also believes that the Independent Directors should be selected for their diverse expertise so that they can provide a balance of views.

As four (4) out of eight (8) members of the Board are Independent Directors, there is a strong independent element on the Board and no individual or small group of individuals dominates the Board's decision-making process. The Board is able to exercise objective judgement independently from Management on corporate affairs of the Group as Independent Directors constitute half of the Board.

REPORT OF CORPORATE GOVERNANCE

Although the existing Board composition is not in compliance with Provision 2.2 of the Code, which states that the Independent Directors should make up a majority of the Board where the Chairman is not independent. Nevertheless, the Independent Directors make up half of the Board and the Company had appointed Mr. Lee Gee Aik as the Lead Independent Director, to provide leadership in the situations where the Chairman is conflicted, and especially when the Chairman is not independent. Accordingly, the NC is of the view that the Board has sufficient independent element, and its composition is appropriate to facilitate effective decision-making, particularly taking into consideration the nature and scope of the Group's operations.

The Non-Executive Directors (including the Independent Directors) provide constructive advice on the Group's strategic and business plans. They constructively challenge and help develop proposals on strategy for the Group. They also review the performance of the management in relation to agreed goals and objectives and monitor the reporting of the performance of the Group. The Company has complied with Provision 2.3 of the Code as a majority of the Board members are non-executive directors.

Board Composition, Size and Diversity

As at the date of this Report, the Board comprises the following members: - Provision 2.4

Executive Directors

Mr. Zheng, ZhiZhong
Ms. Dai, FengYu

Non-Independent and Non-Executive Directors

Ms. Xie Ming (Chairman)
Mr. Xie, DingZhong

Independent Directors

Mr. Lee Gee Aik
Ms. Tan Min-Li
Mr. Andrew Bek
Professor He, MingYang

Key information regarding the Directors is also set out in this Annual Report. Currently, the Company does not have any alternate director on the Board.

The size and composition of the Board are reviewed at least annually to ensure that the Board has the appropriate mix of expertise, skills, knowledge and experience diversity for effective decision-making. The Board, in concurrence with the NC, is of the view that the current number of eight (8) Directors and the composition is appropriate and effective, taking into consideration the scope and nature of the Group's operations. No individual or small group of individuals dominates the Board's decision-making.

The Board's objective in its composition is to achieve a good mix of directors with diverse and appropriate professional background and experience to facilitate a robust decision-making process in the best interests of the Company and the Group.

REPORT OF CORPORATE GOVERNANCE

According to the existing Board composition, the NC reviewed the existing attributes and competencies of the Board and is satisfied that the Directors as a group have the appropriate mix of expertise to lead and govern the Group effectively. The diversity of the directors' expertise and experience allows for the useful exchange of ideas and views providing a balance of views at Board and Board Committee meetings. The Board who, as a whole have relevant competence, in accounting, finance, legal or corporate governance, business management, relevant industry knowledge or experience, strategic planning and customer-based experience. The Board provides diversity of expertise, invaluable experiences and knowledge in areas such as accounting, finance, legal or corporate governance, business management and relevant industry knowledge. This diversity facilitates constructive debate on the business activities of the Company and enables Management to benefit from a diverse and objective set of perspectives on issues that are brought before the Board.

The Directors possess the appropriate balance and mix of skills, knowledge and experience (such as legal, accounting and industrial) to guide and assist the Board in its endeavors.

The size and composition of the Board and Board Committees are reviewed on an annual basis by the NC to ensure that there is an appropriate mix of skills, knowledge, expertise and experience, and collectively, possesses the relevant and necessary skills sets and core competencies for effective decision-making which the Group may tap on for assistance in furthering its business objectives and shaping its business strategies. The NC also strives to ensure that the size of the Board is conducive to discussions and facilitates decision-making.

As a Group, the current members of the Board bring with them a broad range of expertise in areas such as accounting, finance, legal, business and enterprise management experience as well as familiarity with regulatory requirements which provides core competencies necessary to lead and govern the Group effectively. Each Director has been appointed based on the strength of his caliber and experience. The Directors' objective judgment, collective experience and knowledge are invaluable to the Group and allow for the useful exchange of ideas and views.

The NC, with the concurrence of the Board, is of the view that the current Board size is adequate, taking into account of the scope and nature of the Group's operations. In addition, the Board and the NC has taken into account, inter alia, the Directors' contributions, scope of work and the wide spectrum of skill and knowledge and are satisfied that the current Board's composition is appropriate for the Group.

The Board believes that board diversity is more than just about gender diversity and embraces other factors such as a need for individuals with different backgrounds, skill sets, life experiences, abilities and beliefs for a better Board performance.

The Company has in place the Board Diversity Policy to ensure the diversity of the Board members and balance of skills.

A diverse Board will include and make good use of differences in the skills, industry knowledge and professional experience, cultural and education background and other qualities of the Directors and does not discriminate on the ground of race, age, gender or religious belief. These differences will be taken into account in determining the optimum composition of the Board and when possible, should be balanced appropriately.

REPORT OF CORPORATE GOVERNANCE

The Board's policy in identifying directors is primarily to have an appropriate mix and diversity of members with complementary skills, core competencies and experience that could contribute positively to the Group. In reviewing the Board composition and succession planning, the NC considers the benefits of all aspects, including but not limited to age, gender, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service, and other factors that may consider relevant and applicable from time to time.

As of this Report, the Board believes that its existing composition achieves a diversity of skills, knowledge and experience to the Company which summarised as follows: -

Diversity of the Board (FY2023)	**Proportion of Board**
Core Competencies	
Accounting or Finance or Legal or Corporate Governance	37.5%
Business management	100%
Relevant industry knowledge or experience	62.5%
Gender	
Male	62.5%
Female	37.5%
Age	
55 and below	12.5%
56 to 60	62.5%
60 and above	25%

<u>Targets and Progress</u>

The Board is aware that the Diversity Policy should include the following:

(a) the company's targets to achieve diversity on its board;

(b) the company's accompanying plans and timelines for achieving the targets;

(c) the company's progress towards achieving the targets within the timelines; and

(d) a description of how the combination of skills, talents, experience and diversity of its directors serves the needs and plans of the Company.

The target, timeline and progress towards achieving the diversity objectives are summarised below:-

(a) <u>Tenure of Service of Board of Directors</u>

The tenure of each independent Director is monitored closely every year so that the process for Board renewal is reviewed and considered ahead of any independent Director reaching the nine-year mark to facilitate a smooth transition and to ensure that the Board continues to have an appropriate level of independence.

REPORT OF CORPORATE GOVERNANCE

The tenure of service of independent directors as at 31 December 2023 was as follows:-

Years of service	Number of Directors	Proportion of the Board
5 years or less	1	12.5%
More than 7 years	3	37.5%

Based on the above, the Company had three (3) Directors who served on the Board for an aggregate period of more than nine years. To facilitate the Board renewal process, the Director concerned (Mr. Lee Gee Aik and Ms. Tan Min-Li will not seek for re-election at the 2024 AGM and Mr. Andrew Bek will step down from the Board on 1 May 2024 following the appointment of three (3) new Independent Directors on 1 May 2024 so as to align with the board renewal structure.

(b) Female Board Representation

The Company has adopted the gender diversity target on its Board based on the benchmark recommended by the Council for Board Diversity ("CBD") which at least 25% of the female representation on its Board based on the benchmark recommended by the Council for Board Diversity ("CBD") in accordance with the report relating to the Women's Representation on Board in Singapore released by CBD on 2 March 2023 and State of Board Diversity Disclosures of SGX-Listed Issuers published by Singapore Exchange Regulation and CBD on 17 November 2023.

As at the end of FY2023, the Board comprises three female (37.5%) and five male directors (62.5%) which represents 37.5% of the existing Board Composition.

(c) Diversity of Age

There is no age limit for the Directors as weight should be given to suitable candidates with reputed and experience regardless of age. Nonetheless, the Company will endeavor to promote age diversity when considering the composition of the Board for any appointment. At the same time, the Company continues to value the contribution of its Board members regardless of age.

(d) Independence

The Company believes that the Board's independence enables the Board to function effectively at an optimum level during the year and exercise objective judgment on corporate affairs independently.

As at 31 December 2023, the Board of Directors comprised eight (8) members of which four (4) were independent Directors. The Board will continue to maintain the same number of independent Board members, which make up more than one-third of the Board, in compliance with Rule 210(5)(c) of the Listing Manual.

The NC reviews its targets for diversity from time to time and may recommend changes or additional targets to achieve greater diversity. In addition, the NC reviews the Company's Board Diversity Policy from time to time, as appropriate, to ensure its continued effectiveness and relevance, and any revisions, where necessary, will be recommended to the Board for approval as well as any further progress made towards the said policy will be disclosed in future Reports, as appropriate.

REPORT OF CORPORATE GOVERNANCE

The Board has taken the following steps to maintain or enhance tits balance and diversity: -

(a) annual review by the NC to assess if the existing attributes and core competencies of the Board are complementary and enhance the efficacy of the Board; and

(b) annual evaluation by the Directors of the skill sets the other Directors possess, with a view to understand the potential gaps in the areas of expertise and competencies of the Board.

The NC will consider the results of these exercises in its recommendation for the appointment of new directors and/or the re-appointment of incumbent directors. The NC will also continuously review the composition of the Board so that it will have the necessary competency to be effective. The NC will further consider other aspects of diversity such as skills, knowledge, professional and commercial experience, gender, age, length of service and other relevant factors. In addition, NC has also assessed the current level of diversity on the Board to be satisfactory and thus, the Company takes the approach that maintaining a satisfactory level of diversity is an on-going process. Accordingly, our current plan is to monitor and assess, alongside developments in our Group's operations, whether the current Board composition presents a satisfactory level of diversity and allows for effective collaboration between and contribution by the Directors.

Meetings without the presence of Management

During FY2023, our Independent Directors met without the presence of Management, formally in Board Committee meetings and informally on an ad hoc basis at various times throughout the year to discuss matters such as the Group's financial performance, corporate governance initiatives, board processes, succession planning as well as leadership development and the remuneration of the Executive Directors as well as to review any other matters that must be raised privately. Provision 2.5

The Independent Directors and the Non-Executive Directors confer regularly with the Executive Directors and Management to constructively challenge and help to develop proposals on strategy, review the performance of the management in meeting agreed goals and objectives, and monitor the reporting of performance. Where necessary or appropriate and at least once a year, the Independent Directors and Non-Executive Directors have conference calls and/or meetings regularly without the presence of Management or the Executive Directors to review any matters that must be raised privately before providing feedback to the Chairman of the Board after such meetings.

Chairman and Chief Executive Officer

Principle 3: There is a clear division of responsibilities between the leadership of the Board and Management, and no one individual has unfettered powers of decision-making.

Separation of the roles of Chairman and Chief Executive Officer

The roles of the Chairman of the Board and the Chief Executive Officer ("CEO") are separate to ensure clear distinction of responsibilities, appropriate balance of power and increased accountability. Currently, Ms. Xie Ming serves as Non-Independent Non-Executive Chairman of the Board, while Mr. Zheng, ZhiZhong is Executive Director cum CEO. The Chairman and the CEO are not related, and the roles of the Chairman and CEO are kept separate to ensure an appropriate balance of power, greater capacity of independent Board decision making and increase accountability. Provision 3.1

REPORT OF CORPORATE GOVERNANCE

The Chairman's duties and responsibilities include: -

i) leading the Board to ensure its effectiveness on all aspects of its role;

ii) setting the agenda and ensure that adequate time is available for discussion of all agenda items, in particular strategic issues;

iii) promoting a culture of openness and debate at the Board;

iv) ensuring that the Directors receive complete, adequate and timely information;

v) ensuring effective communication with Shareholders;

vi) encouraging constructive relations within the Board and between the Board and the management;

vii) facilitating the effective contribution of Non-Executive Directors;

viii) encouraging constructive relations between Executive Directors and Non-Executive Directors; and

ix) promoting high standards of corporate governance.

The CEO's duties and responsibilities include: -

i) improving, developing, extending, maintaining, advising and promoting the Group's businesses to protect and further the reputation, interest and success of the Company and the Group;

ii) undertaking such duties and exercising such powers in relation to the Group and their businesses as the Board shall from time to time properly assign to or vest in him in his capacity as the CEO and all other matters incidental to the same; and

iii) overseeing, formulating and implementing corporate strategies and directions for the affairs of the Group.

As the Company has a relatively simple organisation structure, the Board is of the view that there is a strong independent element on the Board to enable exercise of objective judgment of corporate affairs of the Group by members of the Board, taking into account factors such as the number of Independent Directors on the Board, as well as the size and scope of the Group's affairs and operations.

Roles and Responsibilities of the Chairman and the CEO

The Company aims to ensure a balance of power and authority between the Chairman and the CEO with a clear division of responsibility between the running of the Board and the Company's business, respectively. The positions, roles and responsibilities of the Chairman and CEO are separate and clearly defined. Provision 3.2

The Chairman plays a key role in promoting high standards of corporate governance, ensures that board meetings are held when necessary and sets the board meeting agenda (with the assistance of the Company Secretary and in consultation with the CEO) and ensures that the Board reviews the Group's strategic direction, expansion and business development plans formulated by the CEO. The Chairman also participates in communicating with key stakeholders, including Shareholders and Management from time to time.

REPORT OF CORPORATE GOVERNANCE

The CEO's responsibilities, in addition to setting the strategic direction, formulating expansion and business development plans, include managing the day-to-day business activities of the Group, executing the strategies and policies approved by the Board, reporting to the Board on the performance of the Group, providing guidance to the Group's employees, and encouraging constructive relations between the Management and the Board.

Lead Independent Director

In order to promote high standards of good corporate governance practice and that there is no concentration of power and authority, the Company has appointed Mr. Lee Gee Aik as the Lead Independent Director as well as the Chairman of the AC on 9 September 2010. Provision 3.3

In accordance with the Code, Mr. Lee Gee Aik is available to Shareholders via when they have concerns where contact through the normal channels of the Chairman and CEO may not be appropriate or have failed to resolve. Such concerns may be sent to the Lead Independent Director at the Company's registered office or Company's website at https://www.anchun.com/investor-relations/.

Board Membership

Principle 4: The Board has a formal and transparent process for the appointment and re-appointment of directors, taking into account the need for progressive renewal of the Board.

Composition and Terms of Reference of NC

The Board through the delegation of its authority to the NC has ensured that there is a formal and transparent process in the appointment and re-appointment of Directors who possess the relevant background, experience and knowledge in business, finance and management skills. Provision 4.1 and 4.2

As at the date of this report, the NC consists of three (3) Independent Directors and one (1) Non-Independent and Non-Executive Director. The majority of NC members are as follows, including the NC Chairman, are independent:-

a) Professor He, MingYang (Chairman)
b) Ms. Tan Min-Li
c) Mr. Lee Gee Aik
d) Mr. Xie, DingZhong

The Lead Independent Director is also a member of the NC.

The principal functions of the NC, regulated by written TOR and undertaken by the NC during FY2023, are as follows: -

i) to review board succession plans for Directors, including the Board renewal process as mentioned above;

ii) to develop a process for evaluation of the performance of the Board, the Board Committees and the Directors;

iii) to review, assess and make a recommendation to the Board on all Board selection, appointments and re-appointments, taking into consideration the composition and progressive renewal of the Board and each Director's competencies, contributions and performance;

REPORT OF CORPORATE GOVERNANCE

iv) to review and determine on an annual basis whether or not a director is independent, guided by the guidelines contained in the Code regarding independence;

v) to decide the assessment process and implement a set of objective performance criteria to be applied from year to year for evaluation of the Board's performance;

vi) to carry out an annual review of the effectiveness of the Board as a whole; the Board Committees and the contribution of each individual Director, including Independent Directors;

vii) to review the structure, size and composition (including the skills, knowledge and experience) of the Board to ensure the appropriate Board diversity, balance and size and making recommendations to the Board with regard to any changes; and

viii) to determine the appropriate training and professional development programs for the Board.

The NC also determines, on an annual basis, the independence of the Directors. Based on the guidelines set out in the Code and the confirmations provided by the Independent Directors, the NC has assessed and affirmed the status of the Independent Directors as mentioned in relation to Provision 2.1 above.

Selection, Appointment, and re-appointment of Directors

The responsibilities of the NC are, among other things, to make recommendations to the Board on all Board appointments, re-appointments and oversee the Board succession and the leadership development plans of the key management personnel. Board renewal is a continuous process and is a crucial element of the Groups' governance process. Provision 4.3

The NC, in consultation with the Board, will determine the selection criteria taking into consideration the diversity of the Board, industry experience, financial literacy as well as integrity and will select the candidates with the appropriate expertise and experience for the appointment of new director.

New Directors are at present appointed by way of a Board resolution/Board of Directors' Meeting, after the NC approves their appointment. The NC does not usually but may consider engaging the services of search consultants to identify prospective Board candidates if the need arises. The NC currently considers recommendations and referrals from the existing directors of the Company and/or other sources, provided the prospective candidates meet the qualification criteria established for the particular appointment.

In considering the appointment of any new Director, the NC ensures that the new Director is aligned with Group's strategic directions and possesses the necessary skills, knowledge and experience that could facilitate the Board in making sound and well-considered decisions. The selection criterion includes integrity, diversity of competencies, expertise, industry experience and financial literacy. Potential candidates are selected through internal resources, referrals from existing Directors and/or external search. The candidate must also be able to commit sufficient time and attention to the affairs of the Company, especially he/she is serving on multiple boards.

In evaluating candidates, the NC applies strictly the concept of meritocracy, with no specific targets towards, nor discrimination against, any age group, ethnic groups or gender although these attributes are taken into consideration in deriving a decision.

REPORT OF CORPORATE GOVERNANCE

A new Director is required to declare if he or she has any adverse track record or is under investigation by the regulators in any of the Boards served before the appointment.

The NC, after completing its assessment of the potential candidates, meets with the short-listed candidates to assess their suitability, before submitting the appropriate recommendations to the Board.

During FY2023, the NC has received the nomination of six (6) potential candidates through internal resources and referrals from existing Directors in order to assess their suitability, independency and other aspects such as experience for the position, knowledge, qualification and etc. After assessed, NC has shortlisted three (3) of them before table the same to the Board for consideration and approval. The Board has accepted the recommendation from the NC and appointed three new directors, namely Mr. Tan Wei Shyan, Mr. Wang HeMing and Mr. San Meng Chee, based on merits as well as who possess a variety of skill sets, including finance, accounting and industry experience and knowledge as Independent Non-Executive Directors of the Company as part of the renewal process as mentioned in Provision 2.1 of this Report.

Process of Re-appointment of Directors

Presently, the Constitution of the Company provides that one-third of the Directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not less than one-third) shall retire from office by rotation at every AGM and are subject to re-nomination and re-election at every AGM at least once in every three (3) years. It is also provided in the Company's Constitution that the Directors appointed by the Board during the course of the year, must retire and submit themselves for re-election at the next AGM of the Company following their appointments according to the Article 88 of the Company's Constitution. A retiring Director is eligible for re-election by the Shareholders at the AGM.

The date of first appointment and last re-election for each of the Directors are set out below: -

Name of Directors	Date of first appointment	Date of last re-election
Mr. Zheng, ZhiZhong	1 June 2014	26 April 2023
Mr. Andrew Bek	1 March 2014 (Note 1)	26 April 2023
Ms. Dai, FengYu	9 September 2010	26 April 2023
Professor He MingYang	1 January 2019	25 April 2022
Mr. Xie, DingZhong	2 November 2009	25 April 2022
Ms. Xie Ming	2 November 2009	25 April 2022
Ms. Tan Min-Li	9 September 2010	26 April 2021
Mr. Lee Gee Aik	9 September 2010	26 April 2021

Note 1: Mr. Andrew Bek acted as alternate director of a former Director from 2 August 2010 to 1 March 2014 before he was appointed as Independent Non-Executive Director of the Company on 1 March 2014.

All appointments and re-appointments of Directors are first reviewed and considered by the NC before recommending them to the Board for approval.

REPORT OF CORPORATE GOVERNANCE

The Directors due for re-nomination and re-election at the forthcoming 2024 AGM under Article 89 of the Company's Constitution are: -

i) Ms. Tan Min-Li;
ii) Mr. Lee Gee Aik; and
iii) Professor He, MingYang

Both Ms. Tan Min-Li and Mr. Lee Gee Aik who are subject to retirement by rotation at the 2024 AGM, have notified the Board that they are not seeking for re-election and wish to retire from the Board, in support of the Board renewal process and compliance with Rule 210(5)(d)(iv) of the Listing Manual.

After assessing the contribution and performance of the retiring Director, the NC has recommended the re-election of Professor He, MingYang, who will be retiring under Article 89 of the Company's Constitution at the forthcoming 2024 AGM. Professor He, MingYang has offered himself for re-election and the Board has accepted the recommendations of the NC.

Each member of the NC had abstained from participating in the discussion and recommendation on their respective nominations respectively.

Information relating to the retiring Director is set out on page 75 of the Annual Report, in accordance with Rule 720(6) of the Listing Manual.

Professor He, MingYang will, upon re-election, remain as Independent Director, Chairman of NC and member of RC respectively.

Succession Planning for Key Management Personnel ("KMP")

In its long-term drive towards excellence, the Company recognises the importance of sustainable leadership and succession planning of KMP. The CEO takes charge of the succession planning of the KMP of the Group.

The Company follows the prevailing national guidelines for retirement age. To minimize disruptions to the Group's operations, the retired KMP may be hired on a year-to-year basis to provide continuity and orderly replacement of that KMP.

NC to determine Director's independence

Provision 4.4

The NC deliberates the independence of each director annually, and when circumstances require, having regard to the circumstances set out in the Provision 2.1 of the Code, its Practice Note and Listing Manual. The NC requires all the Independent Directors to confirm their independence and their relationships with the Directors and substantial shareholder (5% or more stake) of the Company by a declaration in writing annually.

No member of the NC participates in the deliberation in respect of his own status as an Independent Director. Each retiring Independent Director has confirmed that he does not have any relationship with his fellow Directors nor with the Company and its substantial shareholders.

Commitments of Directors sitting on multiple Board

Provision 4.5

Although some of the Directors have multiple board representations, the NC and the Board were satisfied that sufficient time and attention had been given to the affairs of the Company by the Directors. Meetings of the Board and Board Committees are scheduled in advance to ensure that the Directors have sufficient time to plan their schedules accordingly. The relevant Directors' multiple directorships are disclosed in the Directors' profile.

REPORT OF CORPORATE GOVERNANCE

The NC and the Board are of the view that the assessment of whether each Director is able to devote sufficient time to discharge his/her duties should not be restricted to only the number of board representations as it is for each Director to assess his/her own capacity and ability to undertake other obligations or commitments together with serving on the Board effectively. The NC, with the concurrence of the Board, has decided not to fix a limit on the number of board representations of each director as it considers that the board representations presently held by its directors do not impede the performance of their duties to the Company.

In arriving at the aforesaid conclusion, the NC had taken into account, inter alia, the contributions by the Directors during the meetings and attendance at such meetings. Each Director has objectively discharged his/her duties and responsibilities at all times as a fiduciary in the interest of the Company.

Board Performance

Principle 5: The Board undertakes a formal annual assessment of its effectiveness as a whole, and that of each of its board committees and individual directors.

A review of the Board's performance will be undertaken collectively by the Board as a whole. The Company believes that the Board's performance is ultimately reflected in the performance of the Group. The Board, through the delegation of its authority to the NC, ensures that the Directors appointed to the Board possess the relevant necessary background, experience, knowledge and skills so that each Director can contribute to the effectiveness of the Board with an independent and objective perspective.

Provision 5.1 and 5.2

The NC has adopted a formal process to annually assess the performance and effectiveness of the Board and its committees, as well as to evaluate the contribution of each Director to the effectiveness of the Board. The NC has adopted an assessment checklist, which includes various quantitative and qualitative evaluation factors, and disseminates the same to each Director for completion. The assessment comprises self-assessment, Board assessment and peer evaluations. The Board and the NC believe that the financial indicators are mainly used to measure the Executive Directors' and the Management's performance and hence are less applicable to the Independent Directors and Non-Executive Directors.

The NC had conducted the Board's performance evaluation as a whole, together with the performance evaluation of the Board Committees and each Director individually as well as Chairman of the Board. The performance criteria, as determined by the NC, cover the following areas: -

(i) Board Composition and Structure;
(ii) Conduct of Meetings;
(iii) Corporate Strategy and Planning;
(iv) Risk Management and Internal Control;
(v) Measuring and Monitoring Performance;
(vi) Training and Recruitment;
(vii) Compensation;
(viii) Financial Reporting;
(ix) Chairman of the Board;
(x) Board Committees;
(xi) Board Contribution;
(xii) Knowledges and Duties; and
(xiii) Communication skills with internal and external parties *i.e. Shareholders*.

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The assessment parameters for each Director include their knowledge and abilities, attendance records at the meetings of the Board and Board Committees, and the quality of participation at meetings. The NC and the Board have relied on the above-mentioned parameters to evaluate the Directors' contribution individually and have taken such evaluation into consideration for the re-nomination of the Directors.

To ensure confidentiality, all duly completed evaluation forms are submitted to the Company Secretary for collation. The summary of the assessment results was presented to the NC annually for review and discussion.

The NC discusses the results of the Board's performance evaluation to identify areas where improvements are necessary and makes recommendations to the Board for action to be taken. Each member of the NC abstains from voting on any resolutions in respect of the assessment of his performance or re-nomination as a director. In the event that any member of the NC has an interest in a matter being deliberated upon by the NC, he will abstain from participating in the review and approval process relating to that matter.

The NC then shared the observation and findings with the Board. The Chairman and CEO will act on the results of the evaluation and where appropriate and in consultation with the NC, propose the appointment of new directors or seek the resignation of current Directors. Any renewal or replacement of a director, when it occurs, does not necessarily reflect the Director's performance, but may be driven by the need to align the Board with the changing needs of the Group's business and operations.

The NC has reviewed the overall performance of the Board, Board Committees and each Director for FY2023 and is satisfied that the Board as a whole and Board Committees have met the performance evaluation criteria and objectives and each Director has contributed effectively and demonstrated commitment to his respective role, including commitment of time for the Board and Board Committee meetings and any other duties in FY2023.

No external evaluation facilitator was engaged for the financial year in review.

REMUNERATION MATTERS

Procedures for Developing Remuneration Policies

Principle 6: The Board has a formal and transparent procedure for developing policies on director and executive remuneration, and for fixing the remuneration packages of individual directors and key management personnel. No director is involved in deciding his or her own remuneration.

Composition and Terms of Reference of Remuneration Committee

As at the date of this report, the RC comprise entirely of Non-Executive Directors, namely Ms. Tan Min-Li , Professor He, MingYang, and Ms. Xie Ming. The Chairman of the RC is Ms. Tan Min-Li. As such, the RC comprises a majority of Independent Directors in compliance with Provision 6.2 of the Code. Provision 6.1, 6.2 and 6.3

The principal functions of the RC, regulated by written TOR and undertaken by the RC during FY2023, include the following:

(i) reviewing and recommending to the Board a general framework of remuneration for the Executive Directors and KMP, covering all aspects of remuneration, including but not limited to fees, salaries, allowances and bonuses;

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(ii) reviewing and determining specific remuneration packages for each Executive Director and KMP so as to link rewards to corporate and individual performance so as to align them with the interests of Shareholders and promote the long-term success of the Group; and

(iii) reviewing all aspects of remuneration, including but not limited to Directors' fees, salaries, allowances, bonuses, options and benefits-in-kind.

The RC reviews the framework for remuneration of the Board and the KMP and recommends to the Board for adoption. The RC also determines specific remuneration packages and terms of employment for each Executive Director and KMP.

The RC ensures that a formal and transparent procedure is in place for determining the remuneration packages of individual Directors and KMP. All aspects of remuneration, including but not limited to Directors' fees, salaries, allowances, bonuses, options and other benefits-in-kind shall be considered by the RC to ensure they are fair. No Director will be involved in deciding his own remuneration, except in providing information and documents if specifically requested by the RC to assist in its deliberation. Each member of the RC shall abstain from deliberation and voting on any resolutions in respect of his remuneration package during its meeting. Any recommendations are submitted for endorsement by the entire Board.

In addition, where employees related to the substantial shareholders and Directors are employed, the RC will perform an annual review of such employees to ensure that their remuneration packages are in line with the staff remuneration guidelines and commensurate with their respective job scope and level of responsibilities.

In the case of service contracts, the RC will review the compensation commitments in relation to the Directors' or KMP's contracts of service, if any, which would entail in the event of termination with a view to ensure that such contracts of services, if any, contain fair and reasonable termination clauses which are not overly generous.

RC's access to Independent Advice

The RC has full authority to obtain any external professional advice on matters relating to remuneration as and when the need arises. Provision 6.4

The RC and the Board were of the view that the Company does not need to engage remuneration consultants as the remuneration for Executive Directors and the KMP is based on their respective existing service agreements. There being no necessity, the RC did not seek the service of an external remuneration consultant in FY2023.

Level and Mix of Remuneration

Principle 7: The level and structure of remuneration of the Board and key management personnel are appropriate and proportionate to the sustained performance and value creation of the company, taking into account the strategic objectives of the Company.

Remuneration Structure of Executive Directors and Key Management Personnel

In setting remuneration packages, the Company keeps in mind the pay and employment conditions within the industry and in comparable companies. The level and structure of remuneration should be aligned with the Company's long-term interest and risk policies and appropriate to attract, retain and motivate the Executive Directors and the KMP to respectively provide good stewardship of the Company and manage the Company effectively. Provision 7.1

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In reviewing and determining the remuneration packages of the Executive Directors and the Group's KMP, the RC also considers the following aspects when reviewing their remuneration packages: -

(a) their responsibilities and skills;

(b) expertise and years of experience;

(c) performance-related incentives based on the revenue and profitability of the Group at a certain threshold.

Executive Directors do not receive Directors' fees. The performance-related elements of remuneration are designed to align the interests of Executive Directors with those of Shareholders and link rewards to the Group's financial performance.

The RC assesses whether Executive Directors and Management should be granted options or shares, and if so, the applicable vesting schedules.

The Company uses contractual provisions or other measures to reclaim the incentives or any related payments from the parties involved should there be any misstatements of financial results, or of misconduct resulting in financial loss to the Group.

Remuneration Structure of Independent Directors and Non-Executive Directors

The Independent Directors and Non-Executive Directors do not have service agreements with the Company. Provision 7.2

Each of the Non-Executive Directors (including the Independent Directors) receives base director's fee. Non-Executive Directors (including the Independent Directors) who serve on the various Board Committees also receive an additional fee in respect of each Board Committee that they serve on.

In reviewing the recommendation for Independent Directors' and Non-Executive Directors' fees for FY2023, the RC had continued to adopt a framework of base fees for serving on Board and Board Committees, as well as fees for chairing as member or chairman of the Board Committees. The fees take into consideration the level of contribution of each Board member, including the effort and amount of time that each Board member may be required to devote to their role and the increasingly onerous responsibilities of the Directors. No Director is involved in deciding his/her own remuneration. The payment of Directors' fees is subject to approval of the Shareholders at each AGM. The Independent Directors have not been over-compensated to the extent that their independence is compromised.

Retention of Directors and KMPs

The Company advocates a performance-based remuneration system that is flexible and responsive to the market, and the performance of the Group's business units and individual employees. In designing the compensation structure, the Company seeks to ensure that the level and mix of remuneration is transparent, competitive, relevant and appropriate in finding balance between the current and long-term objectives of the Company so as to be able to attract and motivate talents without being excessive and hereby maximise value for Shareholders. Provision 7.3

REPORT OF CORPORATE GOVERNANCE

Disclosure on Remuneration

Principle 8: The company is transparent on its remuneration policies, level and mix of remuneration, the procedure for setting remuneration, and the relationships between remuneration, performance and value creation.

Remuneration of Directors and Key Management Personnel

A breakdown, showing the level and mix of each individual Director's remuneration paid in FY2023 is as follows: -

Provision 8.1

Name of Director	Fee#	Salary	Bonus	Benefits	Total
Below S$250,000	**%**	**%**	**%**	**%**	**%**
Ms. Xie Ming	100	–	–	–	100
Mr. Zheng, ZhiZhong	–	67	19	14	100
Ms. Dai, FengYu	–	79	20	1	100
Mr. Xie, DingZhong	100	–	–	–	100
Mr. Lee Gee Aik	100	–	–	–	100
Ms. Tan Min-Li	100	–	–	–	100
Mr. Andrew Bek	100	–	–	–	100
Professor He, MingYang	100	–	–	–	100

Directors' fees amounted to S$346,000 for FY2023 has been approved by the Shareholders at the AGM held on 26 April 2023 ("2023 AGM").

Notwithstanding that it is a variation from Provision 8.1 of the Code, the Company wishes to disclose the remuneration of the Executive Directors in the bands of S$250,000 for FY2023. The Company is of the view that the intent of Principle 8 was met, as the remuneration policies and the procedure for setting remuneration applicable to the Executive Directors are described above, and the level and mix of remuneration is disclosed in the above table.

The Board supports and is aware of the need for transparency. However, after deliberation, the Board is of the view that as the remuneration packages are confidential and sensitive in nature, full disclosure of the specific remuneration of each individual Director and the Group's KMP (who are not directors) may be prejudicial to its business interests given the highly competitive environment it is operating in. The RC has reviewed the practice of the industry in weighing the advantages and disadvantages of such disclosure. Inter alia, the Board has taken into account the very sensitive nature of the matter, the relative size of the Group, the highly competitive business environment the Group operates in, the competitive pressures in the talent market and the irrevocable negative impact such disclosure may have on the Group, and which would place the Group in a competitively disadvantageous position.

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A breakdown, showing the level and mix of each KMP's remuneration payable for FY2023 in bands of S$250,000 which provides sufficient overview of the remuneration of the KMP are as follows: -

Name of Key Management Personnel	Salary	Bonus	Benefits	Total
Below S$250,000	**%**	**%**	**%**	**%**
Mr. He Zu Bing	75	11	14	100
Ms. Li Juan	73	10	17	100
Mr. Zhong Xu Guang^	74	11	15	100
Ms. Xie Fang Hua^	66	20	14	100

Note:

^ Mr. Zhong XuGuang and Ms. Xie FangHua have been promoted as Technology Director and Manufacturer Director respectively during FY2023

The annual aggregate remuneration paid to or accrued to KMP (who are not Directors or CEO of the Company) for FY2023 was S$181,144.

Notwithstanding that the Company did not disclose the exact remuneration of Directors and key management personnel (who are not Director or CEO of the Company) for FY2023, the Board is of the view that the Company has provided sufficient transparency on the Company's remuneration policies, level and mix of remuneration, the procedure for setting remuneration and the relationships between remuneration, performance and value creation. Other than this, the Company has complied with the rest of the disclosure requirements under Provision 8.1 of the Code.

The Company has a remuneration policy, which comprises a fixed component and a variable component. The fixed and variable components are in the form of a base salary and a variable bonus, respectively, and take into account the performance of the Company and the performance of the individual Executive Director and KMP, to allow for the alignment of their interests with that of Shareholders.

There are currently no long-term incentives for the Executive Directors and KMP in their service agreements. The Executive Directors' and KMP's short-term incentives (namely the performance related variable component) proposed by the Non-Independent Non-Executive Chairman are reviewed before being recommended by the RC for approval by the Board.

During the FY2023 under review, there was no termination, retirement or post-employment benefits to any Director or KMP.

Remuneration of Employees who are Substantial Shareholder, or Immediate Family Members of Directors, the CEO and/or Substantial Shareholders of the Company

Save for Mr. Xie DingZhong, a Non-Executive Director, who is the father of Ms. Xie Ming, the Non-Independent Non-Executive Chairman of the Board, there is no family relationship between any of the Directors and/or the key executive, or between any of the Directors, key executive and substantial shareholder. Provision 8.2

In addition, there is no employee who is the substantial shareholder of the Company, or an immediate family member of a Director, CEO or a substantial shareholder of the Company, and whose remuneration exceeds S$100,000 during the financial year under review.

Share Option Scheme

The Company has in 2014 adopted an employee share option scheme and performance share plan whereby employees and Directors (including Non-Executive Directors and Independent Directors) of 21 years old and above, and who are not undischarged bankrupts or entered into compositions with their creditors are eligible to participate. Controlling Shareholders and Associates of Controlling Shareholders are not eligible to participate. The scheme and plan are intended to align the interests of the employees with that of the Company's Shareholders. Provision 8.3

ACCOUNTABILITY AND AUDIT

Risk Management and Internal Controls

Principle 9: The Board is responsible for the governance of risk and ensures that Management maintains a sound system of risk management and internal controls, to safeguard the interests of the Company and its shareholders.

Risk Management System

The Board as a whole is responsible for risk management and no separate risk committee has been established. The Management regularly reviews the Company's business and operational activities and control policies and procedures, and highlights areas of significant risks to the Board. The Board then determines the Company's levels of risk tolerance and risk policies, and oversees the design, implementation and monitoring of the Group's risk management and internal control systems. Provision 9.1

To ensure that internal controls and risk management processes are adequate and effective, the AC is assisted by various independent professional service providers. External Auditors provide reasonable assurance on the true and fair presentation of the Group's financial statements. Internal Auditors provide assurance that control over the key risks of the Group is adequate and effective. The External Auditors carry out statutory audits annually in accordance with their audit plan. Control observations noted during their audits and their recommendations thereto are reported to the AC. The AC will follow up to review the actions taken by Management to address the weaknesses highlighted based on the recommendations made by the External Auditors and Internal Auditors.

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Assistance from Internal Auditors

To enhance the Group's system of internal controls, the Board appointed an external professional firm, namely Peking Certified Public Accountants LLP ("Internal Auditors"), to review the Group's internal controls system and recommend any improvements to internal control weaknesses noted, and to expand and enhance on its policies and procedures manual.

The information of the Internal Auditors is set out below: -

(a) Size

Peking Certified Public Accountants LLP was founded in 1992 with the approval of the Ministry of Finance (China), and registered at the State Administration of Industry and Commerce with a capital contribution of RMB21.0 million and Mr. Hu Baihe as the principal partner.

As of December 31, 2023, Peking Certified Public Accountants LLP has 1351 employees who are professionals in finance, accounting, audit, tax, IT, management consulting, including 389 certified public accountants (CPA), 8 senior CPAs, 14 CPA industry leaders.

Peking Certified Public Accountants LLP is qualified to conduct securities and futures audit, state-owned super-large enterprise audit, financial business audit and is a member of the National Association of Financial Market Institutional Investors. As a formal member of DFK International Federation of Accountants, it's one of the earliest comprehensive firms with large scale and sound qualifications.

(b) Track Record

In FY2022, Peking Certified Public Accountants LLP reported revenue of RMB454.0 million and ranked 22 in business revenue published by CICPA. In FY2022, the number of audit clients they have serviced is as follows:

Audit clients	**Number**
Audit annual reports of listed companies	31
Internal audit	43
Others#	4312

Others include central and large state-owned enterprises annual financial statements, central enterprise economic responsibility, banks and non-bank financial institutions, corporate restructuring, reorganization, IPO, management consulting and auditing of financial statements of private enterprises, etc.

(c) Engagement Partner

Mr Zhang Guang Qing is the Company's internal audit engagement partner. He holds a China Certified Public Accountant certificate. His strong audit working experience of over 29 years is one of the factors the Group has taken into consideration in its selection of IA service provider.

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(d) The Oversight Professional Bodies

Peking Certified Public Accountants LLP is a member of the Chinese Institute of Certified Public Accountants. The Professional Bodies that oversee standards of such professional firms include The Chinese Institute of Certified Public Accountants, the Ministry of Finance of the People's Republic of China and the China Securities Regulatory Commission etc.

(e) Internal audit standards

The internal audit work carried out is guided by the International Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors.

(f) Served similar clients

In FY2022, the number of internal audit clients of listed companies of similar size and scale as the Company is as follows: -

Internal Audit clients of listed companies	**Number**
Listed Clients of China Main Board Market	12
Listed Clients of China SME (Small and Medium Enterprise) Board Market	17

Based on the internal controls established and maintained by the Group, work performed by External and Internal Auditors and the reviews by the Management and the various Board Committees, the AC and the Board are of the opinion, that the Group's internal controls, addressing financial, operational, compliance and information technology controls, and risk management systems are adequate and effective as at 31 December 2023.

The Board is responsible for ensuring that Management maintains a sound system of internal controls to safeguard Shareholders' investments and the Group's assets. For FY2023, based on (i) the Group's framework of management controls, (ii) the internal control policies and procedures established and maintained by the Group and (iii) regular audits and reviews performed by the Internal and External Auditors, the Board, with the concurrence of the AC, is of the opinion that the systems of internal controls and risk management within the Group are adequate and effective as at 31 December 2023 to address financial, operational, compliance risks and information technology risks which the Group considers relevant and material to its operations. There were no material weaknesses identified by the Board or the AC for FY2023.

The Board acknowledges that it is responsible for the overall internal control framework but recognises that no cost-effective internal control system will preclude all errors and irregularities, as a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can provide only reasonable and not absolute assurance against material misstatement or loss due to error, fraud or other irregularities.

Any material non-compliance and internal control weaknesses noted during the internal audit and the recommendations thereof are reported to the AC as part of the review of the Group's internal controls system.

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Assurance from CEO, Chief Financial Officer, Financial Controller and KMP

For the financial year under review, the Board has received the written assurance from the CEO, Chief Financial Officer, Financial Controller and KMP that the financial records have been properly maintained and the financial statements of the Group for FY2023 give a true and fair view of the Company's operations and finances. Provision 9.2

The Board has also received assurance from the CEO and KMP responsible for risk management and internal control systems that, as at 31 December 2023, the Group's risk management and internal controls system in place are adequate and effective to address the financial, operational, compliance and information technology risks in the context of the current scope of the Group's business operations.

Audit Committee

Principle 10: The Board has an Audit Committee which discharges its duties objectively.

Composition and Terms of Reference of Audit Committee

The AC comprises three (3) Directors, all of whom are Independent Directors. The members of the AC as of this report are as follows: - Provision 10.1 and 10.2

i) Mr. Lee Gee Aik (Chairman)
ii) Ms. Tan Min-Li
iii) Mr. Andrew Bek

Both Mr. Lee Gee Aik and Mr. Andrew Bek have accounting and/or related financial management backgrounds. The Board is of the view that the AC has the necessary experience and expertise required to discharge its duties as the majority of its members are trained in accounting and financial management.

The AC has been given full access and obtained the co-operation of Management. The AC has the explicit authority to investigate any matter within its TOR. It has full discretion to invite any Director or executive officer to attend its meetings, and be given reasonable resources to enable it to discharge its functions properly.

The AC meets on a quarterly basis, and on an ad-hoc basis when required, during the year. The AC, which has written TOR, performs, inter alia, the following main functions: -

i) review the audit plan and discuss with the External Auditors, their evaluation of the system of internal controls, their audit report, their management letter and the management's response;

ii) review the internal audit plan and discuss with the Internal Auditors, their evaluation of the adequacy and effectiveness of the Company's internal controls;

iii) review the half yearly results and full year results before submission of the same to the Board for approval (including the significant financial reporting issues and judgements so as to ensure the integrity of the financial statements and any announcements relating to the Group's financial performance);

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iv) conduct an annual review of the effectiveness and adequacy of the internal controls and procedures with the External Auditors, Internal Auditors and the Management;

v) meet with External and Internal Auditors without the presence of the Management at least annually and review the co-operation given by the Company's officers to External and Internal Auditors;

vi) review the Group's key risk areas, as identified by the External and Internal Auditors in the course of their audits;

vii) review the effectiveness, adequacy, scope and results of the external audit, and where External Auditors provide non audit services, review the nature, extent and cost of such services and the independence and objectivity of the External Auditors;

viii) review the terms of engagement, appointment or re-appointment of the External and Internal Auditors and matters relating to their resignation or dismissal;

ix) review interested person transactions falling within the scope of Chapter 9 of the Listing Manual, if any; and

x) any potential conflicts of interest.

To keep abreast of the changes in accounting standards and issues which have a direct impact on financial statements, discussions are held with the external auditors when they attend the AC meetings during FY2023. The AC members were encouraged to attend external courses conducted by relevant professional institutes as and when deemed necessary or upon request.

The Board conducts periodic reviews and assessments of the internal controls for its financial, operational and compliance functions, and the internal audit systems put in place by Management to ensure the integrity and reliability of the Group's financial information and to safeguard its assets. Any recommendations from the internal and external auditors to further improve the Company's internal controls are reported to the AC.

In the review of the Financial Statements of the Group and the Company for FY2023, the AC has discussed with Management the accounting practices adopted for the financial year, including accounting policies, accounting estimates and financial statements disclosures have been adopted. The AC has also reviewed the judgements made by Management and with the External Auditors which might affect the integrity of the financial statements.

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The AC reviewed and addressed, among other matters, the following key audit matters ("KAMs") as reported by the external auditors for FY2023:-

Key Audit Matters	How the AC reviewed and responded to the KAMs
Impairment of trade receivables and contract assets *Refer to page 82 in the Independent Auditor's Report of this Annual Report*	The AC discussed with the Management the approach taken to determine the impairment for trade receivables and contract assets at 31 December 2023. The AC also reviewed the reasonableness of the basis of impairment and factors that influenced management's judgement. Impairment of trade receivables and contract assets was also an area of focus for the External Auditors. The External Auditors has included this item as a key audit matter in its auditor's report for FY2023.
Revenue from chemical systems and components ("CSC") business and chemical engineering and technology ("CET") engineering services *Refer to pages 82 and 83 in the Independent Auditor's Report of this Annual Report*	The ACRA discussed with the Management the approach and methodology used to determine cost estimates and budgets used in their application to measure the progress toward completion of contract, for CSC revenue recognised over time. The AC also discussed and reviewed with the External Auditors on the adequacy for provision for onerous contracts at 31 December 2023. Revenue recognition from CSC business and CET engineering services was also an area of focus for the External Auditors. The External Auditors has included this item as a key audit matter in its auditor's report for FY2023.

Following the above review and discussion, the AC recommended to the Board to approve the FY2023 Financial Statements.

The AC review annually the non-audit services provided by External Auditors and determines whether the provision of such services affects their independence. During FY2023, the External Auditors of the Group did not provide any non-audit services to the Group. The breakdown of fees (audit and non-audit fees) paid to auditors are set out in Note 8 of the Consolidated Audited Financial Statement of the Group for FY2023. Ernst & Young LLP and its member firms are the auditors of the Company and its subsidiary. The Board and AC are of the view that Company is in compliance with Rules 712 and 715 of the Listing Manual in relation to its External Auditors.

Having reviewed the nature and extent of non-audit services rendered by the External Auditors to the Company for FY2023, the AC is of the opinion that the nature and extent of such services will not prejudice the independence and objectivity of the External Auditors. The AC had therefore recommended to the Board that the auditors, Ernst & Young LLP, be nominated for re-appointment as auditors at the forthcoming AGM of the Company. The auditors, Ernst & Young LLP, have indicated their willingness to accept re-appointment.

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In reviewing the nomination of Ernst & Young LLP for re-appointment for the financial year ending 31 December 2024, the AC has considered and reviewed various factors including the adequacy of resources, the experience of the auditing firm and the audit engagement partner and taken into account the ACRA's Audit Quality Indicators Disclosure Framework relating to the audit firm's level. Considerations were also given to the number and experience of supervisory and professional staff to be assigned to the audit, the size and complexity of the Group and its businesses and operations. The AC also considered the audit team's ability to work in a co-operative manner with the Management and/or Board whilst maintaining integrity and objectivity and its ability to deliver their services professionally and within agreed timelines.

On the basis of the above, AC is satisfied with the standard and quality of work performed by External Auditors and has recommended the re-appointment of Ernst & Young LLP as External Auditors of the Company, subject to the shareholders' approval at the forthcoming AGM.

Whistle Blowing Policy

The AC is responsible for oversight and monitoring of the whistleblowing and, has put in place a whistle-blowing policy ("WP Policy") arrangement whereby the staff of the Group may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters to the AC Chairman or the Company Secretary or the designated officer. Details of the WP Policy, together with the dedicated whistle blowing communication channels (such as email contact and address) have been made available to all employees. It has a well-defined process which ensures that the identification of the whistle-blower is still kept as confidential, independent investigation of issues/concerns raised and arrangements in place for the independent investigation of such matters for appropriate follow-up actions to be taken and provides assurance that whistleblower will be protected from reprisal within the limits of the law or victimization for whistle blowing in good faith. Anonymous reporting will also be attended to, and anonymity honored. Also, the AC reviews all the whistleblowing complaints (if any) at its quarterly AC meetings to ensure appropriate action is taken.

If there is any amendment or modification of the WP Policy regardless in whole or in part, at any time without assigning any reason whatsoever, it is subject to the approval of the Board of Directors of the Company. During FY2023, there was no subsequent amendment or modification made to the existing WP Policy after the adoption of the latest WP Policy on 5 August 2022.

The Company has clearly communicated to its employees on the existence of the WP Policy which is in compliance with Rule 1207(18B) as elaborated below: -

(a) The Company has procedures for raising such concerns to the AC Chairman and has an independent function comprising the AC Chairman and AC members to investigate whistleblowing reports made in good faith;

(b) The Company has clear channels through which staff and other persons may, in confidence, raise their concerns about possible improprieties, fraudulent activities or malpractices within the Company in a responsible and effective manner;

(c) The Company has arrangements and processes to facilitate independent investigation of such concerns and for appropriate follow-up action;

(d) The Company has confidentiality clauses that protect identification of the whistle-blower and ensures that the identity of the whistle-blower is kept confidential;

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(e) The Company is committed to ensuring the protection of the whistleblower against any detrimental and unfair treatment.

The procedures for whistleblowing are disseminated to new employees as part of their orientation training, with the contact information of the AC Chairman or the Company Secretary or the designated officer provided therein.

During FY2023, no whistle-blowing reports were received and reported to the AC Chairman or the Company Secretary or the designated officer via the channel set out in the WP Policy.

Relationship with External or Internal Auditors

The AC is satisfied that the Company has complied with Rule 712 and Rule 715 of the Listing Manual in relation to its auditing firms. No former partner or director of the Company's existing auditing firm is a member of the AC (a) within a period of two (2) years commencing on the date of their ceasing to be a partner or director of the audit firm; or (b) holds any financial interest in the audit firm. Provision 10.3

Internal Audit Function

The AC approves the appointment, termination or removal, evaluation and the remuneration of the Internal Auditors. The Internal Auditors have unfettered access to all the Group's documents, records, personnel and the AC. Provision 10.4

The Company has outsourced its internal audit function to Peking Certified Public Accountants LLP based in China. The Internal Auditors' primary line of reporting is to the AC Chairman.

The primary role of the Internal Auditors is to assist the AC in ensuring that the internal controls of the Group are adequate, effective and functioning as intended, to undertake investigations as directed by the AC and to conduct regular in-depth audits of high-risk areas. The AC is satisfied that the Internal Auditors are adequately resourced and have the appropriate standing to perform its function effectively. The AC is also satisfied that the Internal Auditors are suitably qualified and experienced professionals with the relevant experience to perform its function effectively.

Peking Certified Public Accountants LLP is a member of Chinese Institute of Certified Public Accountants. The internal audit work carried out is guided by the International Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors. For more detail of the background of Internal Auditors, kindly refer to Provision 9.1 of this Report.

The Internal Auditors had submitted a report to AC on their work conducted for FY2023. Management is working to ensure that timely and proper implementation of improvement measures are closely monitored, and a follow-up review will be carried out by the internal auditors at a later as well as provides the necessary co-operations to enable the Internal Auditors to perform its function.

The Internal Auditors plan their internal work schedules in consultation with, but independent of management. The audit plan is examined and submitted to the AC for approval prior to the commencement of the internal audit work. The AC has reviewed the report of the internal audit conducted in FY2023 and is satisfied that the internal audit function is adequate and effective.

REPORT OF CORPORATE GOVERNANCE

In addition, the Internal Auditors may be involved in ad-hoc assignment initiated by the Management which require the assistance of the internal controls in specific areas of concerns from time to time, if any.

Meeting with External and Internal Auditors

AC meets separately with the External Auditors and Internal Auditors, at least once a year, via teleconference without the presence of Management to discuss or review their findings and provide opportunity for the External Auditors and Internal Auditors to bring to its attention any significant matters encountered during the course of their audit. Provision 10.5

SHAREHOLDER RIGHTS AND ENGAGEMENT

Shareholder Rights and conduct of general meetings

Principle 11: The company treats all shareholders fairly and equitably in order to enable them to exercise shareholders' rights and have the opportunity to communicate their views on matters affecting the company. The company give shareholders a balanced and understandable assessment of its performance, position and prospects.

Provision of Information to Shareholders

The Board is mindful of its obligation to release timely and fair disclosure of material information and does not practise selective disclosure. In line with the Group's disclosure obligations pursuant to the Listing Manual and the Companies Act 1967 (the "Act"), the Board's policy is that all Shareholders should be informed simultaneously in an accurate and comprehensive manner for all material developments that impact the Group via SGXNet on an immediate basis. The Group recognises that the release of timely and relevant information is central to good corporate governance and enables Shareholders to make informed decisions in respect of their investments in the Company and will ensure that all information disclosed is as descriptive, detailed and forthcoming as possible. Provision 11.1

Shareholders are encouraged to attend the AGM to ensure a greater level of shareholders' participation and for them to be kept up to date with the strategies and goals of the Group. All shareholders of the Company receive a copy of the annual report, the notice of AGM and circulars and notices pertaining to any extraordinary general meeting of the Company. Notices of all general meetings will be announced on SGXNet. The Company will comply with its Constitution, the Act and the Listing Manual in respect of the requisite notice periods for convening general meetings. The notice of an AGM is accompanied by the Company's annual report. Any notice of an extraordinary general meeting will also be accompanied by a circular or letter to Shareholders, providing sufficient detail on the proposals to be considered at the meeting.

The Annual Report including the Notice of AGM and proxy form and Circular (if applicable) ("AGM documents") are available to Shareholders. The AGM documents are published through the company's website and on the SGX-ST website at the URL https://www.sgx.com/securities/company-announcements.

The rights of Shareholders, including the details of the rules governing voting procedures at general meetings, are contained in the Company's Constitution and are also set out in applicable laws including the Act.

REPORT OF CORPORATE GOVERNANCE

Proxies

Currently, the Constitution of the Company allows a Shareholder of the Company to appoint up to two proxies to attend and vote at general meetings. Pursuant to Section 181 of the Act, a member of the Company who is a relevant intermediary is entitled to appoint more than two proxies to attend and vote in his/her stead. “Relevant intermediary” has the meaning ascribed to it in Section 181 of the Act. A proxy need not be a member of the Company.

To facilitate participation by the shareholders, the Constitution of the Company allows the shareholders entitled to attend and vote at general meetings of the Company to appoint not more than two proxies to attend and vote on behalf. In the case of a shareholder who is a relevant intermediary (as defined in the Act), it may appoint more than two proxies, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such shareholder. The proxy forms are to be deposited at the Company’s Share Registrar office not less than 48 hours before the meeting. Detailed information on each item of the AGM agenda can be found in the explanatory notes to the AGM Notice in the Annual Report.

Separate resolutions at General Meetings

The Company practices having separate resolutions at general meetings and such resolutions are, as far as possible, structured separately and may be voted on independently. Where resolutions are “bundled”, the Company explains the reasons and material implications in the notice of general meetings. All resolutions at general meetings of the Company are put to vote by poll in line with Rule 730A of the Listing Manual. Provision 11.2

The Company acknowledges that voting by poll in all its general meetings is integral in the enhancement of corporate governance. The Company adheres to the requirements of the Listing Manual and the Code. All resolutions at the Company’s general meetings are put to vote by poll. The detailed results of each resolution are announced via SGXNet after the general meetings.

There was no resolution “bundled” for the Shareholders’ approval at 2023 AGM.

Attendees at General Meetings

All Shareholders are entitled to attend general meetings of the Company and are given the opportunity to raise questions to the Board, participate effectively and to vote at such meetings. Provision 11.3

All members of the Board, in particular, the Chairman of the Board and the respective Chairman of the Board Committees and the Management are in attendance at the AGM and other general meetings to assist the Directors in addressing any relevant queries by Shareholders. The Company’s External Auditor are also present at the AGM to address Shareholders’ queries about the conduct of the audit and the preparation and content of the auditor’s report.

Voting in Absentia

Voting in absentia, which is currently not permitted, may only be possible following careful study to ensure that the integrity of information and authentication of the identity of Shareholders through the web are not compromised, and legislative changes are effected to recognise remote voting. Provision 11.4

REPORT OF CORPORATE GOVERNANCE

Minutes of General Meetings

Under Provision 11.5 of the Code, the Company should publish the minutes of general meetings of Shareholders on SGXNet and/or its corporate website as soon as practicable and such minutes shall record substantial and relevant comments or queries from Shareholders relating to the agenda of the general meeting, and responses from the Board and management. The Company has adopted this practice since its AGM held in year 2020 and such minutes of general meetings of the Company will be published on SGXNet and/or its corporate website at https://www.anchun.com/agm-minutes/ as soon as practicable, for the information of the Shareholders. Provision 11.5

Dividend Policy Guideline

The Company does not have a fixed dividend policy at present. The form, frequency and amount of dividend will depend on the Company's earnings, general financial condition, results of operations, capital requirements, cash flow, general business condition, development plans and other factors as the Board may deem appropriate. Provision 11.6

Any pay-outs are clearly communicated to shareholders via the financial results announcements through SGXNET.

Engagement with Shareholders

Principle 12: The company communicates regularly with its shareholders and facilities the participation of shareholders during general meetings and other dialogues to allow shareholders to communicate their views on various matters affecting the company.

Communication with Shareholders

In line with the continuous disclosure obligations under the requirements of the SGX-ST Listing Manual and requirements of the Act, the Board informs the shareholders promptly of all major developments that may have a material impact on the Group. Provision 12.1

The Company communicates (at least once annually at the AGM) with its shareholders and facilitates the participation of shareholders during general meetings and (where applicable) other dialogues to allow shareholders to communicate their views on various matters affecting the Company.

The AGM of the Company in respect of the financial year ended 31 December 2022 was conducted on 26 April 2023 ("2023 AGM") by way of electronic means pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies Business Trusts, Unit Trusts and Debenture Holders) Order 2020 (the "Order") and the checklist jointly issued by ACRA, Monetary Authority of Singapore and Singapore Exchange Regulation which gave guidance to listed and non-listed entities on the conduct of general meetings amid the evolving COVID-19 situation ("Checklist"). To enable shareholders to participate in and vote effectively at the 2023 AGM held by way of electronic means, the Company had set out detailed information on the alternative arrangements relating to attendance at the AGM, submission of questions in advance of the AGM, and voting procedures for the AGM in the Company's announcements dated 10 April 2023 respectively on the SGXNET. For 2023 AGM, the Company had responded the Shareholders' substantial questions and announced the Company's responses to those questions from Shareholders via SGX-Net on 21 April 2023. The Company has also published the minutes of the AGM proceedings, including responses to questions raised by Shareholders in advance of 2023 AGM at its corporate webpage at https://www.anchun.com/agm-minutes/ and SGXNet.

REPORT OF CORPORATE GOVERNANCE

On 1 July 2023, the Order has ceased pursuant to the announcement made by the Ministry of Law on 15 December 2022. Following the legislative amendments and taking into account the SGX guidance, the Company's forthcoming AGM will be held wholly in physical format on 25 April 2024.

Investor Relations Policy

The Board places great emphasis on investor relations. The Company strives to maintain a high standard of transparency and promote better investor communication. Provision 12.2 and 12.3

The Company believes that a high standard of disclosure is essential to raise the level of corporate governance. Interim and full year results and press releases are published on SGXNet. All information of the Company's new initiatives is first disseminated via SGXNet followed by a press release.

Where there has been an inadvertent disclosure made to a selected group, the Company will make the same disclosure publicly to all others as soon as practicable.

Shareholders may also provide any feedback they may have about the Company to the Company's email at info@anchun.com.

MANAGING STAKEHOLDERS' RELATIONSHIPS

Engagement with stakeholders

Principle 13: The Board adopts an inclusive approach by considering and balancing the needs and interests of material stakeholders, as part of its overall responsibility to ensure that the best interests of the company are served.

The Board adopts an inclusive approach by considering and balancing the needs and interests of material stakeholders, as part of its overall responsibility to secure the long-term future of the Company. Provision 13.1 and 13.2

The Company's efforts on sustainability are focused on creating sustainable value for our key stakeholders, which include communities, customers, staff, regulators, Shareholders and vendors.

Nevertheless, the company has announced the price-sensitive information is publicly released and is announced promptly and within the mandatory period as required and its Sustainability Report 2023 announced together with this Annual Report.

In FY2023, the Group has reported its sustainability performance in accordance with the SGX Sustainability Report Guide, with reference to the Global Reporting Initiative (GRI) reporting framework and has aligned its climate-related disclosures with the Task Force on Climate-related Financial Disclosures (TCFD) in the four key areas of governance, strategy, risk management and metrics and target. It has also mapped the material environmental, social and governance (ESG) topics to the United Nations Sustainable Development Goals (SDGs), and will continually review the Group's sustainable business strategy to improve the stewardship and reporting format. Detailed information is set out in this Annual Report at pages 16 to 34.

REPORT OF CORPORATE GOVERNANCE

Corporate Website

All material information on the performance and development of the Group and of the Company is disclosed in a timely, accurate and comprehensive manner through SGXNet, press releases, or the Company's website at https://www.anchun.com. Provision 13.3

OTHER CORPORATE GOVERNANCE MATTERS

Dealing in Securities

In compliance with Rule 1207(19) of the Listing Manual and on best practices, the Company has adopted policies to provide guidance to its officers relating to dealings in the Company's securities.

The Company and its officers are prohibited from dealing in the Company's shares on short-term considerations or when they are in possession of unpublished price-sensitive information. They are also not allowed to deal in the Company's securities during the period commencing one month before the announcement of the Company's financial statements for the half-yearly and full financial year and ending on the date of announcement of the relevant results.

In addition, Directors and officers are expected to observe insider trading laws at all times even when dealing in securities within the permitted trading period.

Interested Person Transactions

The Company does not have a general mandate from Shareholders for recurrent interested person transactions. The Company has adopted an internal policy in respect of any transaction with an interested person, which sets out the procedures for review and approval of such transaction.

All interested person transactions will be documented and submitted periodically to the AC for their review to ensure that such transactions are carried out on an arm's length basis and on normal commercial terms and are not prejudicial to the Company.

Details of the interested person transactions entered into by the Group for FY2023 as required to be disclosed pursuant to Rule 1207(17) of the Listing Manual are set out below: -

Name of interested person	Aggregate value of all interested person transactions during FY2022 (excluding transactions less than $100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than $100,000)
Nil	Nil	Nil

REPORT OF CORPORATE GOVERNANCE

Material Contracts

Pursuant to Rule 1207(8) of the Listing Manual, the Company confirms that except as disclosed in the Directors' Statement and Financial Statements, there were no other material contracts of the Company and its subsidiary involving the interests of the CEO or any Director or controlling shareholder, either still subsisting at the end of the financial year or if not then subsisting, which were entered into since the end of the previous financial year.

Update on usage of IPO Proceeds

As at 31 December 2023, the net proceeds from Group's initial public offering had been utilised in accordance with the intended purposes as follows: -

Usage of IPO proceeds	Amount allocated (RMB'000)	Amount utilised (RMB'000)	Balance (RMB'000)
(A) Expand our production facilities and capacities	84,238	27,407	56,831
(B) Enhance our R&D capabilities and widen our range of innovative and cost-effective solutions	15,479	15,479	–
(C) Working capital purposes	33,772	33,772	–
Total	133,489	76,658	56,831

The breakdown of working capital utilization is as follows:-

Usage of IPO proceeds for working capital	Amount utilised (RMB'000)
For carbon monoxide shift catalyst unit and technology implementations	(15,868)
For expanding sales and marketing capabilities and initiatives	(6,206)
For developing of Engineering Procurement Constructions business	(11,698)
Total	(33,772)

REPORT OF CORPORATE GOVERNANCE

Key Information on Director seeking Re-election pursuant to Rule 720(6) of the Listing Manual

The following information on Professor He, MingYang who is seeking for re-election as Director at the forthcoming AGM of the Company, is to be read in conjunction with his biography in this Annual Report.

Name of Directors	**He, MingYang**
Date of Appointment	1 January 2019
Date of last re-appointment (if applicable)	25 April 2022
Age	62
Country of principal residence	People's Republic of China
The Board's comment on this appointment (including rationale, selection criteria, and the search and nomination process)	The Board has considered among others, the recommendation of the Nominating Committee and has reviewed and considered the contribution, performance, attendance preparedness, participation and suitability of He, MingYang for re-election as Director of the Company and concluded that He, MingYang possesses the experience, expertise, knowledge and skills to contribute towards the core competencies of the Board.
Whether appointment is executive, and if so, the area of responsibility	None-Executive
Job title (e.g. Lead ID, AC Chairman, AC Member etc.)	Independent Director, Chairman of Nominating Committee and Member of Remuneration Committee
Professional qualifications	As set out in He, MingYang's profile write up at page 13 of this Annual Report
Working experience and occupation(s) during the past 10 years	As set out in He, MingYang's profile write up at page 13 of this Annual Report
Shareholding interest in the listed issuer and its subsidiaries	None
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	None
Conflict of interest (including any competing business)	None
Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to the listed issuer	Yes
Other principal commitments including directorships	Past (for last 5 years) Nil
	Present (a) Levima Advanced Materials Corporation
Information required under items (a) to (k) of Appendix 7.4.1 of the Listing Manual	There is no change to the responses previously disclosed by He, MingYang under items (a) to (k) of Appendix 7.4.1 of the Mainboard Listing Manual which were "No". The Appendix 7.4.1 information was announced on 7 April 2022.

DIRECTORS' STATEMENT

The directors are pleased to present their statement to the members together with the audited consolidated financial statements of Anchun International Holdings Ltd. (the "Company") and its subsidiary (collectively, the "Group") and the balance sheet and statement of changes in equity of the Company for the financial year ended 31 December 2023.

Opinion of the directors

In the opinion of the directors,

(a) the consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2023 and the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the year ended on that date; and

(b) at the date of this statement there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

Directors

The directors of the Company in office at the date of this statement are:

Zheng Zhi Zhong
Dai Feng Yu
Xie Ding Zhong
Xie Ming
Lee Gee Aik
Andrew Bek
Tan Min-Li
He Ming Yang

Arrangements to enable directors to acquire shares and debentures

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose objects are, or one of whose object is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate.

DIRECTORS' STATEMENT

Directors' interests in shares or debentures

The following directors, who held office at the end of the financial year, had, according to the register of directors' shareholdings, required to be kept under section 164 of the Singapore Companies Act 1967 (the "Act"), an interest in shares of the Company and related corporations (other than wholly owned subsidiary) as stated below:

	Direct interest		Deemed interest	
Name of directors	**At the beginning of financial year**	**At the end of financial year**	**At the beginning of financial year**	**At the end of financial year**
The Company				
(Ordinary shares of the Company)				
Xie Ding Zhong	120,000	120,000	–	–
Dai Feng Yu	–	–	3,944,500	3,944,500
Xie Ming	–	–	10,800,000	10,800,000
Andrew Bek	1,600,000	1,600,000	–	–
Zheng Zhi Zhong	–	–	4,882,000	4,891,700

By virtue of Section 7 of the Companies Act, Xie Ming is deemed to have an interest in 10,800,000 shares of the Company through Ace Sense Holdings Limited.

By virtue of Section 7 of the Companies Act, Zheng Zhi Zhong is deemed to have an interest in 4,891,700 shares of the Company through Oriental Eagle Holdings Limited.

Dawn Vitality International Limited holds 4,114,500 (2022: 4,114,500) shares, of which 170,000 shares are held on trust for certain employees under Anchun Performance Share Plan 2014.

There was no change in any of the above-mentioned interests in the Company between the end of the financial year and 21 January 2024.

Except as disclosed in this statement, no director who held office at the end of the financial year had interests in shares, share options, warrants or debentures of the Company, or of related corporations, either at the beginning of the financial year or at the end of the financial year.

DIRECTORS' STATEMENT

Share options and share awards

In developing long-term incentive schemes, the Company's main objectives are to provide its employees an opportunity to participate in the equity of the Company and to enhance its competitive edge in attracting, recruiting and retaining talented key senior management and employees. In line with these objectives, the Company has adopted the Anchun Performance Share Plan 2014 ("Anchun PSP") and Anchun Employee Share Option Scheme 2014 ("Anchun ESOS").

The Company has adopted the Anchun PSP and Anchun ESOS which were approved by the shareholders at the Extraordinary General Meeting held on 29 April 2014. The Remuneration Committee is responsible for administering the Anchun PSP and Anchun ESOS.

In 2014, the Company has granted an aggregate of 1,700,000 share awards under the Anchun PSP to certain employees by way of transferring all its treasury shares to Dawn Vitality International Limited to be held on trust for such employees (the "EBT shares"). The 1,700,000 EBT shares under the awards were consolidated to 170,000 shares following a 10 to 1 ordinary share consolidation exercise effective from 26 May 2016.

In 2017, employees of the Group became beneficially interested in an aggregate of 144,000 EBT shares after fulfilling the three years' service condition of the awards granted to them in FY2014. Of the remaining 26,000 EBT shares under the Anchun PSP, the Company has granted awards comprising 17,000 EBT shares to an employee on 29 December 2017. The employee will become beneficially interested in the 17,000 EBT shares after fulfilling the three years' service condition under the grant of the awards.

In 2018, the Company had granted awards comprising the balance 9,000 EBT shares available for allocation to the employees of the Group. As at 31 December 2018, the Company held 417,400 treasury shares pursuant to the exercise of its share buyback mandate obtained from shareholders. The Company granted an award comprising 160,000 treasury shares to Mr Zheng Zhi Zhong, the Executive Director and CEO of the Company on 13 September 2018. The 160,000 treasury shares will be transferred to Mr Zheng Zhi Zhong after he has fulfilled the three years' service condition under the grant of the award.

In 2019, the Company held 1,809,000 treasury shares pursuant to the exercise of its share buyback mandate obtained from shareholders. No treasury shares were granted under Anchun PSP during the year.

In 2020, the Company held 2,309,100 treasury shares pursuant to the exercise of its share buyback mandate obtained from shareholders. During the year, one employee of the Group became beneficially interested in an aggregate of 17,000 EBT shares after fulfilling the three years' service condition under grant of the awards. There were no additional treasury shares granted under Anchun PSP.

In 2021, the Company held 2,809,100 treasury shares pursuant to the exercise of its share buyback mandate obtained from shareholders. During the year, one employee of the Group became beneficially interested in an aggregate of 9,000 EBT shares after fulfilling the three years' service condition under grant of the awards. During the year, Mr Zheng Zhi Zhong became beneficially interested in an aggregate of 160,000 treasury shares after fulfilling the three years' service condition under the grant of the award. There were no additional treasury shares granted under Anchun PSP.

In 2022, the Company held 3,309,100 treasury shares pursuant to the exercise of its share buyback mandate obtained from shareholders.There were no treasury shares granted under Anchun PSP.

In 2023, the Company held 3,649,100 treasury shares pursuant to the exercise of its share buyback mandate obtained from shareholders. During the year, 160,000 EBT shares has been officially transferred to Mr Zheng Zhi Zhong under Anchun PSP after fulfilling three years' service condition of the awards granted in FY2017. There were no additional treasury shares granted under Anchun PSP.

No directors or employees of the Group received 5% or more of the total number of share awards available under the Anchun PSP. Save as disclosed above, there were no share awards granted to directors, controlling shareholders of the Company and/or their associates.

DIRECTORS' STATEMENT

Audit Committee

The members of the Audit Committee ("AC") at the end of the financial year were as follows:

Lee Gee Aik (Chairman)
Tan Min-Li
Andrew Bek

The AC will meet quarterly to review, inter alia, the following:

- The audit plan and discuss with the External Auditors, their evaluation of the system of internal controls, their audit report, their management letter and the management's response;

- The internal audit plan and discuss with the Internal Auditors, their evaluation of the adequacy and effectiveness of the internal controls before submission of the results of such review to the Board for approval;

- The financial statements and half year results announcements before submission of the same to the Board for approval, focusing in particular, on changes in accounting policies and practices, major risk areas, significant adjustments resulting from the audit, the going concern statement, compliance with accounting standards as well as compliance with any stock exchange and statutory/regulatory requirements;

- The internal control and procedures and ensure co-ordination between the External and Internal Auditors and the Management, reviewing the assistance given by the Management to the External and Internal Auditors, and discuss problems and concerns, if any, arising from the interim and final audits, and any matters which the External or Internal Auditors may wish to discuss (in the absence of the Management where necessary);

- The Group's key risk areas, as identified by the External and Internal Auditors in the course of the audits;

- The independence and objectivity of the External Auditors;

- The terms of engagement, appointment or re-appointment of the External and Internal Auditors and matters relating to their resignation or dismissal;

- Interested person transactions falling within the scope of Chapter 9 of the SGX-ST Listing Manual; and

- Any potential conflicts of interest.

DIRECTORS' STATEMENT

Auditor

Ernst & Young LLP have expressed their willingness to accept re-appointment as auditor.

On behalf of the board of directors:

Zheng Zhi Zhong
Director

Dai Feng Yu
Director

28 March 2024

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF ANCHUN INTERNATIONAL HOLDINGS LTD.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Anchun International Holdings Ltd. (the "Company") and its subsidiary (collectively, the "Group"), which comprise the balance sheets of the Group and the Company as at 31 December 2023, statements of changes in equity of the Group and the Company and the consolidated statement of comprehensive income and consolidated cash flow statement of the Group for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements of the Group, the balance sheet and the statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Companies Act 1967 (the "Act") and Singapore Financial Reporting Standards (International) ("SFRS(I)") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2023 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and changes in equity of the Company for the year ended on that date.

Basis for Opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority ("ACRA") *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled our responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF ANCHUN INTERNATIONAL HOLDINGS LTD.

Key Audit Matters (cont'd)

Impairment of trade receivables and contract assets

The Group's trade receivable and contract assets were significant as these represent 27% of the total assets in the consolidated balance sheet. The gross carrying amount of trade receivables and contract assets amounted to RMB135.0 million as at 31 December 2023, against which an allowance for expected credit losses ("ECL") of RMB29.2 million was made. The Group uses a provision matrix to calculate ECL for trade receivables and contract assets, which is determined based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and economic environment. These assessments inherently involved management judgement. Accordingly, we determined this as a key audit matter.

We evaluated the Group's processes and controls relating to the monitoring of trade receivables and contract assets including the review of credit risks of customers. In addition, our audit procedures included, amongst others, requesting trade receivable confirmations for selected trade debtors and checking to receipts from customers subsequent to the year end. For material contract assets balances, we reviewed progress of major contracts, as well as its billing milestones. We discussed with management on the recoverability of trade receivables and contract assets.

We also evaluated management's assumptions and estimates used to determine the trade receivables and contract assets impairment amount through analysis of ageing and consideration of their specific profiles and risks, review of customers' payment history and correspondences between the Group and the customers. We corroborated these assumptions through our review of the customer's financial position, where such information had been made available to us, and also considered the historical payment pattern. We evaluated management's assumptions and inputs used in the computation of historical loss rates and assessed the reasonableness of management's assumptions used in establishing the forward-looking factors may have on customers' businesses. We also checked the arithmetic accuracy of the ECL allowance computation.

The Group's disclosures on the trade receivables, contract assets and the related risks such as credit risk and liquidity risk are in Note 21, 4 and 30 to the consolidated financial statements. We assessed the adequacy of the disclosures.

Revenue from chemical systems and components ("CSC") business and chemical engineering and technology ("CET") engineering services

The Group recognises revenue from sale of chemical equipment under the CSC business and from rendering of design services under CET engineering services over time by reference to the Group's progress towards completing these contracts. The measure of the progress is determined based the proportion of contract costs incurred to date to the estimated total contract costs for each contract. The determination of total contract costs and costs to complete require significant management judgements and estimates, which may have an impact on the amounts of revenue and profits recognised during the year. Accordingly, we identified this as a key audit matter.

Our audit procedures include understanding and evaluating the design and operating effectiveness of internal controls with respect to the Group's project management, the project cost estimation and budgeting process, and accounting for revenue from these contracts. We reviewed the robustness of management's budgeting process by comparing the budgeted costs to actual costs incurred for major contracts completed during the year. For significant on-going contracts as at 31 December 2023, we reviewed the project files and discussed with management the progress of the contracts to determine if there are any adverse changes such as delays, penalties or overruns that could have a material impact on the estimation of contract costs. We evaluated management's underlying assumptions made in estimating total costs to complete by comparing to actual costs incurred for past similar projects. For revisions made to budgeted costs, we discussed with project personnel and management on the rationale for such changes and checked the revision of the budgeted costs to supporting documentation. We also reviewed management's assessment and estimation of the additional time and costs needed to complete the ongoing projects due to business disruptions, by taking into consideration past performance of the Group's projects and current market condition.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF ANCHUN INTERNATIONAL HOLDINGS LTD.

Key Audit Matters (cont'd)

Revenue from chemical systems and components ("CSC") business and chemical engineering and technology ("CET") engineering services (cont'd)

We checked the arithmetic accuracy of revenue and profit recognised based on the measure of progress calculation. We compared the contract revenue against the estimated total contract costs to assess if there is a need to consider provision for onerous loss-making contracts. We assessed the adequacy of provision for onerous contract provided by management by comparing unavoidable costs of meeting the obligations under a contract and the economic benefits expected to be received under it.

In addition, we evaluated the Group's procedures and processes for recognising revenue from contracts with customers. We reviewed contractual terms and conditions for major contracts with customers. We also assessed the adequacy of the disclosures in respect of revenue in Note 4 and 27 to the financial statements.

Other Information

Management is responsible for other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Directors for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and SFRS(I), and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF ANCHUN INTERNATIONAL HOLDINGS LTD.

Auditor's Responsibilities for the Audit of the Financial Statements (cont'd)

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF ANCHUN INTERNATIONAL HOLDINGS LTD.

Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Andrew Tan Chwee Peng.

Ernst & Young LLP
Public Accountants and
Chartered Accountants

Singapore
28 March 2024

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

(Amounts expressed in Renminbi)

	Note	Group 2023 RMB'000	Group 2022 RMB'000
Revenue	4	**133,622**	182,766
Cost of sales		**(102,890)**	(129,289)
Gross profit		**30,732**	53,477
Other items of income			
Finance and other income	5	**8,469**	10,772
Write-back of impairment losses on trade receivables	21	**135**	1,404
Write-back of/(impairment losses) on contract assets	21	**117**	(1,688)
Other items of expense			
Marketing and distribution expenses		**(6,643)**	(6,263)
Administrative expenses		**(22,375)**	(20,021)
Research expenses		**(7,994)**	(7,029)
Other expenses	6	**(239)**	(179)
Finance costs	7	**(7)**	(3)
Profit before tax	8	**2,195**	30,470
Income tax credit/(expense)	9	**192**	(223)
Profit for the year, representing total comprehensive income for the year attributable to owners of the Company		**2,387**	30,247
Earning per share (RMB cents):			
Basic	10	**5.06**	63.49
Diluted	10	**5.06**	63.49

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

BALANCE SHEETS

AS AT 31 DECEMBER 2023

(Amounts expressed in Renminbi)

	Note	Group		Company	
		2023	2022	2023	2022
		RMB'000	RMB'000	RMB'000	RMB'000
ASSETS					
Non-current assets					
Property, plant and equipment	14	**41,750**	44,740	**–**	–
Intangible assets	15	**213**	570	**–**	–
Right-of-use assets	16	**11,518**	11,883	**–**	–
Investment in a subsidiary	13	**–**	–	**75,631**	75,631
Investment properties	18	**2,487**	3,117	**–**	–
Prepayments	19	**40**	255	**–**	–
Deferred tax assets	17	**–**	–	**–**	–
		56,008	60,565	**75,631**	75,631
Current assets					
Inventories	20	**24,425**	31,757	**–**	–
Contract assets	4	**88,777**	82,419	**–**	–
Trade and other receivables	21	**43,108**	55,431	**37,886**	37,860
Prepayments	19	**3,539**	3,271	**55**	61
Short term deposits	22	**100,000**	60,000	**–**	–
Cash and cash equivalents	22	**79,018**	115,748	**6,669**	16,068
		338,867	348,626	**44,610**	53,989
Total assets		**394,875**	409,191	**120,241**	129,620

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

BALANCE SHEETS

AS AT 31 DECEMBER 2023

(Amounts expressed in Renminbi)

	Note	Group 2023 RMB'000	Group 2022 RMB'000	Company 2023 RMB'000	Company 2022 RMB'000
EQUITY AND LIABILITIES					
Current liabilities					
Trade and other payables	23	**36,719**	40,795	**12,793**	12,596
Contract liabilities	4	**35,412**	39,795	**–**	–
Other liabilities	24	**20,264**	20,988	**833**	803
Income tax payable		**3,273**	4,310	**–**	–
		95,668	105,888	**13,626**	13,399
Net current assets		**243,199**	242,738	**30,984**	40,590
Total liabilities		**95,668**	105,888	**13,626**	13,399
Net assets		**299,207**	303,303	**106,615**	116,221
Equity attributable to owners of the Company					
Share capital	25(a)	**149,278**	149,278	**149,278**	149,278
Treasury/employee benefit trust shares	25(b)	**(4,994)**	(4,197)	**(4,994)**	(4,197)
Other reserves	26	**128,857**	128,640	**(10)**	(10)
Accumulated profits/(losses)		**26,066**	29,582	**(37,659)**	(28,850)
Total equity		**299,207**	303,303	**106,615**	116,221
Total equity and liabilities		**394,875**	409,191	**120,241**	129,620

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

(Amounts expressed in Renminbi)

	Attributable to owners of the Company				
	Total equity RMB'000	Share capital (Note 25(a)) RMB'000	Treasury/ employee benefit trust shares (Note 25(b)) RMB'000	Other reserves (Note 26) RMB'000	Accumulated profits RMB'000
Group					
Opening balance at 1 January 2023	**303,303**	**149,278**	**(4,197)**	**128,640**	**29,582**
Profit for the year, representing total comprehensive income for the year	**2,387**	**–**	**–**	**–**	**2,387**
Contributions by and distributions to owners					
Purchase of treasury shares	**(797)**	**–**	**(797)**	**–**	**–**
	(797)	**–**	**(797)**	**–**	**–**
Others					
Utilisation of statutory reserve fund – safety production expenditure, net		**–**	**–**	**(753)**	**753**
Transfer to statutory reserve fund, net		**–**	**–**	**970**	**(970)**
Transfer to staff welfare payable, net	**(32)**	**–**	**–**	**–**	**(32)**
Dividend paid (Note 32)	**(5,654)**	**–**	**–**	**–**	**(5,654)**
	(5,686)	**–**	**–**	**217**	**(5,903)**
Closing balance at 31 December 2023	**299,207**	**149,278**	**(4,994)**	**128,857**	**26,066**
Opening balance at 1 January 2022	273,928	149,278	(3,391)	125,817	2,224
Profit for the year, representing total comprehensive income for the year	30,247	–	–	–	30,247
Contributions by and distributions to owners					
Purchase of treasury shares	(806)	–	(806)	–	–
	(806)	–	(806)	–	–
Others					
Transfer to statutory reserve fund – safety production expenditure, net	–	–	–	1,994	(1,994)
Transfer to statutory reserve fund, net	–	–	–	829	(829)
Transfer to staff welfare payable, net	(66)	–	–	–	(66)
	(66)	–	–	2,823	(2,889)
Closing balance at 31 December 2022	303,303	149,278	(4,197)	128,640	29,582

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

(Amounts expressed in Renminbi)

	Attributable to owners of the Company				
	Total equity	Share capital (Note 25(a))	Treasury/ employee benefit trust shares (Note 25(b))	Other reserves (Note 26)	Accumulated profits
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Company					
Opening balance at 1 January 2023	**116,221**	**149,278**	**(4,197)**	**(10)**	**(28,850)**
Loss for the year, representing total comprehensive income for the year	**(3,155)**	**–**	**–**	**–**	**(3,155)**
Contributions by and distributions to owners					
Purchase of treasury share	**(797)**	**–**	**(797)**	**–**	**–**
Dividend paid (Note 32)	**(5,654)**	**–**	**–**	**–**	**(5,654)**
	(6,451)	**–**	**(797)**	**–**	**(5,654)**
Closing balance at 31 December 2023	**106,615**	**149,278**	**(4,994)**	**(10)**	**(37,659)**
Opening balance at 1 January 2022	111,247	149,278	(3,391)	(10)	(34,630)
Profit for the year, representing total comprehensive income for the year	5,780	–	–	–	5,780
Contributions by and distributions to owners					
Purchase of treasury share	(806)	–	(806)	–	–
	(806)	–	(806)	–	–
Closing balance at 31 December 2022	116,221	149,278	(4,197)	(10)	(28,850)

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

CONSOLIDATED CASH FLOW STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

(Amounts expressed in Renminbi)

	Note	Group 2023 RMB'000	Group 2022 RMB'000
Operating activities			
Profit before tax		**2,195**	30,470
Adjustments for:			
Depreciation of property, plant and equipment	14	**7,806**	8,070
Depreciation of right-of-use assets	16	**365**	365
Depreciation of investment properties	18	**630**	631
Amortisation of intangible assets	15	**372**	397
(Write-back of)/ impairment losses on financial assets, net	21	**(252)**	284
Write-back of inventory obsolescence	20	**–**	(84)
Gain on disposal of property, plant and equipment, net	5	**(62)**	(115)
Write-off of property, plant and equipment	6, 14	**149**	130
Finance costs	7	**7**	3
Finance income	5	**(2,949)**	(4,185)
Unrealised exchange gain		**(78)**	(253)
Operating cash flows before changes in working capital		**8,183**	35,713
Changes in working capital			
(Increase)/decrease in:			
Inventories		**7,332**	(82)
Trade and other receivables		**12,897**	9,929
Contract assets		**(6,680)**	(3,002)
Prepayments		**(254)**	4,240
Increase/(decrease) in:			
Trade and other payables		**(3,627)**	8,560
Contract liabilities		**(4,383)**	(34,234)
Other liabilities and provision		**(947)**	3,632
Total changes in working capital		**4,338**	(10,957)
Cash flows generated from operations		**12,521**	24,756
Interest received		**2,949**	4,185
Interest paid		**(7)**	(3)
Income taxes paid		**(845)**	(637)
Net cash flows generated from operating activities		**14,618**	28,301

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

CONSOLIDATED CASH FLOW STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

(Amounts expressed in Renminbi)

	Note	Group 2023 RMB'000	Group 2022 RMB'000
Investing activities			
Purchase of property, plant and equipment	A	**(5,087)**	(1,514)
Purchase of intangible assets - software	15	**(15)**	(303)
Proceeds from disposal of property, plant and equipment		**127**	139
Placement of fixed deposits		**(160,000)**	(100,000)
Withdrawal of fixed deposits		**120,000**	60,000
Net cash flows used in investing activities		**(44,975)**	(41,678)
Financing activities			
Purchase of treasury shares	30(c)	**(797)**	(806)
Dividends paid	32	**(5,654)**	–
Net cash flows used in financing activities		**(6,451)**	(806)
Net decrease in cash and cash equivalents		**(36,808)**	(14,183)
Cash and cash equivalents at 1 January		**115,748**	129,678
Effect of exchange rate changes on cash and cash equivalents		**78**	253
Cash and cash equivalents at 31 December	22	**79,018**	115,748

A. Purchase of property, plant and equipment

	Group 2023 RMB'000	Group 2022 RMB'000
Current year additions to property, plant and equipment (Note 14)	**5,030**	1,105
Less: Payable to creditors	**(233)**	(415)
Prepayments made in prior year	**(241)**	(140)
	4,556	550
Add: Payments for prior year purchase	**491**	512
Prepayments made in current year	**40**	452
Net cash outflow for purchase of property, plant and equipment	**5,087**	1,514

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

1. Corporate information

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

The registered office of the Company is located at 138 Cecil Street, #12-01A Cecil Court, Singapore 069538. The principal place of business of the Group is located at No. 539, Lusong Road, Changsha National Hi-tech Industrial Development Zone, Changsha City, Hunan Province, People's Republic of China ("PRC") 410205.

The principal activity of the Company is an investment holding. The principal activities of the subsidiary are disclosed in Note 13 to the financial statements.

2. Material accounting policy information

2.1 Basis of preparation

The consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company have been prepared in accordance with Singapore Financial Reporting Standards (International) (SFRS(I)).

The financial statements have been prepared on a historical cost basis except as disclosed in the accounting policies below.

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

2.2 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except in the current financial year, the Group has adopted all the new and revised standards which are effective for annual periods beginning on or after 1 January 2023. The adoption of these standards and interpretations did not have any effect on the financial performance or position of the Group and the Company.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

2. Material accounting policy information (cont'd)

2.3 Standards issued but not yet effective

The Group has not adopted the following standards and interpretations that have been issued but not yet effective:

Description	***Effective for annual periods beginning on or after***
Amendments to SFRS(I) 1-1 *Presentation of Financial Statements: Classification of Liabilities as Current or Non-current*	1 January 2024
Amendments to SFRS(I) 16 *Leases: Lease Liability in a Sale and Leaseback*	1 January 2024
Amendments to SFRS(I) 1-1 *Presentation of Financial Statements: Non-current Liabilities with Covenants*	1 January 2024
Amendment to SFRS(I) 1-7 and SFRS(I) 7 *Financial Instruments: Disclosure and Statement of Cash Flows: Supplier Finance Arrangements*	1 January 2024
Amendments to SFRS(I) 1-21 *The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability*	1 January 2024
Amendments to SFRS(I) 10 *Consolidated Financial Statements and SFRS(I) 28 Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	Date to be determined

The directors expect that the adoption of the standards and amendments above will have no material impact on the financial statements in the year of initial application.

2.4 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December 2023. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

2. Material accounting policy information (cont'd)

2.5 Foreign currency

The financial statements are presented in Renminbi ("RMB"), which is also the Company and its subsidiary's functional currency.

Transactions and balances

Transactions in foreign currencies are measured in RMB and are recorded on initial recognition in RMB at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the end of the reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the end of the reporting period are recognised in profit or loss.

2.6 Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. Subsequent to recognition, property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is computed on a straight-line basis over the estimated useful lives of the assets as follows:

	Years
Buildings	20
Machinery	5 to 15
Office equipment and furniture	5
Motor vehicles	5

2.7 Intangible assets

Computer software

Computer software is measured at cost less accumulated amortisation and any accumulated impairment loss. It is amortised on a straight-line basis over its estimated useful lives of 3 years.

2.8 Investment properties

Investment properties are properties that are owned by the Group that are held to earn rentals or for capital appreciation, or both, rather than for use in the production or supply of goods or services, or for administrative purposes, or in the ordinary course of business. Investment properties comprise completed investment properties and properties that are being constructed or developed for future use as investment properties.

Investment properties are initially measured at cost, including transaction costs. The Group has adopted the cost model which is to measure investment properties at cost less accumulated depreciation and accumulated impairment losses. Depreciation is computed on a straight-line basis as disclosed in Note 18.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

2. Material accounting policy information (cont'd)

2.9 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount, which is the higher of its fair value less costs of disposal and its value in use.

2.10 Subsidiary

In the Company's balance sheet, investment in the subsidiary is accounted for at cost less impairment losses.

2.11 Financial instruments

(a) Financial assets

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVPL"), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Trade receivables are measured at the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third party, if the trade receivables do not contain a significant financing component at initial recognition.

(b) Financial liabilities

Financial liabilities are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value plus in the case of financial liabilities not at fair value through profit or loss, net of directly attributable transaction costs.

2.12 Impairment of financial assets

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss.

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

2. Material accounting policy information (cont'd)

2.13 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand and short-term deposits which are subject to an insignificant risk of changes in value.

2.14 Inventories

Inventories are stated at the lower of cost and net realisable value. Costs incurred in bringing the inventories to their present location and condition are accounted for as follows:

- Raw materials: purchase costs on a weighted average basis.

- Finished goods and work-in-progress: costs of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity. These costs are assigned on a weighted average basis.

When necessary, allowance is provided for damaged, obsolete and slow moving items to adjust the carrying value of inventories to the lower of cost and net realisable value.

2.15 Provisions

General

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic resources embodying economic resources will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Onerous contracts

A contract is onerous when the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. When a contract is onerous, a present obligation under the contract shall be recognised and measured as a provision.

2.16 Borrowing costs

Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

2.17 Government grants

Government grants are recognised as a receivable when there is reasonable assurance that the grant will be received and all attaching conditions will be complied with.

When the government grants relate to an expense item, it is recognised in profit or loss as income on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grant is intended to compensate. The grants are presented as a credit in profit or loss, under a general heading such as “Finance and other income”.

2.18 Research costs

Research costs are expensed as incurred.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

2. Material accounting policy information (cont'd)

2.19 Employee benefits

(a) Defined contribution plans

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations.

PRC

The PRC subsidiary is required to provide certain staff pension benefits to their employees under existing PRC laws and regulations. Pursuant to the PRC laws and regulations, defined contributions are provided at rates stipulated by PRC regulations and contributed to a pension fund managed by government agencies, which are responsible for administering these amounts for the subsidiary's employees. Pension contributions are recognised as an expense in the period in which the related services are performed.

Singapore

The Company makes contribution to the Central Provident Fund scheme in Singapore, a defined contribution pension scheme. Pension contributions are recognised as an expense in the period in which the related services are performed.

(b) Equity-settled share-based payment transactions

Employees of the Group receive remuneration in the form of shares as consideration for services rendered. The cost of these equity-settled share based payment transactions with employees is measured by reference to the fair value of the shares at the date on which the shares are granted which takes into account vesting conditions. This cost is recognised in profit or loss, with a corresponding increase in the employee share reserve, over the vesting period. The cumulative expense recognised at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of shares that will ultimately vest. The charge or credit to profit or loss for a period represents the movement in cumulative expense recognised as at the beginning and end of that period and is recognised in employee benefits expense.

Vesting conditions

Vesting condition are conditions that determine whether the entity receives the services that entitle the counterparty to receive cash, other assets or equity instruments of the entity under a share-based payment arrangement.

Vesting conditions are limited to service condition (e.g., requires counterparty to complete a specified period of service).

(c) Employee leave entitlement

Employee entitlements to annual leave are recognised as a liability when they are accrued to the employees. The estimated liability for leave is recognised for services rendered by employees up to the end of the reporting period.

2. Material accounting policy information (cont'd)

2.20 Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

(a) As lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The estimated useful lives of the assets as follows:

	Years
Land use rights	33

The right-of-use assets are also subject to impairment. The accounting policy for impairment is disclosed in Note 2.9.

The Group's right-of-use assets are disclosed in Note 16.

Lease liability

Lease liabilities are measured at the present value of lease payments. In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

The Group's lease liabilities are disclosed in Note 16.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery (i.e. those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies that the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low value assets are recognised as expense on a straight-line basis over the lease term.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

2. Material accounting policy information (cont'd)

2.20 Leases (cont'd)

(b) As lessor

Leases in which the Group does not transfer substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms. The aggregate costs of incentives provided to lessees are recognised as a reduction of rental income over the lease term on a straight-line basis.

2.21 Revenue

(a) Sale of chemical catalyst ("Catalyst Business")

The Group supplies chemical catalyst for consumers, for use in the process of gas-making, ammonia synthesis and methanol synthesis.

Revenue from sale of chemical catalyst is recognised when control of the good has been transferred to the customer at a point in time. Control is transferred upon the delivery of goods.

The amount of revenue recognised is based on the contractual price, as the contracts with customer do not normally include variable consideration such as right of returns, refunds, trade discounts or volume rebates.

(b) Sale of chemical equipment ("CSC Business")

The Group manufactures chemical system equipment including reactors, pressure vessels and other auxiliary equipment for consumers.

Revenue from sale of chemical equipment is recognised when control of the equipment has been transferred to customer over time, as the Group has limited practicality of readily directing the customised equipment for another use, and has an enforceable right to payment for performance completed to date. Revenue is recognised over time, based on costs incurred to date as a proportion of the estimated total cost to be incurred.

The Group accounts for contract modifications arising from change orders to modify the scope or price of the contract as separate contracts if the modification adds distinct goods or services at their standalone selling prices. For contract modifications that add distinct goods or services but not at their standalone selling prices, the Group combines the remaining consideration in the original contract with the consideration promised in the modification to create a new transaction price that is then allocated to all remaining performance obligations. For contract modifications that do not add distinct goods or services, the Group accounts for the modification as continuation of the original contract and is recognised as a cumulative adjustment to revenue at the date of modification.

The contracts with customer include only assurance-type warranty to assure that the equipment complies with agreed-upon specifications and are accounted for as a provision for warranty.

Progress billings to the customers are based on a payment schedule in the contract and are typically triggered upon achievement of specified payment milestones. A contract asset is recognised when the Group has performed under the contract but has not yet billed the customer. Conversely, a contract liability is recognised when the Group has not yet performed under the contract but has received advanced payments from the customer. Contract assets are transferred to receivables when the rights to consideration become unconditional. Contract liabilities are recognised as revenue as the Group performs under the contract.

2. Material accounting policy information (cont'd)

2.21 Revenue (cont'd)

(c) CET engineering services

The Group provides chemical systems engineering and technology design services for the production of ammonia and methanol related products.

Revenue from the rendering of services is recognised when control over the engineering design services has been transferred to customer over time, as the customer simultaneously receives and consumes the benefits as the Group performs. Revenue is recognised over time, based on costs incurred to date as a proportion of the estimated total cost to be incurred.

2.22 Taxes

(a) Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the end of the reporting period, in the countries where the Group operates and generates taxable income.

Current income taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

(b) Deferred tax

Deferred tax is provided using the liability method on temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities shall be recognised for all taxable temporary differences, except:

– to the extent that the deferred tax liability arises from:

  (i) the initial recognition of goodwill; or

  (ii) to the extent that the deferred tax liability arises from the initial recognition of an asset or liability in a transaction which:

    - is not a business combination;

    - at the time of the transaction, affects neither the accounting profit nor taxable profit (tax loss); and

    - at the time of transaction, does not give rise to equal taxable and deductible temporary differences; and

– in respect of taxable temporary differences associated with investments in subsidiary, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

2. Material accounting policy information (cont'd)

2.22 Taxes (cont'd)

(b) Deferred tax (cont'd)

Deferred tax assets shall be recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, unless:

– the deferred tax asset arises from the initial recognition of an asset or liability in a transaction that

 (i) is not a business combination;

 (ii) at the time of the transaction, affects neither the accounting profit nor taxable profit (tax loss); and

 (iii) at the time of transaction, does not give rise to equal taxable and deductible temporary differences; and

– in respect of deductible temporary differences associated with investments in subsidiary, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Deferred tax relating to items recognised outside profit and loss is recognised outside profit and loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

(c) Value-added-tax ("VAT") / Goods and services tax ("GST")

Revenues, expenses and assets are recognised net of the amount of VAT/GST except:

- Where the VAT/GST incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the VAT/GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- Receivables and payables that are stated with the amount of VAT/GST included.

2. Material accounting policy information (cont'd)

2.23 Segmental reporting

For management purposes, the Group is organised into operating segments based on their products and services which are independently managed by respective segment managers responsible for the performance of the respective segments under their charge. The segment manager reports directly to the management of the Company who regularly reviews the segment results in order to allocate the resources to the segments and assess the segment performance. Additional disclosures on each of these segments are shown in Note 27, including the factors used to identify the reportable segments and the measurement basis of segment information.

2.24 Share capital and share issuance expenses

Proceeds from issuance of ordinary shares are recognised as share capital in equity. Incremental costs directly attributable to the issuance of ordinary shares are deducted against share capital.

2.25 Treasury shares

The Group's own equity instruments, which are reacquired (treasury shares) are recognised at cost and deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount of treasury shares and the consideration received, if reissued, is recognised directly in equity. Voting rights related to treasury shares are nullified for the Group and no dividends are allocated to them respectively.

3. Significant accounting judgements and estimates

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the end of each reporting period. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

3.1 Judgements made in applying accounting policies

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

3.2 Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each reporting period are discussed below. The Group based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

(a) Provision for expected credit losses of trade receivables and contract assets

The Group uses a provision matrix to calculate the ECLs for trade receivables and contract assets, for which the matrix is initially based on historical observed default rates. The matrix is calibrated to adjust historical credit loss experience with forward-looking information which incorporated forecast macroeconomic conditions specific to the debtors and the environment in which the Group operates. At every reporting date, historical default rates are updated and changes in forward-looking estimates are analysed.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

3. Significant accounting judgements and estimates (cont'd)

3.2 Key sources of estimation uncertainty (cont'd)

(a) Provision for expected credit losses of trade receivables and contract assets (cont'd)

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate, and may also not be representative of the actual default in the future. The carrying amount of the Group's trade receivables and contract assets, and information about its ECLs is disclosed in Note 4 and Note 21 to the financial statements.

(b) Contracts and revenue recognition

The Group recognises contract revenue by reference to the progress towards complete satisfaction of a performance obligation within the contract, when the outcome of a performance obligation can be reasonably measured. The progress is measured by reference of the costs incurred to date as a proportion of the estimated total cost to be incurred. Significant assumptions are required to estimate the total budgeted contract costs, progress towards completion, and remaining costs to completion.

For the financial year ended 31 December 2023, the Group recorded revenue of RMB113,824,000 (2022: RMB170,681,000) from contracts under CET engineering services and CSC business.

4. Revenue

(a) Disaggregation of revenue

	Catalyst business		CSC business		CET engineering services		Total revenue	
	2023	2022	2023	2022	2023	2022	2023	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Primary geographical market								
People's Republic of China	**19,798**	12,085	**104,065**	157,875	**9,759**	12,806	**133,622**	182,766
Major product or service lines								
Catalyst	**19,798**	12,085	**–**	–	**–**	–	**19,798**	12,085
Chemical equipment	**–**	–	**104,065**	157,875	**–**	–	**104,065**	157,875
Engineering and design services	**–**	–	**–**	–	**9,759**	12,806	**9,759**	12,806
	19,798	12,085	**104,065**	157,875	**9,759**	12,806	**133,622**	182,766
Timing of transfer of goods or services								
At a point in time	**19,798**	12,085	**–**	–	**–**	–	**19,798**	12,085
Over time	**–**	–	**104,065**	157,875	**9,759**	12,806	**113,824**	170,681
	19,798	12,085	**104,065**	157,875	**9,759**	12,806	**133,622**	182,766

4. Revenue (cont'd)

(b) 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.

(c) Contract assets and contract liabilities

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

	Group	
	31 December	
	2023	2022
	RMB'000	RMB'000
Receivables from contracts with customers (Note 21)	**17,019**	19,225
Contract assets	**88,777**	82,419
Contract liabilities	**35,412**	39,795

During current financial year, the Group has recognised write back of impairment losses of RMB135,000 (2022: write back of impairment losses of RMB1,404,000) on receivables.

Contract assets primarily relate to the Group's right to consideration for work completed but not yet billed at reporting date for sale of chemical equipment. Contract assets are transferred to receivables when the rights become unconditional. During the year, the Group has recognised write back of impairment loss of RMB117,000 (2022: impairment losses of RMB1,688,000) on contract assets.

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:

	Group	
	2023	2022
	RMB'000	RMB'000
Contract assets reclassified to receivables	**48,432**	58,569

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

4. Revenue (cont'd)

(c) Contract assets and contract liabilities (cont'd)

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

	Group	
	2023	2022
	RMB'000	RMB'000
Revenue recognised that was included in the contract liability balance at the beginning of the year	**24,768**	59,318

(d) Transaction price allocated to remaining performance obligation

The aggregate amount of transaction price allocated to the unsatisfied (or partially unsatisfied) performance obligations as at 31 December 2023 is RMB175,127,000 (2022: RMB135,583,000). The Group expects to recognise RMB139,957,000 as revenue relating to the transaction price allocated to the unsatisfied (or partially satisfied) performance obligations as at 31 December 2023 in the financial year 2024 and RMB35,170,000 in the financial year 2025.

5. Finance and other income

	Group	
	2023	2022
	RMB'000	RMB'000
Finance income		
Interest income on bank balances and deposits	**2,949**	4,185
Other income		
Government grants	**1,102**	1,485
Sale of scrap materials and parts	**909**	1,479
Rental income from investment properties (Note 18)	**2,431**	2,059
Net foreign exchange loss, net	**78**	253
Gain from contract penalty	**23**	164
Gain on disposal of property, plant and equipment, net	**62**	115
Write-back of trade payables	**55**	344
Write-back of contract liabilities	**860**	679
Others	**–**	9
	8,469	10,772

During the financial years ended 31 December 2023 and 2022, the Company's subsidiary in the People's Republic of China received cash grants for distinguished enterprise and research and development mainly from Changsha Finance Bureau High-Tech Zone.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

6. Other expenses

	Group	
	2023	2022
	RMB'000	RMB'000
Write-off of property, plant and equipment (Note 14)	**149**	130
Others	**90**	49
	239	179

7. Finance costs

	Group	
	2023	2022
	RMB'000	RMB'000
Bank charges	**7**	3

8. Profit before tax

The following items have been included in arriving at profit before tax:

		Group	
	Note	2023	2022
		RMB'000	RMB'000
Audit fees			
- Auditors of the Company		**466**	466
- Member firm of EY Global		**451**	451
- Other auditors		**43**	42
Non-audit fees			
- Other auditors		**75**	75
Amortisation of intangible assets	15	**372**	397
Write-back of inventory obsolescence	20	**–**	(84)
Expenses relating to short-term leases	16	**144**	395
Depreciation of property, plant and equipment	14	**7,806**	8,070
Depreciation of right-of-use assets	16	365	365
Depreciation of investment properties	18	630	631
Employee benefits expense	11	32,904	35,189
Direct operating expenses arising from investment properties	18	1,408	1,290
Inventories recognised as an expense in cost of sales	20	71,060	88,864
(Write-back of impairment)/impairment losses on financial assets, net:			
- Trade receivables	21	(135)	(1,404)
- Contract assets	21	(117)	1,688

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

9. Income tax (credit)/expense

Major components of income tax expense/(credit)

The major components of income tax (credit)/expense for the years ended 31 December 2023 and 2022 are:

	Group	
	2023	**2022**
	RMB'000	**RMB'000**
Current income tax:		
- Over provision in respect of previous years	**(192)**	(1,128)
- Withholding tax on dividend	**–**	445
Deferred income tax:		
- Origination of temporary differences	**–**	906
Income tax (credit)/expense recognised in profit or loss	**(192)**	223

Relationship between tax (credit)/expense and accounting profit

The reconciliation between tax (credit)/expense and the product of accounting profit multiplied by the applicable corporate tax rate for the years ended 31 December 2023 and 2022 is as follows:

	Group	
	2023	2022
	RMB'000	RMB'000
Profit before tax	**2,195**	30,470
Tax at the domestic rates applicable to profit in the countries where the Group operates	**266**	4,517
Adjustments:		
- Non-deductible expenses	**614**	509
- Income not subject to taxation	**(122)**	(80)
- Deferred tax assets not recognised	**241**	–
- Effect of partial tax exemption and tax relief	**(999)**	(1,081)
- Benefit from previously unrecognised losses	**–**	(2,959)
- Withholding tax on dividend	**–**	445
- Over provision in respect of previous years	**(192)**	(1,128)
Income tax (credit)/expense recognised in profit or loss	**(192)**	223

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

9. Income tax (credit)/expense (cont'd)

Relationship between tax (credit)/expense and accounting profit (cont'd)

Anchun International Holdings Ltd. (the "Company")

The Company is incorporated in Singapore and is subject to a tax rate of 17% for the financial year ended 31 December 2023 (2022: 17%).

Hunan Anchun Advanced Technological Co., Ltd ("Hunan Anchun")

Hunan Anchun was granted the High and New Technology Enterprise ("HNTE") by China's Ministry of Finance, the State Administration of Taxation and the Ministry of Science and Technology in 2007. The HNTE certification allows Hunan Anchun to be taxed at a concessionary rate of 15% with effect from 1 January 2008.

10. 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.

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

	Group	
	2023	**2022**
	RMB'000	**RMB'000**
Profit for the year attributable to owners of the Company used in the computation of basic and diluted loss per share	**2,387**	30,247
Weighted average number of ordinary shares for basic earnings per share computation ('000) #	**47,151**	47,644
Weighted average number of ordinary shares for diluted earnings per share computation ('000)	**47,151**	47,644
Basic and diluted profit per share (RMB cents)	**5.06**	63.49

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

11. Employee benefits expense

	Group	
	2023	2022
	RMB'000	RMB'000
Employee benefits expense (including directors):		
Salaries and bonuses	**26,981**	29,340
Welfare expense	**1,508**	1,818
Contribution to defined contribution plans	**4,415**	4,031
	32,904	35,189

Employee share awards

Performance Share Plan 2014

The Anchun Performance Share Plan 2014 ("Anchun PSP") was approved by the shareholders of the Company on 29 April 2014. Under the Anchun PSP, certain employees are entitled to a grant of performance shares, which will be released to these employees once they have been in service for a period of three years from the date of grant.

Fair value of share awards granted

The fair value of the shares granted is determined by reference to the published market bid price at the respective grant date. The fair value of the services from employees received in exchange for the grant of the shares under the Anchun PSP is recognised as an expense in the income statement with a corresponding increase in Anchun PSP reserve. The total amount to be recognised over the vesting period is determined by reference to the fair value of the performance shares at the date of grant and the number of performance shares expected to be vested by vesting date. At the end of each reporting period, the Group revises its estimate of the number of performance shares that are expected to vest on vesting date. Any revision of this estimate is included in the income statement and a corresponding adjustment to Anchun PSP reserve over the remaining vesting period.

During the financial year, there were no revisions to this estimate of the number of employees who will fulfil the three years' service condition (2022: no revisions).

12. Related party transactions

(a) Sale and purchase of services

In addition to related party information disclosed elsewhere in the financial statements, the following transactions between the Company and the related parties took place on terms agreed between the parties during the financial year:

	Company	
	2023	2022
	RMB'000	RMB'000
Service fee charged to a subsidiary	**20**	20

12. Related party transactions (cont'd)

(b) Compensation of key management personnel

	Group	
	2023	**2022**
	RMB'000	**RMB'000**
Salaries, bonuses and fees	**3,527**	3,679
Contribution to defined contribution plans	**212**	76
Total compensation paid to key management personnel	**3,739**	3,755
Comprises amounts paid to:		
- Directors of the Company	**2,631**	2,982
- Other key management personnel	**1,108**	773
Total compensation paid to key management personnel	**3,739**	3,755

13. Investment in a subsidiary

	Company	
	2023	**2022**
	RMB'000	**RMB'000**
Unquoted equity shares, at cost	**75,000**	75,000
Anchun PSP	**631**	631
	75,631	75,631

Details of the subsidiary is as follows:

Name of company	Country of incorporation	Principal activities	Proportion of ownership interest	
			2023	**2022**
			%	**%**
Held by the Company				
Hunan Anchun Advanced Technology Co., Ltd ("Hunan Anchun") (1)	PRC	Provision of integrated chemical systems engineering and technology solutions to the petrochemical and chemical industries	**100**	100

(1) Audited by Hunan Yuan Yang Public Accounting Firm Co., Ltd., for PRC statutory reporting purpose. Audited by Ernst & Young Hua Ming LLP Changsha Branch, for consolidation purpose.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

14. Property, plant and equipment

	Buildings RMB'000	Machinery RMB'000	Office equipment and furniture RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
Group						
Cost:						
At 1 January 2022	78,252	108,949	6,648	1,381	143	195,373
Additions	–	673	228	–	204	1,105
Disposals	–	(474)	–	–	–	(474)
Write-off	–	(1,166)	(63)	–	–	(1,229)
At 31 December 2022 and 1 January 2023	78,252	107,982	6,813	1,381	347	194,775
Additions	1,149	912	130	646	2,193	5,030
Reclassification	–	–	1,209	–	(1,209)	–
Disposals	–	(774)	–	(526)	–	(1,300)
Write-off	(74)	(1,730)	(131)	–	–	(1,935)
At 31 December 2023	**79,327**	**106,390**	**8,021**	**1,501**	**1,331**	**196,570**
Accumulated depreciation:						
At 1 January 2022	(47,850)	(89,342)	(5,009)	(1,313)	–	(143,514)
Depreciation charge for the year	(3,703)	(3,952)	(415)	–	–	(8,070)
Disposals	–	450	–	–	–	450
Write-off	–	1,039	60	–	–	1,099
At 31 December 2022 and 1 January 2023	(51,553)	(91,805)	(5,364)	(1,313)	–	(150,035)
Depreciation charge for the year	(3,724)	(3,549)	(451)	(82)		(7,806)
Disposals	–	736	–	499	–	1,235
Write-off	48	1,615	123	–	–	1,786
At 31 December 2023	**55,229**	**93,003**	**5,692**	**896**	**–**	**154,820**
Net carrying amount:						
At 31 December 2022	26,699	16,177	1,449	68	347	44,740
At 31 December 2023	**24,098**	**13,387**	**2,329**	**605**	**1,331**	**41,750**

15. Intangible assets

	Group	
	2023	2022
	RMB'000	RMB'000
Cost		
At 1 January	**2,348**	2,045
Additions	**15**	303
At 31 December	**2,363**	2,348
Accumulated amortisation		
At 1 January	**(1,778)**	(1,381)
Amortisation charge for the year	**(372)**	(397)
At 31 December	**(2,150)**	(1,778)
Net carrying amount		
At 31 December	**213**	570

Intangible assets relate to computer software purchased from vendors and have an average remaining amortisation period of 2 years (2022: 2 years). The amortisation of intangible asset is included in the "Administrative expenses" line item in the consolidated statement of comprehensive income.

16. Leases

Group as a lessee

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 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.

NOTES TO THE FINANCIAL STATEMENTS

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16. Leases (cont'd)

Group as a lessee (cont'd)

(a) *Carrying amounts of right-of-use assets*

	Land use rights RMB'000	Total RMB'000
Group		
Cost:		
At 1 January 2022, 31 December 2022, 1 January 2023 and 31 December 2023	**18,271**	**18,271**
Accumulated depreciation:		
At 1 January 2022	(6,023)	(6,023)
Depreciation charge for the year	(365)	(365)
At 31 December 2022 and 1 January 2023	(6,388)	(6,388)
Depreciation charge for the year	(365)	(365)
At 31 December 2023	**(6,753)**	**(6,753)**
Net carrying amount:		
At 31 December 2023	**11,518**	**11,518**
At 31 December 2022	11,883	11,883

(b) *Amounts recognised in profit or loss*

	Group 2023 RMB'000	Group 2022 RMB'000
Depreciation of right-of-use assets	**365**	365
Expenses relating to short-term leases	**144**	395
Total amount recognised in statement of comprehensive income	**509**	760

(c) *Total cash outflows*

The Group had total cash outflows for leases of RMB144,000 in 2023 (2022: RMB395,000).

17. Deferred tax

Deferred tax as at 31 December relates to the following:

	Group	
	2023	**2022**
	RMB'000	**RMB'000**
Deferred tax assets:		
Unutilised tax losses	–	–

	Group	
	2023	**2022**
	RMB'000	**RMB'000**
As of 1 January	–	906
Utilisation of deferred tax assets during the year	–	(906)
As at 31 December	–	–

<u>Unrecognised tax losses</u>

At the end of the reporting period, the Group has tax losses of approximately RMB1,605,000 (2022: nil) that are available for offset against future taxable profits. In 2023, RMB1,605,000 (2022: nil) of tax losses were not recognised as deferred tax asset due to uncertainty of its recoverability. The use of these tax losses is subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation of the respective countries in which the companies operate. In FY2023, if the Group were able to recognise all unrecognised deferred tax assets, the profit would increase by RMB241,000 (2022: nil). The tax losses will expire from 2026 to 2027.

<u>Unrecognised temporary differences relating to investment in subsidiary</u>

At the end of the reporting period, no further deferred tax liability has been recognised for withholding tax that would be payable on the remaining undistributed earnings of the PRC subsidiary as the Group has determined that undistributed earnings of its PRC subsidiary will not be distributed in the foreseeable future for working capital utilisation purpose. Such temporary difference for which no deferred tax liability has been recognised aggregates RMB66,803,000 (2022: RMB67,165,000) and the deferred tax liability is estimated at RMB3,340,000 (2022: RMB3,358,000).

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18. Investment properties

	Group	
	2023	2022
	RMB'000	RMB'000
Balance sheet:		
Cost		
At 1 January and 31 December	**17,026**	17,026
Accumulated depreciation		
At 1 January	**(13,909)**	(13,278)
Depreciation charge for the year	**(630)**	(631)
At 31 December	**(14,539)**	(13,909)
Net carrying amount		
At 31 December	**2,487**	3,117
Fair value	**20,466**	22,117
Consolidated statement of comprehensive income		
Rental income from investment properties:		
- Minimum lease payments	**2,431**	2,059
Direct operating expenses (including repairs and maintenance) arising from:		
- Rental generating properties	**(1,408)**	(1,290)

The Group has no restrictions on the realisability of its investment property and no contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements.

Valuation of investment property

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 are determined based on discounted cash flows method. Details of valuation techniques and inputs are disclosed in Note 29 to the financial statements.

18. Investment properties (cont'd)

Valuation of investment property (cont'd)

The investment properties held by the Group as at 31 December 2023 are as follows:

Description and location	Existing Use	Tenure of land	Unexpired lease term
10th floor, Xiang Kai Shi Hua Tower, Changsha, PRC	Offices	Leasehold, 50 years lease from 2 August 1999	26 years (2022: 27 years)
No. 65, Lufeng Road, Hi-Tech Industrial Development Zone, Changsha, PRC	Manufacturing	Leasehold, 50 years lease from 16 August 2002	29 years (2022: 30 years)
No. 539, Lusong Road, Hi-Tech Industrial Development Zone, Changsha, PRC	Manufacturing	Leasehold, 50 years lease from 28 February 2007	33 years (2022: 34 years)

19. Prepayments

	Group		Company	
	2023	2022	2023	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Non-current				
Prepayments relating to purchase of property, plant and equipment	**40**	255	**–**	–
Current				
Prepayments to trade suppliers	**3,066**	2,861	**–**	–
Prepaid operating expenses	**473**	410	**55**	61
	3,539	3,271	**55**	61

20. Inventories

	Group	
	2023	2022
	RMB'000	RMB'000
Balance sheet:		
Raw materials (at cost)	**18,451**	22,589
Work-in-progress (at cost or net realisable value)	**1,686**	2,547
Finished goods (at cost or net realisable value)	**4,282**	6,619
Goods in transit	**6**	2
	24,425	31,757
Consolidated statement of comprehensive income:		
Inventories recognised as an expense in cost of sales	**71,060**	88,864
(Write-back of)/allowance for inventory obsolescence	**–**	(84)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

21. Trade and other receivables

	Group		Company	
	2023	2022	2023	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables	**17,019**	19,225	**–**	–
Bill receivables	**23,637**	32,265	**–**	–
VAT/GST receivables	**10**	4	**10**	4
Amount due from a subsidiary (non-trade)	**–**	–	**37,876**	37,856
Other receivables	**2,442**	3,937	**–**	–
Total trade and other receivables	**43,108**	55,431	**37,886**	37,860
Add:				
Contract assets (Note 4)	**88,777**	82,419	**–**	–
Cash and bank balances (Note 22)	**179,018**	175,748	**6,669**	16,068
Less:				
VAT/GST receivables	**(10)**	(4)	**(10)**	(4)
Total financial assets carried at amortised cost	**310,893**	313,594	**44,545**	53,924

Trade receivables

Trade receivables are unsecured, non-interest bearing and are normally settled 90 to 180 (2022: 90 to 180) days' terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

Trade and other receivables denominated in foreign currency at 31 December are as follows:

	Group	
	2023	2022
	RMB'000	RMB'000
Singapore dollar	**10**	4

Bill receivables

Bill receivables are interest-free and have maturity periods of less than 180 days' term.

Amount due from a subsidiary

The amount is non-trade related, unsecured, non-interest bearing, repayable on demand and are to be settled in cash.

21. Trade and other receivables (cont'd)

Amount due from a subsidiary (cont'd)

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**
	2023	**2023**	**2022**	**2022**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Movement in the allowance accounts:				
At 1 January	**24,516**	10,346	**26,349**	8,658
(Reversal)/charge for the year	**(135)**	(117)	**(1,404)**	1,688
Written-off	**(540)**	(4,862)	**(429)**	–
At 31 December	**23,841**	5,367	**24,516**	10,346

22. Cash and bank balances

	Group		Company	
	2023	**2022**	**2023**	**2022**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Cash at banks and on hand	**52,434**	97,733	**2,728**	2,857
Short-term deposits	**126,584**	78,015	**3,941**	13,211
Total	**179,018**	175,748	**6,669**	16,068
Less: Short-term deposits (Maturity >3 months)	**(100,000)**	(60,000)	**–**	–
Cash and cash equivalents	**79,018**	115,748	**6,669**	16,068

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 more than three months (2022: one to more than three months) and earn interests at the respective short-term deposit rates.

The weighted average effective interest rates as at 31 December 2023 for the Group and the Company were 2.2% (2022: 2.1%) and 2.0% (2022: 1.7%) respectively.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

22. Cash and bank balances (cont'd)

Cash and cash equivalents denominated in foreign currency at 31 December are as follows:

	Group and Company	
	2023	2022
	RMB'000	RMB'000
Singapore dollar	**2,728**	2,857

23. Trade and other payables

	Group		Company	
	2023	2022	2023	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables	**21,256**	21,170	**–**	–
Amount due to a subsidiary (non-trade)	**–**	–	**12,793**	12,596
Other taxes payable	**1,631**	1,995	**–**	–
VAT payable	**8,020**	10,073	**–**	–
Other payables	**5,812**	7,557	**–**	–
	36,719	40,795	**12,793**	12,596
Add:				
Other liabilities (Note 24)	**20,264**	20,988	**833**	803
Less:				
Other taxes payable	**(1,631)**	(1,995)	**–**	–
VAT payable	**(8,020)**	(10,073)	**–**	–
Total financial liabilities carried at amortised cost	**47,332**	49,715	**13,626**	13,399

Trade payables

Trade payables are non-interest bearing and are normally settled on 30 to 60 (2022: 30 to 60) days' term.

Bill payables

Bill payables are non-interest bearing and have maturity period of 90 (2022: 90) days' term.

Amount due to subsidiary (non-trade)

These amounts are unsecured, non-interest bearing, repayable on demand and to be settled in cash.

Other payables

Other payables are non-interest bearing and have an average term of six months.

All trade and other payables balances are denominated in RMB.

24. Other liabilities

	Group		Company	
	2023	2022	2023	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Accrued salaries and bonuses	**8,767**	9,982	**463**	446
Accrued operating expenses	**1,972**	2,146	**370**	357
Accrued welfare expenses	**9,525**	8,860	**–**	–
	20,264	20,988	**833**	803

Other liabilities denominated in foreign currency at 31 December are as follows:

	Group and Company	
	2023	2022
	RMB'000	RMB'000
Singapore dollar	**833**	803

25. Share capital and treasury/employee benefit trust shares

(a) Share capital

	Group and Company			
	2023	2023	2022	2022
	No. of shares	RMB'000	No. of shares	RMB'000
Issued and fully paid ordinary shares				
At 1 January and 31 December	**50,500,000**	**149,278**	50,500,000	149,278

The holders of ordinary shares (except treasury shares) are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions. The ordinary shares have no par value.

The Company has employee share awards plan (Note 11) pursuant to which ordinary shares of the Company have been granted to the certain employees, which shall vest and be released to these employees once they have been in service for a period of three years from the date of grant.

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

25. Share capital and treasury/employee benefit trust shares (cont'd)

(b) Treasury/employee benefit trust shares

	Group and Company			
	2023	**2023**	**2022**	**2022**
	No. of shares	**RMB'000**	**No. of shares**	**RMB'000**
At 1 January	**(3,309,100)**	**(4,197)**	(2,809,100)	(3,391)
Acquired during the year	**(500,000)**	**(797)**	(500,000)	(806)
Treasury and EBT shares reissued pursuant to vesting of PSP	**160,000**	**–**	–	–
At 31 December	**(3,649,100)**	**(4,994)**	(3,309,100)	(4,197)

Treasury shares acquired during the year

Treasury shares relate to ordinary shares of the Company that is held by the Company.

The Company acquired 500,000 (2022: 500,000) shares in the Company through purchases on the Singapore Exchange Securities Trading Limited ("SGX-ST") during the financial year. The total amount paid to acquire the shares was RMB797,000 (2022: RMB806,000) and this was presented as a component within shareholders' equity.

There were no shares issued under the Anchun PSP during the financial year ended 31 December 2023 and 2022.

EBT shares reissued during the year

Employee benefit trust (EBT) shares relate to treasury shares which are transferred to an EBT managed by a director-related company.

On 30 December 2014, the Company had granted an aggregate of 1,700,000 share awards under the Anchun PSP to certain employees. The 1,700,000 shares are consolidated to 170,000 shares following a 10 to 1 share consolidation exercise effective from 26 May 2016.

On 29 December 2017, 144,000 treasury shares held under the EBT were released to employees after fulfilling the three years' service condition under the Anchun PSP. The remaining 26,000 treasury shares held under the EBT were re-allocated and granted to two employees of 17,000 shares and 9,000 shares on 29 December 2017 and 13 September 2018 respectively.

In 2020, one employee became beneficially interested in an aggregate of 17,000 EBT shares under Anchun PSP after fulfilling three years' service condition of the awards granted in FY2017.

In 2021, one employee became beneficially interested in an aggregate of 9,000 EBT shares under Anchun PSP after fulfilling three years' service condition of the awards granted in FY2017.

In 2022, there were no EBT shares granted under the Anchun PSP.

In 2023, 160,000 EBT shares has been officially transferred to Mr Zheng Zhi Zhong under Anchun PSP after fulfilling three years' service condition of the awards granted in FY2017.

26. Other reserves

		Group		Company	
		2023	2022	2023	2022
		RMB'000	RMB'000	RMB'000	RMB'000
(a)	Statutory reserve fund	**45,792**	44,822	**–**	–
(b)	Statutory reserve fund - safety production expenditure	**6,350**	7,103	**–**	–
(c)	Contribution from shareholder	**1,725**	1,725	**–**	–
(d)	Merger reserve	**75,000**	75,000	**–**	–
(e)	Loss on reissuance of EBT shares	**(10)**	(10)	**(10)**	(10)
		128,857	128,640	**(10)**	(10)

(a) Statutory reserve fund

In accordance with the Foreign Enterprise Law applicable to the subsidiary in PRC, the subsidiary is required to make appropriation to a Statutory Reserve Fund ("SRF"). At least 10% of the statutory after tax profits as determined in accordance with the applicable PRC accounting standards and regulations must be allocated to the SRF until the cumulative total of the SRF reaches 50% of the subsidiary's registered capital. Subject to approval from the relevant PRC authorities, the SRF may be used to offset any accumulated losses or increase the registered capital of the subsidiary. The SRF is not available for dividend distribution to shareholders.

	Group	
	2023	2022
	RMB'000	RMB'000
At 1 January	**44,822**	42,828
Transferred from accumulated profits	**970**	1,994
At 31 December	**45,792**	44,822

(b) Statutory reserve fund – safety production expenditure

In accordance with the Regulation on Safety Production Expenditures applicable to the subsidiary in the PRC, the subsidiary is required to make appropriation ranging from 0.1% to 2% of the revenue generated to a Statutory Reserve Fund – safety production expenditure. The safety production expenditure is recognised in the profit or loss when it is incurred.

	Group	
	2023	2022
	RMB'000	RMB'000
At 1 January	**7,103**	6,274
(Utilisation of)/Transferred from accumulated profits during the year, net	**(753)**	829
At 31 December	**6,350**	7,103

26. Other reserves (cont'd)

(c) Contribution from shareholder

Contribution from shareholder represents the shares given by a shareholder to employees.

(d) Merger reserve

This represents the difference between the consideration paid and the paid-in capital of the subsidiary when business combination of entities under common control was accounted for by applying the pooling of interest method.

(e) Loss on reissuance of EBT shares

This represents the loss arising from the reissue of EBT shares to employees after fulfilling the three years' service condition under the Anchun PSP.

27. Segment 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.

Except as indicated above, no operating segments have been aggregated to form the above reportable operating segments.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on gross profit or loss.

Segment assets and liabilities are not disclosed as they are not regularly provided to the chief operating decision maker.

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27. Segment information (cont'd)

	Catalyst Business RMB'000	CSC Business RMB'000	CET Engineering Services RMB'000	Total RMB'000
Group				
2023				
Revenue				
External customers	19,798	104,065	9,759	133,622
Total revenue	19,798	104,065	9,759	133,622
Results:				
Segment gross profit	5,900	19,502	5,330	30,732
Finance income				2,949
Other income				5,520
Write-back of impairment losses on financial assets				135
Write-back of impairment loss on contract assets				117
Marketing and distribution expenses				(6,643)
Administrative expenses				(22,375)
Research expenses				(7,994)
Other expenses				(239)
Finance costs				(7)
Profit before tax				2,195
Other material non-cash items				
Depreciation and amortisation				(9,173)
Gain on disposal of property, plant and equipment, net				62
Write-off of property, plant and equipment				(149)

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27. Segment information (cont'd)

	Catalyst Business RMB'000	CSC Business RMB'000	CET Engineering Services RMB'000	Total RMB'000
Group				
2022				
Revenue				
External customers	12,085	157,875	12,806	182,766
Total revenue	12,085	157,875	12,806	182,766
Results:				
Segment gross profit	3,662	43,217	6,598	53,477
Finance income				4,185
Other income				6,587
Write-back of impairment losses on financial assets				1,404
Impairment loss on contract assets				(1,688)
Marketing and distribution expenses				(6,263)
Administrative expenses				(20,021)
Research expenses				(7,029)
Other expenses				(179)
Finance costs				(3)
Profit before tax				30,470
Other material non-cash items				
Depreciation and amortisation				(9,463)
Gain on disposal of property, plant and equipment, net				115
Write-off of property, plant and equipment				(130)
Write back of allowance for inventory obsolescence				84

Geographical information

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

Information about major customers

During the financial year ended 31 December 2023, revenue from two (2022: two) major customers amount to RMB44,367,000 (2022: RMB52,689,000), arising from sales by the CSC and CET Business segment (2022: CSC and CET Business segment).

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28. Commitments

Operating lease commitments – as lessor

The Group has entered into commercial property leases on its investment properties. The non-cancellable leases have remaining lease terms of between one to three years (2022: one to four years). Certain leases include a clause to enable upward revision of the rental charge on an annual basis on prevailing market conditions.

Rental income recognised by the Group during the year is RMB2,431,000 (2022: RMB2,059,000).

Future minimum rental receivable under non-cancellable operating leases at the end of the reporting period are as follows:

	Group	
	2023	2022
	RMB'000	RMB'000
Not later than 1 year	**3,349**	3,156
Later than 1 year but not later than 5 years	**2,801**	4,720
	6,150	7,876

29. Fair value of assets and liabilities

(a) Fair value hierarchy

The Group categorises fair value measurements using a fair value hierarchy that is dependent on the valuation inputs used as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date;

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and

Level 3 – Unobservable inputs for the asset or liability.

Fair value measurements that use inputs of different hierarchy levels are categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

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29. Fair value of assets and liabilities (cont'd)

(b) Assets not measured at fair value, for which fair value is disclosed

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

	Note	Group RMB'000 Fair value measurements at the end of the reporting period using Significant unobservable inputs (Level 3)	Carrying amount
2023			
Investment properties	18		
- Xiang Kai Shi Hua Tower		**8,637**	**–**
- Lufeng Road, Hi-Tech Industrial Development Zone		**8,975**	**1,531**
- Lusong Road, Hi-Tech Industrial Development Zone		**2,854**	**956**
2022			
Investment properties	18		
- Xiang Kai Shi Hua Tower		9,494	–
- Lufeng Road, Hi-Tech Industrial Development Zone		9,736	1,675
- Lusong Road, Hi-Tech Industrial Development Zone		2,887	1,442

<u>*Determination of fair value*</u>

Level 3 fair value measurements

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

Using the discounted cash flow method, fair value of investment properties in Lufeng Road and Lusong Road are 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.

29. Fair value of assets and liabilities (cont'd)

(c) Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value

Trade and other receivables (Note 21), cash and cash equivalents (Note 22), trade and other payables (Note 23) and other liabilities (Note 24)

Management has determined that the carrying amounts of these financial assets and liabilities are reasonable approximation of their fair values due to their short-term nature or they approximate their fair value based on the market incremental rates for similar types of financial instruments at the end of the year.

30. Financial risk management objectives and policies

The Group and the Company is exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include interest rate risk, liquidity risk, credit risk and foreign currency risk. The board of directors reviews and agrees policies and procedures for the management of these risks. The Audit Committee provides independent oversight to the effectiveness of the risk management process. It is and has been throughout the current and previous financial years, the Group's policy that no trading in derivatives shall be undertaken. The Group does not apply hedge accounting.

There has been no change to the Group's and the Company's exposure to these financial risks or the manner in which it manages and measures the risks.

The following sections provide details regarding the Group's and the Company's exposure to the above-mentioned risks and the objectives, policies, and processes for the management of these risks.

(a) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates. The Group's and the Company's exposure to interest rate risk arises primarily from its floating rate cash at bank balances and deposits. The Group's and the Company's policy is to obtain the most favourable interest rates available.

Sensitivity analysis for interest rate risk

At the end of the reporting period, if RMB and SGD interest rates had been 100 basis points higher/lower with all other variables held constant, the Group's profit before tax would have been RMB1,790,000 (2022: RMB1,757,000) higher/lower, arising mainly as a result of higher/lower interest income on floating rate cash at bank balances. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment.

(b) Liquidity risk

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities.

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30. Financial risk management objectives and policies (cont'd)

(b) Liquidity risk (cont'd)

Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of the Group's and the Company's financial assets and liabilities at the balance sheet date based on contractual undiscounted repayments obligations.

2023	1 year or less RMB'000	1 to 5 years RMB'000	Total RMB'000
Group			
Financial assets			
Trade and other receivables (excluding sales tax receivables)	**43,098**	**–**	**43,098**
Cash and cash equivalents	**79,018**	**–**	**79,018**
Short term deposits	**100,000**	**–**	**100,000**
Total undiscounted financial assets	**222,116**	**–**	**222,116**
Financial liabilities			
Trade and other payables (excluding sales tax payables)	**27,068**	**–**	**27,068**
Other liabilities	**20,264**	**–**	**20,264**
Total undiscounted financial liabilities	**47,332**	**–**	**47,332**
Total net undiscounted financial assets	**174,784**	**–**	**174,784**

2022	1 year or less RMB'000	1 to 5 years RMB'000	Total RMB'000
Group			
Financial assets			
Trade and other receivables (excluding sales tax receivables)	55,427	–	55,427
Cash and cash equivalents	115,749	–	115,749
Short term deposits	60,000	–	60,000
Total undiscounted financial assets	231,176	–	231,176
Financial liabilities			
Trade and other payables (excluding sales tax payables)	28,727	–	28,727
Other liabilities	20,988	–	20,988
Total undiscounted financial liabilities	49,715	–	49,715
Total net undiscounted financial assets	181,461	–	181,461

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

30. Financial risk management objectives and policies (cont'd)

(b) Liquidity risk (cont'd)

Analysis of financial instruments by remaining contractual maturities (cont'd)

2023	**1 year or less RMB'000**	**1 to 5 years RMB'000**	**Total RMB'000**
Company			
Financial assets			
Trade and other receivables (excluding sales tax receivables)	**37,876**	**–**	**37,876**
Cash and cash equivalents	**6,669**	**–**	**6,669**
Total undiscounted financial assets	**44,545**	**–**	**44,545**
Financial liabilities			
Trade and other payables	**12,793**	**–**	**12,793**
Other liabilities	**833**	**–**	**833**
Total undiscounted financial liabilities	**13,626**	**–**	**13,626**
Total net undiscounted financial assets	**30,919**	**–**	**30,919**

2022	**1 year or less RMB'000**	**1 to 5 years RMB'000**	**Total RMB'000**
Company			
Financial assets			
Trade and other receivables (excluding sales tax receivables)	37,856	–	37,856
Cash and cash equivalents	16,068	–	16,068
Total undiscounted financial assets	53,924	–	53,924
Financial liabilities			
Trade and other payables	12,596	–	12,596
Other liabilities	803	–	803
Total undiscounted financial liabilities	13,399	–	13,399
Total net undiscounted financial assets	40,525	–	40,525

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

30. Financial risk management objectives and policies (cont'd)

(c) Changes in liabilities arising from financing activities

2023	**1 January**	**Cash flows**	**31 December**
	RMB'000	**RMB'000**	**RMB'000**
Treasury shares	**(4,197)**	**(797)**	**(4,994)**
Total liabilities under financing activities	**(4,197)**	**(797)**	**(4,994)**

2022	**1 January**	**Cash flows**	**31 December**
	RMB'000	**RMB'000**	**RMB'000**
Treasury shares	(3,391)	(806)	(4,197)
Total liabilities under financing activities	(3,391)	(806)	(4,197)

(d) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's and the Company's exposure to credit risk arises primarily from trade and other receivables. For other financial assets (including cash and cash equivalents), the Group and the Company minimises credit risk by dealing exclusively with high credit rating counterparties.

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group trades only with recognised and creditworthy third parties. In addition, receivable balances are monitored on an ongoing basis by the Group.

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period.

The Group has determined the default event on a financial asset to be when the counterparty fails to make contractual payments, and when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as at reporting date with the risk of default as at the date of initial recognition.

The Group considers available reasonable and supportive forwarding-looking information and significant changes in the payment status and behaviour of debtors.

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 180 days past due in making contractual payment.

The Group determined that its financial assets are credit-impaired when:

- There is significant difficulty of the debtors
- A breach of contract, such as a default or past due event
- It is becoming probable that the debtor will enter bankruptcy

30. Financial risk management objectives and policies (cont'd)

(d) Credit risk (cont'd)

Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. Where loans and receivables have been written off, the Group continues to engage enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in profit or loss.

Trade receivables and contract assets

The Group provides for lifetime expected credit losses for all trade receivables and contract assets using a provision matrix. The provision rates are determined based on the Group's historical observed default rates analysed in accordance to years past due. The loss allowance as at 31 December 2023 is determined as follows, the expected credit losses below also incorporate forward looking information such as forecast of economic conditions where the gross domestic product will deteriorate over the next year, leading to an increased number of defaults.

Summarised below is the information about the credit risk exposure on the Group's trade receivables and contract assets using provision matrix:

31 December 2023	**% of allowance provision**	**Gross carrying amount**	**Loss allowance provision**
		RMB'000	**RMB'000**
Contract assets	**6**	**94,144**	**5,367**
Trade receivables:			
Within 1 year	**17**	**16,622**	**2,796**
1 year to 2 years	**46**	**4,860**	**2,240**
2 years to 3 years	**79**	**2,743**	**2,170**
More than 3 years	**100**	**16,635**	**16,635**
Total		**135,004**	**29,208**

31 December 2022	**% of allowance provision**	**Gross carrying amount**	**Loss allowance provision**
		RMB'000	**RMB'000**
Contract assets	11	92,765	10,346
Trade receivables:			
Within 1 year	19	20,120	3,920
1 year to 2 years	52	5,385	2,804
2 years to 3 years	83	2,605	2,161
More than 3 years	100	15,631	15,631
Total		136,506	34,862

Information regarding loss allowance movement of trade receivables and contract assets are disclosed in Note 21.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

30. Financial risk management objectives and policies (cont'd)

(d) Credit risk (cont'd)

Trade receivables and contract assets (cont'd)

Exposure to credit risk

At the end of the reporting period, the Group's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised on the balance sheets.

Credit risk concentration profile

At the end of the reporting period, approximately 13% (2022: 3%) of the Group's trade receivables were due from 10 (2022: 10) major customers located in the People's Republic of China.

(e) Foreign currency risk

The Group has exposure to foreign currency risk as a result of transactions denominated in foreign currencies, arising from the normal conduct of operations. The currency giving rise to this risk is primarily the Singapore Dollar ("SGD").

The Group's currency exposure to SGD is as follows:

	2023 RMB'000	2022 RMB'000
Financial assets		
Cash and cash equivalents	**2,728**	2,857
Trade and other receivables	**10**	4
Financial liabilities		
Other liabilities	**(833)**	(803)
Currency exposure	**1,905**	2,058

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity of the Group's profit before tax to a reasonably possible change in the respective foreign currency against the functional currency of the Group, with all other variables held constant.

	Group (Increase)/decrease Profit before tax	
	2023 RMB'000	**2022 RMB'000**
RMB against SGD		
- strengthened 5% (2022: 5%)	**95**	103
- weakened 5% (2022: 5%)	**(95)**	(103)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

31. Capital management

The primary objective of the Group's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2023 and 2022.

As disclosed in Note 26, the Company's PRC subsidiary is required by the relevant laws and regulations of the PRC to contribute to and maintain non-distributable statutory reserve funds whose utilisation is subject to approval by the relevant PRC authorities. This externally imposed capital requirement has been complied with by the subsidiary for the financial years ended 31 December 2023 and 2022.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group includes within net debt, trade and other payables and other liabilities, less cash and cash equivalents. Capital consists of equity attributable to owners of the Company less the above-mentioned reserve fund.

	Group	
	2023	**2022**
	RMB'000	**RMB'000**
Trade and other payables (Note 23)	**36,719**	40,795
Other liabilities (Note 24)	**20,264**	20,988
Less:		
Cash and cash equivalents (Note 22)	**(79,018)**	(115,748)
Short term deposits (Note 22)	**(100,000)**	(60,000)
Net surplus	**(122,035)**	(113,965)
Equity attributable to owners of the Company	**299,207**	303,303
Less:		
Statutory reserve fund (Note 26)	**(45,792)**	(44,822)
Statutory reserve fund – safety production expenditure (Note 26)	**(6,350)**	(7,103)
Staff welfare payable	**(32)**	(68)
Total capital	**247,033**	251,310
Gearing ratio	**NA***	NA*

* Not applicable as the Group is in a net cash position.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

32. Dividends

	2023 RMB'000	2022 RMB'000
Declared and paid during the financial year:		
- Final exempt (one-tier) dividend for 2023: RMB0.12 per share	**5,654**	–
Proposed but not recognised as liability as at 31 December:		
- Dividends on ordinary shares, subject to shareholders' approval at the Annual General Meeting:		
- Final dividend for 2022: RMB0.12 per share	**–**	5,663

33. Authorisation of financial statements

The consolidated financial statements for the year ended 31 December 2023 were authorised for issue in accordance with a resolution of the directors on 28 March 2024.

STATISTICS OF SHAREHOLDINGS

AS AT 15 MARCH 2024

Class of Shares	:	Ordinary Share
Number of Issued Shares (excluding Treasury Shares and Subsidiary Holdings)	:	46,850,900
Issued and fully paid-up capital	:	S$45,449,200
Voting Rights	:	One vote per Ordinary Share ("Share")
Number of Treasury Shares and Percentage	:	3,649,100 (7.23%)
Number of Subsidiary Holdings and Percentage	:	Nil

PERCENTAGE OF SHAREHOLDING IN PUBLIC'S HANDS

Based on the information available to the Company as at 15 March 2024, approximately 32.21% of the issued ordinary shares (excluding treasury shares) of the Company are held in the hands of the public. Accordingly, the Company has complied with Rule 723 of the Listing Manual of the SGX-ST which requires that at least 10% of the issued Shares (excluding preference shares, convertible equity securities and treasury shares) of the Company in a class that is listed is at all times held in the hands of the public.

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 - 99	9	0.96	540	*
100 - 1,000	384	41.03	196,575	0.42
1,001 - 10,000	401	42.84	1,667,965	3.56
10,001 - 1,000,000	133	14.21	9,895,320	21.12
1,000,001 AND ABOVE	9	0.96	35,090,500	74.90
TOTAL	**936**	**100.00**	**46,850,900**	**100.00**

* *Negligible.*

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1.	ACE SENSE HOLDINGS LIMITED	10,800,000	23.05
2.	ORIENTAL EAGLE HOLDINGS LIMITED	4,891,700	10.44
3.	DAWN VITALITY INTERNATIONAL LIMITED	4,114,500	8.78
4.	INVENTIVE RESULT ENTERPRISES LIMITED	3,732,400	7.97
5.	MORGAN STANLEY ASIA (SINGAPORE) SECURITIES PTE LTD	3,255,400	6.95
6.	GIANT YIELD GLOBAL LIMITED	3,248,100	6.93
7.	CHINA XLX FERTILISER LTD	1,960,000	4.18
8.	ANDREW BEK	1,600,000	3.42
9.	GOH GUAN SIONG (WU YUANXIANG)	1,488,400	3.18
10.	HUANG BAOJIA	1,000,000	2.13
11.	PHILLIP SECURITIES PTE LTD	705,990	1.51
12.	DBS NOMINEES (PRIVATE) LIMITED	604,290	1.29
13.	MAYBANK SECURITIES PTE. LTD.	540,660	1.15
14.	LIM POH CHOON	405,600	0.87
15.	GO POWER INVESTMENTS LIMITED	390,000	0.83
16.	ENG KOON HOCK	388,000	0.83
17.	ABN AMRO CLEARING BANK N.V.	336,100	0.72
18.	BAO CHEN	330,000	0.70
19.	OCBC NOMINEES SINGAPORE PRIVATE LIMITED	280,600	0.60
20.	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	231,700	0.49
	TOTAL	**40,303,400**	**86.02**

STATISTICS OF SHAREHOLDINGS

AS AT 15 MARCH 2024

SUBSTANTIAL SHAREHOLDERS AS AT 15 MARCH 2024

(As recorded in the Register of Substantial Shareholders)

		DIRECT INTERESTS		DEEMED INTERESTS	
NO.	NAME	NO. OF SHARES HELD	%[1]	NO. OF SHARES HELD	%[1]
1.	Xie Ming[2]	–	–	10,800,000	23.05
2.	Xie Xing[3]	–	–	10,800,000	23.05
3.	Zheng ZhiZhong[4]	–	–	4,891,700	10.44
4.	Liang Gong Zeng[5]	–	–	3,248,100	6.93
5.	Dai FengYu[6]	–	–	3,944,500	8.42
6.	He ZuBing[7]	–	–	3,732,400	7.97
7.	Ma Ong Kee[8]	–	–	3,255,400	6.95
8.	Ace Sense Holdings Limited	10,800,000	23.05	–	–
9.	Oriental Eagle Holdings Limited	4,891,700	10.44	–	–
10.	Giant Yield Global Limited	3,248,100	6.93	–	–
11.	Dawn Vitality International Limited[9]	4,114,500	8.78	–	–
12.	Inventive Result Enterprises Limited	3,732,400	7.97	–	–

Notes: -

(1) Percentage calculated based on 46,850,900 voting shares (excluding treasury shares and subsidiary holdings) of the Company as at 15 March 2024.

(2) Xie Ming is deemed to have an interest in 10,800,000 Shares held by Ace Sense Holdings Limited.

(3) Xie Xing is deemed to have an interest in 10,800,000 Shares held by Ace Sense Holdings Limited.

(4) Zheng ZhiZhong is deemed to have an interest in 4,891,700 Shares held by Oriental Eagle Holdings Limited.

(5) Liang Gong Zeng is deemed to have an interest in 3,248,100 Shares held by Giant Yield Global Limited.

(6) Dai FengYu is deemed to have an interest in 3,944,500 Shares held by Dawn Vitality International Limited, excluding 170,000 Shares held on trust for certain employees of the Group under Anchun Performance Share Plan 2014.

(7) He ZuBing is deemed to have an interest in 3,732,400 Shares held by Inventive Result Enterprises Limited.

(8) Ma Ong Kee is deemed to have an interest in 3,255,400 Shares held by a nominee account.

(9) Of the 4,114,500 shares that Dawn Vitality International Limited holds, 170,000 shares are held on trust for certain employees who are the participants of the Anchun Performance Share Plan 2014.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting ("**AGM**") of Anchun International Holdings Ltd. will be held at Level 2, Anson II, M Hotel, 81 Anson Road, Singapore 079908 on Thursday, 25 April 2024 at 9:30 a.m. (Singapore time) for the purpose of transacting the following business:

AS ORDINARY BUSINESS

		Ordinary Resolution No.
1.	To receive and adopt the Directors' Statement and Audited Financial Statements of the Company for the financial year ended 31 December 2023 together with the Auditors' Report thereon.	**(Resolution 1)**
2.	To re-elect He, MingYang who will be retiring by rotation in accordance with Article 89 of the Constitution of the Company and who, being eligible, offer himself for re-election. *[See Explanatory Note (i)]*	**(Resolution 2)**
3.	To note the retirement of the following Directors of the Company who will be retiring in accordance with Article 89 of the Constitution of the Company and will not be seeking re-election as Directors of the Company: 3.1 Tan Min-Li 3.2 Lee Gee Aik *[See Explanatory Note (ii)]*	
4.	To approve the payment of Directors' fees of up to S$346,000 for the financial year ending 31 December 2024 (2023: S$346,000). *[See Explanatory Note (iii)]*	**(Resolution 3)**
5.	To re-appoint Messrs Ernst & Young LLP as Auditors of the Company and to authorise the Directors of the Company to fix their remuneration. *[See Explanatory Note (iv)]*	**(Resolution 4)**
6.	To transact any other ordinary business which may be properly transacted at an AGM.	

AS SPECIAL BUSINESS

7. To consider and, if thought fit, to pass the following resolutions as Ordinary Resolutions, with or without modifications:

7.1 **Share Issue Mandate** **(Resolution 5)**

"That pursuant to Section 161 of the Companies Act 1967 of Singapore (the "**Companies Act**") and Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited ("**SGX-ST**"), authority be and is hereby given to the Directors of the Company to:

(a) (i) allot and issue new ordinary shares in the capital of the Company (the "**Shares**"), whether by way of rights, bonus or otherwise; and/or

NOTICE OF ANNUAL GENERAL MEETING

(ii) make or grant offers, agreements or options (collectively, "**Instruments**") that might or would require Shares to be issued during the continuance of such authority or thereafter, including but not limited to the creation and issue (as well as adjustments to) warrants, debentures or other instruments convertible into Shares,

at any time and upon such terms and conditions and for such purposes and to such persons as the Directors of the Company may, in their absolute discretion, deem fit; and

(b) issue Shares in pursuance of any Instrument made or granted by the Board while such authority was in force (notwithstanding that such issue of the Shares pursuant to the Instruments may occur after the expiration of the authority contained in this Resolution),

provided that:

(1) the aggregate number of Shares to be issued pursuant to this Resolution (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed 50% of the total number of issued shares in the capital of the Company (excluding treasury shares and subsidiary holdings) (as calculated in accordance with sub-paragraph (2) below) of which the aggregate number of Shares to be issued other than on a *pro rata* basis to shareholders of the Company (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed 20% of the total number of Shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below);

(2) (subject to such manner of calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of Shares that may be issued under sub-paragraph (1) above, the total number of Shares (excluding treasury shares and subsidiary holdings) shall be based on the total number of issued Shares (excluding treasury shares and subsidiary holdings) in the capital of the Company at the time of the passing of this Resolution, after adjusting for:

(a) new Shares arising from the conversion or exercise of any convertible securities;

(b) new Shares arising from exercising share options or vesting of share awards, provided the options or awards were granted in compliance with the Listing Manual of the SGX-ST; and

(c) any subsequent bonus issue, consolidation or subdivision of the Shares;

provided such adjustment in sub-paragraphs (2) (a) and (b) above are only to be made in respect of new Shares arising from the convertible securities, share options or share awards which were issued and outstanding or subsisting at the time of the passing of this Resolution;

NOTICE OF ANNUAL GENERAL MEETING

(3) in exercising the authority conferred by this Resolution, the Company shall comply with the requirements imposed by the SGX-ST from time to time and the provisions of the Listing Manual of the SGX-ST for the time being in force (in each case, unless such compliance has been waived by the SGX-ST), all applicable legal requirements under the Companies Act and otherwise, and the Constitution of the Company for the time being; and

(4) unless revoked or varied by the Company in a general meeting, such authority conferred by this Resolution shall continue in force until the conclusion of the next AGM of the Company or the date by which the next AGM of the Company is required by law to be held, whichever is the earlier."

[See Explanatory Note (v)]

7.2 **Renewal of Share Purchase Mandate** **(Resolution 6)**

"That:

(a) for the purposes of the Listing Manual of the SGX-ST and the Companies Act, the Directors of the Company be and are hereby authorised to exercise of all the powers of the Company to purchase or acquire its issued and fully paid-up Shares of the Company at such price(s) as may be determined by the Directors or a committee of Directors that may be constituted for the purposes of effecting purchases or acquisitions of Shares by the Company from time to time up to the Maximum Price (as defined below), whether by way of:

(i) an on-market purchase ("**Market Purchase**") transacted on the SGX-ST through the ready market, and which may be transacted through one or more duly licensed stock brokers appointed by the Company for the purpose; and/or

(ii) an off-market purchase ("**Off-Market Purchase**") effected otherwise than on the SGX-ST in accordance with an equal access scheme(s), as may be determined or formulated by the Directors as they may consider fit, which scheme(s) shall satisfy all the conditions prescribed by the Companies Act,

and otherwise in accordance with all other laws and regulations, including the Companies Act and the Listing Manual of the SGX-ST as may for the time being, be applicable, be and is hereby authorised and approved generally and unconditionally, ("**Share Purchase Mandate**");

(b) any Share that is purchased or otherwise acquired by the Company pursuant to the Share Purchase Mandate shall, at the discretion of the Directors, either be cancelled or held in treasury and dealt with in accordance with the Companies Act;

(c) the Share Purchase Mandate shall, unless varied or revoked by the Company in general meeting, continue in force until its expiry on the earlier of:

(i) the date on which the next AGM of the Company is or is required by law to be held;

NOTICE OF ANNUAL GENERAL MEETING

(ii) the date on which the purchases or acquisitions of Shares by the Company pursuant to the Share Purchase Mandate are carried out to the full extent mandated; or

(iii) the date on which the authority contained in the Share Purchase Mandate is varied or revoked by ordinary resolution of the Company in general meeting;

(d) in this Resolution:

"**Average Closing Price**" means the average of the Closing Market Prices of the Shares over the last five (5) Market Days on which the Shares are transacted on the SGX-ST immediately preceding the date of the Market Purchase by the Company or, as the case may be, the date of the making of the offer pursuant to the Off-Market Purchase, and deemed to be adjusted, in accordance with the rules of the SGX-ST, for any corporate action that occurs during the relevant five-day period and the day on which the purchases are made;

"**Closing Market Price**" means the last dealt price for a Share transacted through the SGX-ST's Central Limit Order Book trading system as shown in any publication of the SGX-ST or other sources;

"**Date of the making of the offer**" means the date on which the Company makes an offer for the purchase or acquisition of Shares from holders of Shares, stating therein the relevant terms of the equal access scheme for effecting the Off-Market Purchase;

"**Market Day**" means a day on which the SGX-ST is open for securities trading;

"**Maximum Limit**" means the number of Shares representing ten per cent. (10%) of the total number of issued Shares as at the date of the passing of this Resolution (excluding any Shares which are held as treasury shares and subsidiary holdings as at that date) unless the Company has effected a cancellation of Shares pursuant to a reduction of its issued share capital, in accordance with the applicable provisions of the Companies Act, at any time during the relevant period, in which event the total number of Shares of the Company shall be taken to be the total number of Shares as so altered; and

"**Maximum Price**" in relation to a Share to be purchased or acquired, means the purchase price (excluding related brokerage, commission, applicable goods and services tax, stamp duties, clearance fees and other related expenses) to be paid for the Shares as determined by the Directors, which shall not exceed (i) in the case of a Market Purchase of a Share, one hundred and five per cent. (105%) of the Average Closing Price of the Shares; and (ii) in the case of an Off-Market Purchase of a Share, one hundred and twenty per cent. (120%) of the Average Closing Price of the Shares, in each case, excluding related expenses of the purchase or acquisition;

NOTICE OF ANNUAL GENERAL MEETING

(e) the Directors and each of them be authorised, empowered to complete and do and execute all such things and acts as they or he may think necessary or expedient to give effect to this Resolution (including without limitation, to execute all such documents as may be required and to approve any amendments, alterations or modifications to any documents) as they or he shall think fit in the interests of the Company."

[See Explanatory Note (vi)]

By Order of the Board

Thum Sook Fun
Company Secretary

Singapore, 9 April 2024

Explanatory Notes:

(i) Ordinary Resolution 2 in relation to the re-election of Director
Detailed information on Prof. He, MingYang (including information as set out in Rule 720(6) of the Listing Manual of the Singapore Exchange Securities Trading Limited ("**SGX-ST**") ("**Listing Manual**") who are proposed to be re-elected as Director of the Company can be found under sections "**Board of Directors**" and "**Key Information on Directors seeking Re-election pursuant to Rule 720(6) of the Listing Manual of the SGX-ST**" in the Company's Annual Report for the financial year ended 31 December 2023.

Prof. He, MingYang will, upon re-election, continue to serve as an Independent Director of the Company and remain as a Chairman of Nominating Committee and Member of Remuneration Committee.

(ii) Retirement of Directors at the AGM
Both Ms. Tan Min-Li and Mr. Lee Gee Aik will not be seeking re-election, after having served on the Board of the Company for more than nine (9) years in compliance with Rule 210(5)(d)(iv) of Listing Manual. Hence, both Ms. Tan and Mr. Lee will retain office until the conclusion of this AGM and retire as Director of the Company on 25 April 2024 at the close of the AGM in accordance with Article 89 of the Constitution of the Company.

(a) Upon retirement of Ms. Tan as Director of the Company, she will cease to be Independent Director of the Company and will relinquish her position as Chairman of Remuneration Committee and member of Audit Committee and Nominating Committee accordingly.

(b) Upon retirement of Mr. Lee as Director of the Company, he will cease to be Lead Independent Director of the Company and relinquish his position as Chairman of Audit Committee and member of Remuneration Committee and Nominating Committee.

(iii) Ordinary Resolution 3 in relation to the Directors' fees
The Ordinary Resolution 3 is to seek approval for the payment of up to S$346,000 as directors' fees on a current year basis, that is for the financial year ending 31 December 2024. In the event that the amount proposed is insufficient, approval will be sought at next year's AGM for payments to meet the shortfall.

(iv) Ordinary Resolution 4 in relation to the re-appointment of auditors
The Ordinary Resolution 4 is to re-appoint Messrs Ernst & Young LLP as the Company's Auditors and to authorise the Directors to fix their remuneration.

The Company has complied with Rule 713 of the Listing Manual of the SGX-ST by ensuring that the audit partner is not in charge of more than 5 consecutive years of audits. The current audit partner, Mr. Andrew Tan Chwee Peng, was appointed since the financial year ended 31 December 2021.

NOTICE OF ANNUAL GENERAL MEETING

(v) Ordinary Resolution 5 in relation to the Share Issue Mandate
The Ordinary Resolution 5 under item 7.1 above, if passed, will empower the Directors of the Company, effective until the conclusion of the next AGM of the Company, or the date by which the next AGM of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares, make or grant Instruments convertible into shares and to issue shares pursuant to such Instruments, up to a number not exceeding, in total, fifty per cent. (50%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company, of which up to twenty per cent. (20%) may be issued other than on a pro-rata basis to shareholders.

(vi) Ordinary Resolution 6 in relation to the Renewal of Share Purchase Mandate
The Ordinary Resolution 6 under item 7.2 above is to empower the Directors to make purchase (whether by way of Market Purchase or Off-Market Purchase on an equal access scheme) from time to time during Relevant Period (as defined in the Letter to Shareholders dated 9 April 2024 of up to 10% of the total number of issued Shares (excluding treasury shares and subsidiary holdings)) at prices up to but not exceeding the Maximum Price. The rationale for, the authority and limitation on, the sources of funds to be used for the purchase or acquisition including the amount of financing and the financial effects of the purchase or acquisition of Shares by the Company pursuant to the Share Purchase Mandate are set out in greater detail in the Letter to Shareholders dated 9 April 2024 accompanying this notice of AGM.

Notes:

Physical Meeting

(1) The AGM will be held, in a wholly physical format at the venue, date and time stated above. Shareholders, including Central Provident Fund ("**CPF**") Investment Schemes (such investors, the "**CPF Investors**") and/or Supplementary Retirement Scheme ("**SRS**") (such investors, the "**SRS Investors**"), and (where applicable) duly appointed proxies or representatives will be able to ask questions and vote at the AGM by attending the AGM in person. **There will be no options for shareholder to participate virtually.**

Please bring along your NRIC/passport so as to enable the Company to verify your identity. Shareholders are requested to arrive early to facilitate the registration process and are advised not to attend the AGM if they are feeling unwell. Shareholders are strongly encouraged to exercise social responsibility to rest at home and consider appoint / appoint a proxy(ies) to attend the AGM.

AGM Documents

(2) The following documents are made available to shareholders together with this Notice of AGM ("collectively known as "**AGM Documents**") on SGX website at https://www.sgx.com/securities/company-announcements and the Company's website at https://www.anchun.com/investor-relations/: -

(a) Annual Report 2023;

(b) Proxy Form in relation to the AGM; and

(c) Circular in relation to The Proposed Renewal of Share Purchase Mandate.

Printed copies of the AGM Documents will be sent by post to the Shareholders accordingly.

Appointment of Proxy(ies)

(3) A shareholder of the Company who is not a Relevant Intermediary is entitled to appoint not more than two (2) proxies to attend, speak and vote on his/her behalf at the AGM. A shareholder of the Company which is a corporation is entitled to appoint its authorised representative or proxy to vote on its behalf. "**Relevant Intermediary**" has the meaning ascribed to it in Section 181 of the Companies Act 1967 (the "**Act**").

Where such member appoints two (2) proxies, the proportion of his/her shareholding to be represented by each proxy shall be specified. If no proportion is specified, the Company shall be entitled to treat the first named proxy as representing the entire number of shares entered against his/her/its name in the Depository Register and any second named proxy as an alternate to the first named.

(4) A shareholder of the Company who is a Relevant Intermediary is entitled to appoint more than two (2) proxies to attend, speak and vote at the AGM, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member appoints more than two (2) proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the form of proxy.

NOTICE OF ANNUAL GENERAL MEETING

(5) A proxy need not be a shareholder of the Company. A shareholder of the Company may choose to appoint the Chairman of the AGM as his/her/its proxy. If a shareholder wishes to appoint the Chairman of the AGM as proxy, such shareholder (whether individual or corporate) must give specific instructions as to voting for, voting against, or abstentions from voting on, each resolution in the instrument appointing the Chairman of the AGM as proxy. If no specific direction as to voting or abstentions from voting in respect of a resolution in the form of proxy, the appointment of the Chairman of the AGM as proxy for that resolution will be treated as invalid.

(6) The instrument appointing a proxy, or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal, executed as a deed in accordance with the Act or under the hand of an attorney or an officer duly authorised, or in some other manner approved by the Directors. Where the instrument appointing a proxy, or proxies is executed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified copy thereof must be lodged with the instrument of proxy.

(7) The instrument appointing a proxy, duly executed, must be deposited not less than 48 hours before the time appointed for the AGM by **9:30 a.m. on 23 April 2024 (Tuesday)** in the following manners: -

(a) If submitted by post, be deposited at the office of the Company's Share Registrar, Boardroom Corporate & Advisory Services Pte. Ltd. at 1 Harbourfront Avenue, #14-07 Keppel Bay Tower, Singapore 098632; or

(b) If submitted electronically, be submitted via email to the Company's Share Registrar at srs.proxy@boardroomlimited.com.

Shareholders are strongly encouraged to submit the completed proxy form electronically.

(8) CPF and SRS investors who hold the Company's shares:

(a) may vote at the AGM if they are appointed as proxies by their respective CPF Agent Banks or SRS Operators, and should contact their respective CPF Agent Banks or SRS Operations if they have any queries regarding their appointment as proxies; or

(b) may appoint the Chairman of the AGM as proxy to vote on their behalf at the AGM, in which case they should approach their respective CPF Agent Banks or SRS Operators to submit their voting instruction by **5.00 p.m. on 15 April 2024**.

(9) The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible, or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument. In addition, in the case of shareholder whose shares are entered against his/her name in the Depository Register, the Company may reject any instrument of proxy lodged if such shareholder, being the appointor, is not shown to have shares entered against his/her name in the Depository Register 72 hours before the time appointed for holding the AGM, as certified by The Central Depository (Pte) Limited to the Company

Submission of questions relating to the Agenda of the AGM

(10) Shareholders, including CPF and SRS investors, can submit substantial and relevant questions relating to the business of the AGM in advance by **9:30 a.m. on 17 April 2024 (Thursday)**: -

(a) by post to the office of the Company's Share Registrar, Boardroom Corporate & Advisory Services Pte. Ltd. at 1 Harbourfront Avenue, #14-07 Keppel Bay Tower, Singapore 098632; or

(b) by electronically via email to the Company's Share Registrar at srs.teamd@boardroomlimited.com.

When submitting any questions via email or by post, shareholders **MUST** provide their particulars: (i) Shareholder's full name; (ii) his/her/its identification/registration number; (iii) contact for verification purposes; and (iv) the manner in which the Shareholder holds shares in the Company (e.g. via CDP, CPF, SRS etc) for verification purposes.

(11) The Company will endeavour to address all substantial and relevant questions received from shareholders at least 48 hours prior to the closing date and time of the lodgement of the proxy forms by publishing the responses to those questions on the SGX website at the URL: https://www.sgx.com/securities/company-announcements/ and the Company's website prior to the AGM at the URL: https://www.anchun.com/investor-relations/. Where substantial and relevant questions submitted by Shareholders are unable to be addressed prior to the AGM, the Company will address them at the AGM.

The minutes of the AGM, including responses to substantial queries from the Shareholders which are addressed during the AGM, shall thereafter be published on SGXNet and the Company's corporate website at the URL: https://www.anchun.com/investor-relations/ within one (1) month from the date of the AGM.

NOTICE OF ANNUAL GENERAL MEETING

Personal Data Privacy

Where shareholder of the Company submits an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the AGM and/or any adjournment thereof, shareholder of the Company (i) consents to the collection, use and disclosure of the shareholder's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, proxy lists, minutes and other documents relating to the AGM (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**"), (ii) warrants that where the shareholder discloses the personal data of the shareholder's proxy(ies) and/or representative(s) to the Company (or its agents), the shareholder has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, (iii) undertakes that the shareholder will only use the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iv) agrees that the shareholder will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the shareholder's breach of warranty. The shareholder's personal data and the proxy's and/or representative's personal data may be disclosed or transferred by the Company to its subsidiaries, its share registrar and/or other agents or bodies for any of the Purposes and retained for such period as may be necessary for the Company's verification and record purposes.

ANCHUN INTERANTIONAL HOLDINGS LTD.
(Registration No. 200920277C)
(Incorporated in the Republic of Singapore)

PROXY FORM – ANNUAL GENERAL MEETING
(for the financial year ended 31 December 2023)

IMPORTANT:
1. The shareholders of the Company are invited to attend physically at the AGM. **There will be no options for shareholders to participate virtually.**
2. This Proxy Form is not valid for use and shall be ineffective for all intents and purposes if used or purported to be used by CPF and SRS Investors who hold ordinary shares through their CPF/SRS funds. CPF/SRS investors who wish to vote should approach their respective CPF Agent Banks or SRS Operators to submit their votes at least seven (7) working days before the AGM, **by 15 April 2024 (Monday)** to ensure their votes are submitted.
3. **Please read the notes overleaf which contain the instruction on, *inter alia*, the appointment of proxy(ies).**

I/We*, ______________________ (Name) NRIC/Company/Passport No.* ______________________

of ____ (Address)

being a shareholder/shareholders of **ANCHUN INTERNATIONAL HOLDINGS LTD.** (the "**Company**") hereby appoint :

Name	Email Address	NRIC/Passport No.	Proportion of Shareholders	
			No. of Shares	%

and/or*

Name	Email Address	NRIC/Passport No.	Proportion of Shareholders	
			No. of Shares	%

falling whom, the Chairman of the Meeting as my/our* proxy to attend and to attend, speak and vote for me/us* on my/your* behalf at the AGM of the Company to be held Level 2, Anson II, M Hotel, 81 Anson Road, Singapore 079908 on Thursday, 25 April 2024 at 9:30 a.m. (Singapore time) and at any adjournment thereof.

I/We* direct my/our* proxy/proxies* to vote for or against or abstain from voting on the resolutions to be proposed at the AGM as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the AGM and at any adjournment thereof, the proxy/proxies* may vote or abstain from voting at his/her/their* discretion, as he/she/they will on any matter arising at the AGM.

No.	Ordinary Resolutions	For	Against	Abstain
AS ORDINARY BUSINESS				
1.	Adoption of Directors' Statement and the Audited Financial Statements for the financial year ended 31 December 2023 together with the Auditors' Report thereon			
2.	Re-election of He, MingYang as Director			
3.	Approval of Directors' fees for the financial year ending 31 December 2024			
4.	Re-appointment of Messrs Ernst & Young LLP as Auditors of the Company and to authorise the Directors to fix their remuneration			
AS SPECIAL BUSINESS				
5.	Authority to allot and issue shares			
6.	Renewal of Share Purchase Mandate			

(i) Please note that the short descriptions given above of the Resolutions to be passed do not in any way whatsoever reflect the intent and purpose of the Resolutions. The short descriptions have been inserted for convenience only. Shareholders are encouraged to refer to the Notice of AGM for the full purpose and intent of the Resolutions to be passed.

(ii) Voting will be conducted by poll. If you wish to exercise all your votes, "For" or "Against", please indicate your vote "For" or "Against" with a tick (✓) within the "For" or "Against" box provided. Alternatively, please indicate the number of votes "For" or "Against" as appropriate in the resolution. If you wish to "Abstain" from voting, please indicate with a tick (✓) in the "Abstain" box. Alternatively, please indicate the number of shares which you wish to abstain from voting. In the absence of directions for the resolution, the appointment of the Chairman of the Meeting as your proxy for the resolution will be treated as invalid.

Dated this ____________ day of ________________ 2024

Total Number of Shares held

____

Signature of Shareholder(s)
or Common Seal of Corporate Shareholder

**Delete where inapplicable*

Notes:

1. Please insert the total number of shares held by you. If you have shares entered against your name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act 2001 of Singapore), you should insert that number of shares. If you have shares registered in your name in the Register of Members of the Company, you should insert that number of shares. If you have shares entered against your name in the Depository Register and the Register of Members of the Company, you should insert the aggregate number of shares entered against your name in the Depository Register and registered in your name in the Register of Members of the Company. If no number is inserted, the instrument appointing a proxy, or proxies shall be deemed to relate held by you.
2. A shareholder of the Company who is not a Relevant Intermediary is entitled to appoint not more than two (2) proxies to attend, speak and vote on his/her behalf at the AGM. A shareholder of the Company which is a corporation is entitled to appoint its authorised representative or proxy to vote on its behalf. "**Relevant Intermediary**" has the meaning ascribed to it in Section 181 of the Companies Act 1967 of Singapore.

   Where such member appoints two (2) proxies, the proportion of his/her shareholding to be represented by each proxy shall be specified. If no proportion is specified, the Company shall be entitled to treat the first named proxy as representing the entire number of shares entered against his/her/its name in the Depository Register and any second named proxy as an alternate to the first named.
3. A shareholder of the Company who is a Relevant Intermediary is entitled to appoint more than two (2) proxies to attend, speak and vote at the AGM, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member appoints more than two (2) proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the form of proxy.
4. A proxy need not be a shareholder of the Company. A shareholder of the Company may choose to appoint the Chairman of the AGM as his/her/its proxy. If a shareholder wishes to appoint the Chairman of the AGM as proxy, such shareholder (whether individual or corporate) must give specific instructions as to voting for, voting against, or abstentions from voting on, each resolution in the instrument appointing the Chairman of the AGM as proxy. If no specific direction as to voting or abstentions from voting in respect of a resolution in the form of proxy, the appointment of the Chairman of the AGM as proxy for that resolution will be treated as invalid.
5. The instrument appointing a proxy, or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal, executed as a deed in accordance with the Companies Act 1967 or under the hand of an attorney or an officer duly authorised, or in some other manner approved by the Directors. Where the instrument appointing a proxy, or proxies is executed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified copy thereof must be lodged with the instrument of proxy.

AFFIX
STAMP

THE SHARE REGISTRAR
ANCHUN INTERNATIONAL HOLDINGS LTD.
(Company No. 200920277C)

BOARDROOM CORPORATE & ADVISORY SERVICES PTE. LTD.
1 HARBOURFRONT AVENUE
#14-07 KEPPEL BAY TOWER
SINGAPORE 098632

6. The instrument appointing a proxy, duly executed, must be deposited not less than 48 hours before the time appointed for the AGM by **9:30 a.m. on 23 April 2024 (Tuesday)** in the following manners: -
   (i) If submitted by post, be deposited at the office of the Company's Share Registrar, Boardroom Corporate & Advisory Services Pte. Ltd. at 1 Harbourfront Avenue, #14-07 Keppel Bay Tower, Singapore 098632; or
   (ii) If submitted electronically, be submitted via email to the Company's Share Registrar at srs.proxy@boardroomlimited.com.

   Shareholders are strongly encouraged to submit the completed proxy form electronically.
7. CPF and SRS investors who hold the Company's shares:
   (a) may vote at the AGM if they are appointed as proxies by their respective CPF Agent Banks or SRS Operators, and should contact their respective CPF Agent Banks or SRS Operations if they have any queries regarding their appointment as proxies; or
   (b) may appoint the Chairman of the AGM as proxy to vote on their behalf at the AGM, in which case they should approach their respective CPF Agent Banks or SRS Operators to submit their voting instruction by **5.00 p.m. on 15 April 2024**.
8. The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed, or illegible, or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument. In addition, in the case of shareholder whose shares are entered against his/her name in the Depository Register, the Company may reject any instrument of proxy lodged if such shareholder, being the appointor, is not shown to have shares entered against his/her name in the Depository Register 72 hours before the time appointed for holding the AGM, as certified by The Central Depository (Pte) Limited to the Company.
9. The Annual Report 2023 accompanying Notice of AGM and this Proxy Form and the Letter to the Shareholders in relation to the Proposed Renewal of Share Purchase Mandate have been published on the Company's website at https://www.anchun.com/investor-relations/ and may be accessed on the SGX website at the URL: https://www.sgx.com/securities/company-announcements/. Printed copies also sent to shareholders via post.

Personal Data Privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s), the shareholder accepts and agrees to the personal data privacy terms set out in the Notice of AGM dated 9 April 2024.

ANCHUN INTERNATIONAL HOLDINGS LTD.

ANCHUN INTERNATIONAL HOLDINGS LTD.

Principal place of business:
No.539, Lusong Road
Changsha National Hi-tech Industrial Development Zone
Changsha City, Hunan Province, PRC 410205
Telephone : (86) 731-88958633, 88958632
Facsimile : (86) 731-88958611