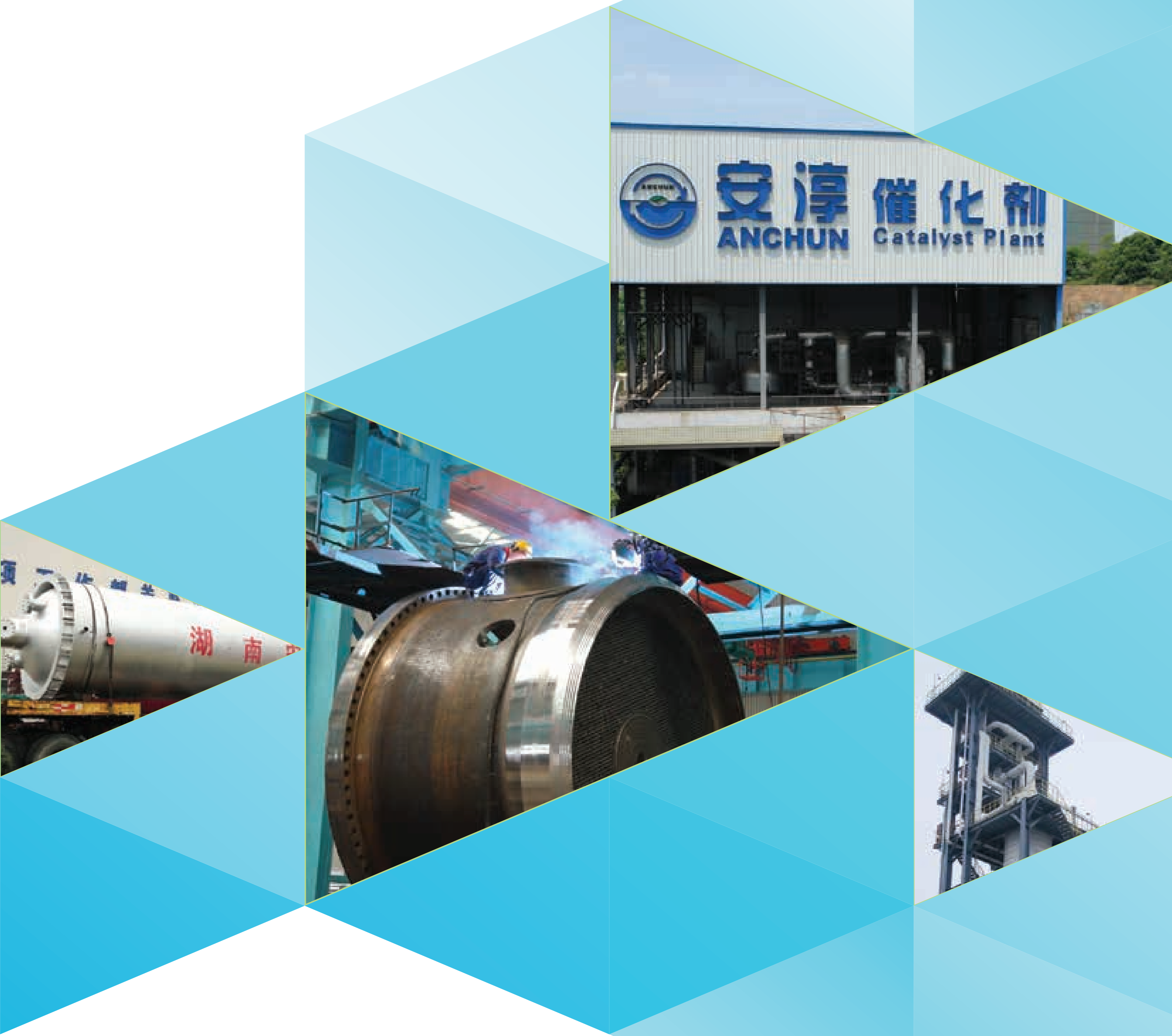
ANCHUN INTERNATIONAL
HOLDINGS LTD.



ANNUAL REPORT 2017

Well-Positioned to Capture Growth Opportunities

CONTENTS

CORPORATE PROFILE

Anchun specialises in integrated chemical systems engineering and technology solutions that are environmentally friendly and energy-saving for the PRC petrochemical and chemical industry, primarily for manufacturers of PVC, ammonia and methanol-based products. We are a one-stop solutions provider offering a full scope of services ranging from design and manufacturing to system production and project management for our customers.

Led by our senior management with in-depth technological, marketing and management experiences, Anchun has a professional and dedicated team of senior and national registered engineers with strong R&D capabilities. Anchored on a highly efficient integrated business model, Anchun's wide range of services gives us a unique competitive edge as one of the leading solutions providers in China in our field.

We have been awarded 22 national, two US and one Canadian patents. Our technological breakthroughs in engineering and environmental designs have earned us National Scientific and Technological Progress and provincial-level awards, making Anchun rise above other companies in terms of competitiveness and innovation.

Located at the Changsha National Hi-Tech Industrial Development Zone in Hunan province, Anchun has one of the largest equipment and technology manufacturing bases for ammonia and methanol-related equipment in China with a total area of 95,000 square meters.

Anchun was listed on the Singapore Exchange Mainboard on 25 October 2010.

Our Core Competence

With a key focus on sustainable development and stability, Anchun has recorded steady and continuous performance in chemical engineering industry over the past two decades based on our successful and proven business model.

- Specialises in integrated chemical systems engineering and technology solutions
- Recognized intellectual property
- Sound financial position with healthy cash flows
- Well-qualified and experienced management and working teams

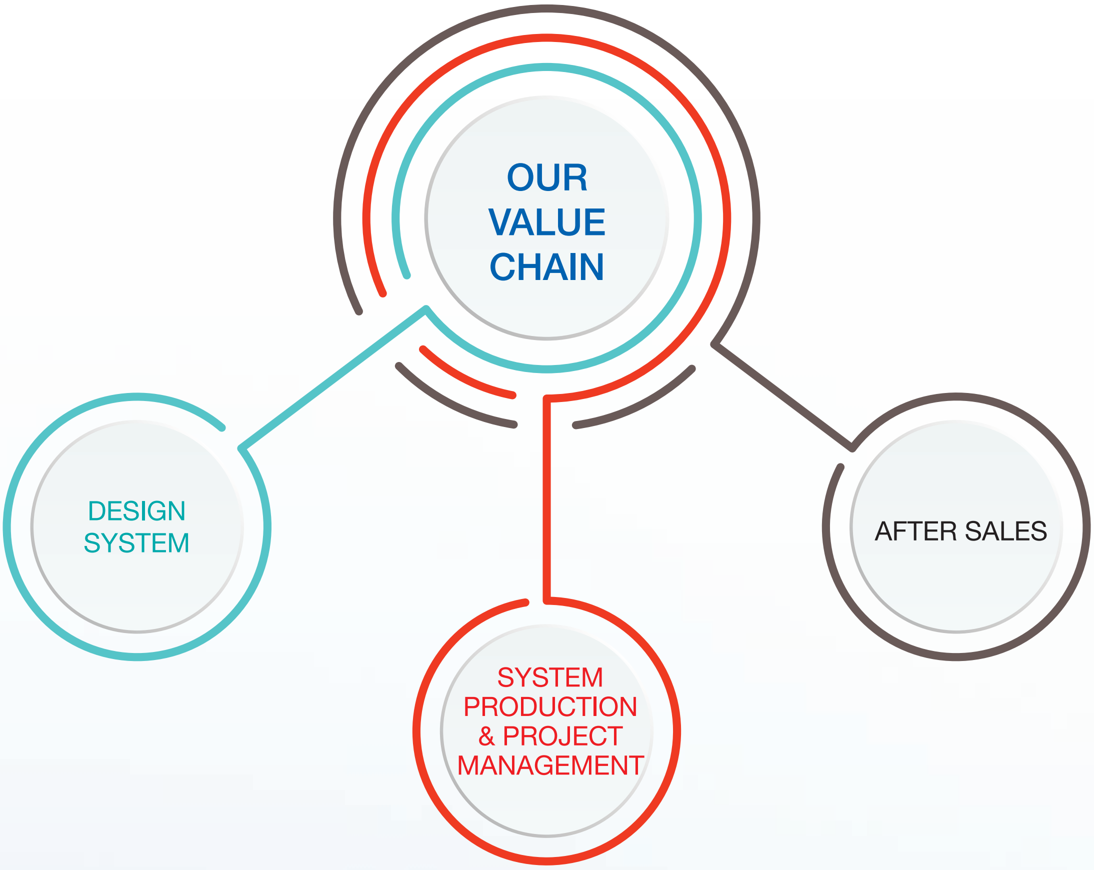
Market Opportunities

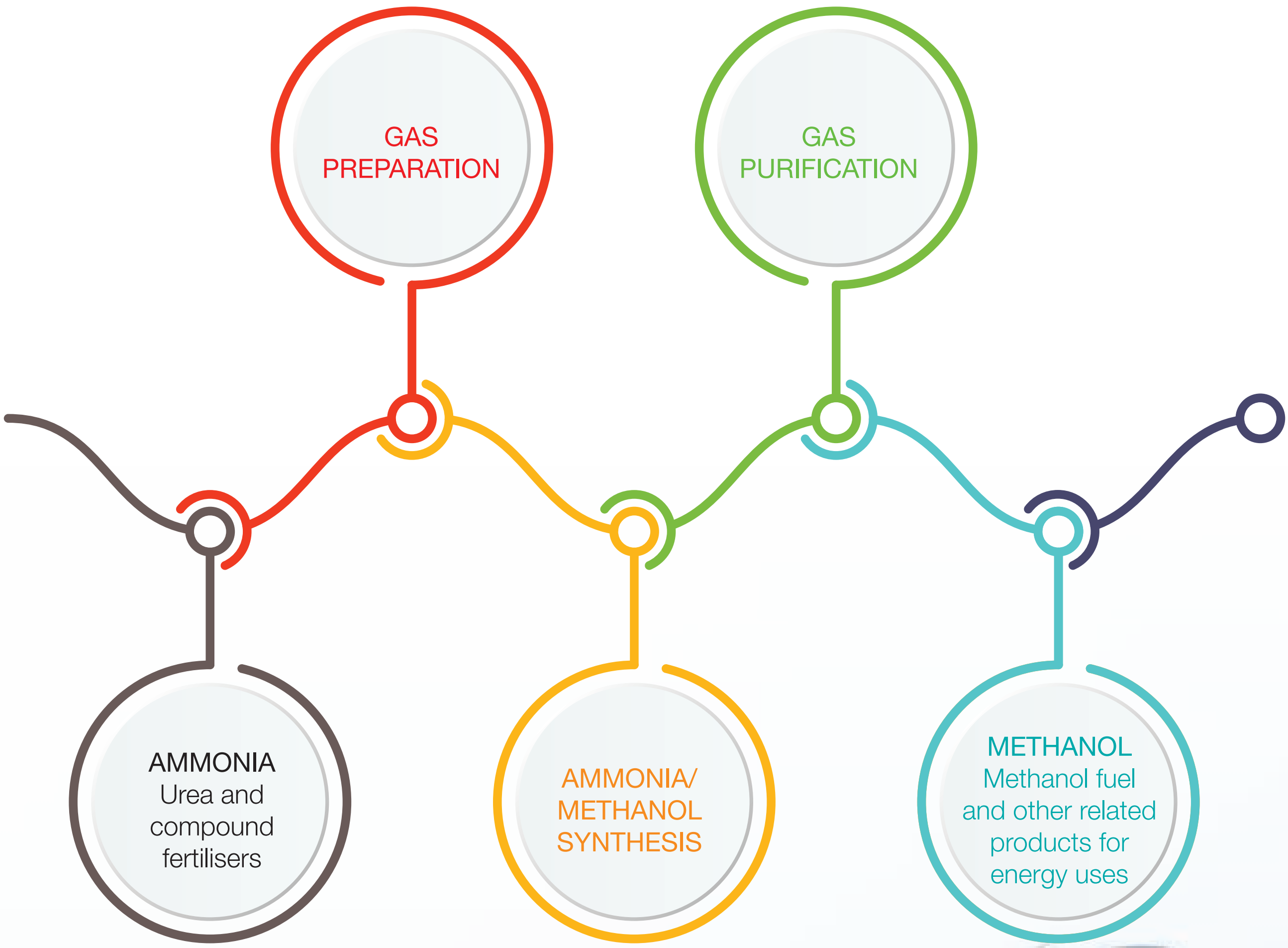
Emphasis by the Chinese government for pro-environmental policies will pave the way for demand of systems and solutions that reduce carbon emissions, energy consumption and air pollution. This impacts industries such as oil and petrochemical, electric power, iron and steel, nonferrous metals, coal, building 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.

As a major technology developer and reactor manufacturer in China, Anchun is well positioned to take advantage of the shift to more efficient and more environmentally-friendly 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 Clients.

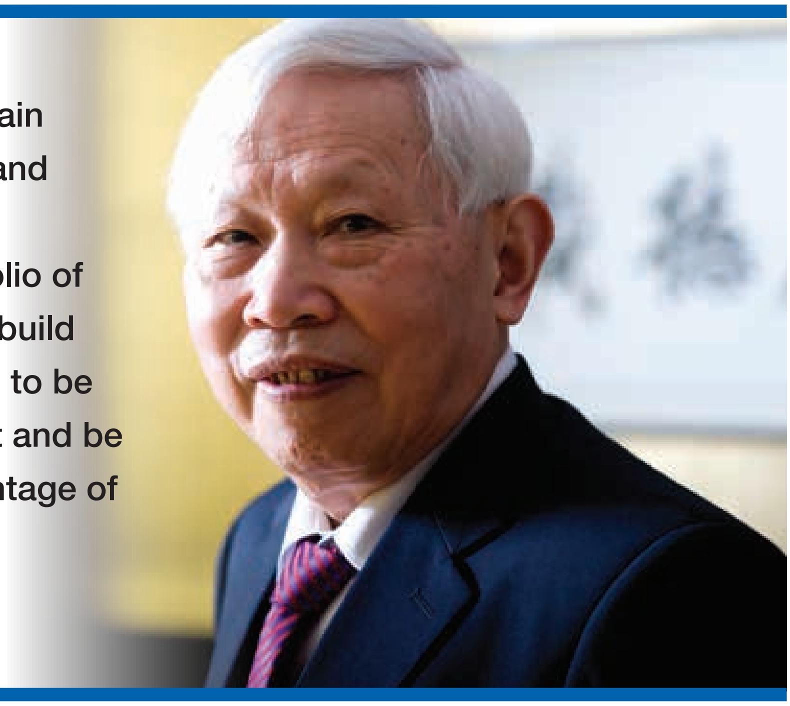



GAS PREPARATION
GAS PURIFICATION
AMMONIA
Urea and compound fertilisers
AMMONIA/ METHANOL SYNTHESIS
METHANOL
Methanol fuel and other related products for energy uses

CHAIRMAN'S MESSAGE

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

XIE DING ZHONG
Non-Executive Chairman



On behalf of the Board of Directors and all my colleagues, I hereby present to you the Annual Report of Anchun International Holdings Ltd. (the "**Company**" or "**Anchun**" and together with its subsidiary, the "**Group**"), for the financial year ended 31 December 2017.

China's economy grew by 6.9% in 2017 against the official target of 6.5%, the first time in seven years the pace of growth has picked up. Trade was a major driver of growth as exports and imports increased due to a pick-up in the global economy with the crucial US and European markets seeing strong recoveries.

As a key driver of the global economy, China's better-than-expected data is likely to cheer investors around the world. However the pickup in growth comes as the government steps up its crackdown on risky investment and high leverage ratios as well as its fight against pollution.

China's increasingly strict anti-pollution measures are also expected to hurt economic growth in the short term. A number of industries have switched to using gas from coal to run their plants in line with the country's push for cleaner air and environmental protection. As a result, gas-based chemical plants such as urea, methanol and acetic acid (AA), have reduced output or shut operations, therefore boosting seasonal prices of nitrogen-rich urea. Such environmental protection development and impact on our business are new variables affecting costs and supply chains and must be closely monitored.

With this changing backdrop of macroeconomic and environmental factors, we continue to focus on improving our financial performance and are pleased to issue our first Sustainability Report that looks into the economic, environmental, social and governance (EESG) aspects of our operations. Disclosures on EESG enhance our existing risk and governance framework and enable us to seek opportunities in the light of evolving business dynamics and global trends.

Anchun management team has been working hard to navigate through the challenges that faced us in 2017. We have put in place several cost-cutting and risk management measures to optimise our operational productivity and increase financial yield.

Our labour cost have reduced in the past year. Overall administration costs decreased by 31% largely due to lower manufacturing overheads incurred. Marketing and distribution expenses have also decreased by 15% as a result of lower travelling expenses and after-sales maintenance costs.

Revenue decreased by 20% to RMB62.8 million in 2017 compared to RMB78.5 million in 2016. This decrease was mainly due to the decrease of revenue from catalyst business and chemical system and components ("CSC") business, partially offset by the increase of revenue from engineering services.

Overall gross profit decreased by RMB14.9 million or 54% from RMB27.6 million in 2016 to RMB12.7million in 2017 with gross profit margin decreased from 35% in 2016 to 20% in 2017. The Group incurred a net loss of RMB33.2 million in 2017 compared to RMB18.8 million 2016.

Our cash position remains healthy and we continue to invest in R&D to enhance our technological capabilities and competitive advantage.

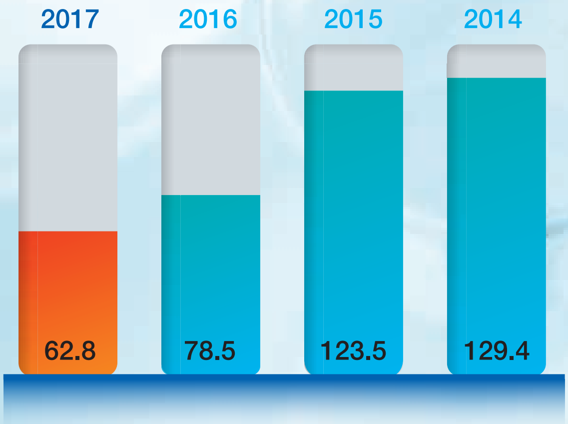
Since 1993, Anchun has spread its innovative footprints all across China. Hundreds of chemical plants have reaped gratifying economic results from implementing Anchun's energy-saving and efficiency-improving technologies. Anchun will continue its effort as a strong player in ammonia, methanol and fertilizer industry, which is essential for China's food security and sustainable growth.

In 2017, we have signed Environmental Protection Engineering service contract amounting to RMB1.2 million. We will continue to develop more revenue in the environmental protection area, not only engineering services contracts, but also equipment contracts for tail-gas re-utilization projects in metallurgy industry and other fields.

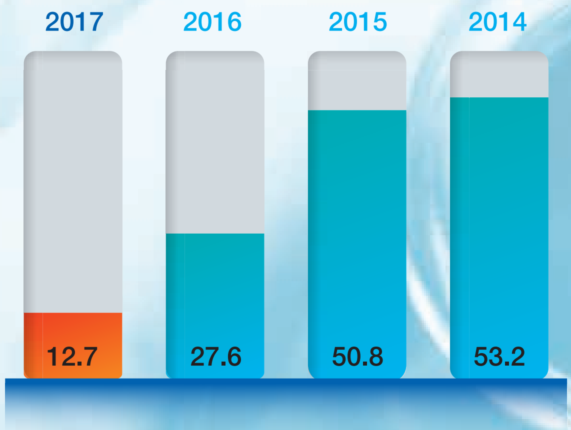
The Group will continue to remain vigilant over its cost structure and continue its research efforts to enhance and improve its portfolio of patented products and further build its technical competency so as to be more competitive in the market and be better positioned to take advantage of opportunities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

FINANCIAL HIGHLIGHTS

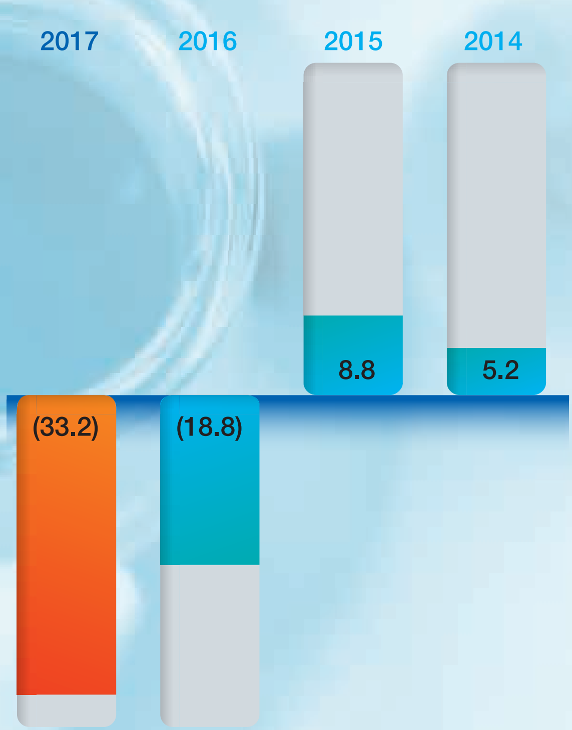
Revenue (RMB' million)



Gross Profit (RMB' million)



Profit / (Loss) After Tax (RMB' million)



OPERATIONS AND FINANCIAL REVIEW

While China's economy achieved a better-than-expected growth rate of 6.9%, the oil, gas and base chemical sectors were hit by higher operating costs and an extended period of weak prices globally. Competition remained high and the ongoing credit tightening resulted in project and payment delays.

The Group recorded a net loss attributable to owners of the Company of RMB33.2 million on the back of a 20% decline in revenue to RMB62.8 million for the 12 months ended 31 December 2017 ("FY2017"). This is compared to a revenue of RMB78.5 million and a net loss attributable to owners of the Company of RMB18.8 million for the same period a year ago ("FY2016").

Revenue

In terms of share of revenue, CSC Business, Engineering Services and Catalyst Business accounted for 70%, 9% and 21% of the Group's revenue in FY2017 respectively.

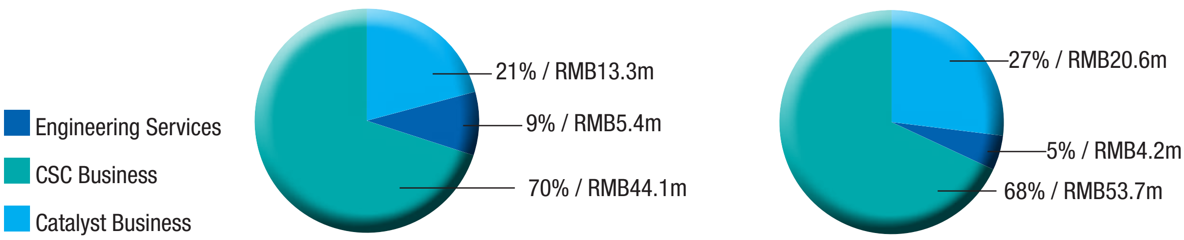
Revenue from CSC Business declined by RMB9.6 million or 18% from RMB53.7 million in FY2016 to RMB44.1 million in FY2017 while Engineering Services increased by RMB1.2 million or 29% from RMB4.2 million in FY2016 to RMB5.4 million in FY2017.

Revenue from our Catalyst Business decreased by RMB7.3 million or 35% from RMB20.6 million in FY2016 to RMB13.3 million in FY2017. This was mainly due to the absence of sales of hydrocarbon catalysts, partially offset by the increase of revenue from pre-reduced catalysts.

Gross Profit

Corresponding to the revenue trend, overall gross profit of the Group decreased by RMB14.9 million or 54% from RMB27.6 million in FY2016 to RMB12.7 million in FY2017 while gross profit margin declined from 35% to 20% over the same period.

Revenue by Business Segment



Gross Profit (RMB'000)	FY2017	FY2016	Chg (%)
CSC Business	6,442	15,792	(59)
Engineering Services	3,475	2,500	39
Catalyst Business	2,831	9,345	(70)
Total	12,748	27,637	(54)

Gross Profit Margin (%)	FY2017	FY2016	Chg (%)
CSC Business	15	29	(14)
Engineering Services	65	60	5
Catalyst Business	21	45	(24)
Total	20	35	(15)

OPERATIONS AND FINANCIAL REVIEW

Update on Use of IPO Proceeds (RMB'000)

Usage as at 31 December 2017	Amount Allocated	Amount Utilised	Balance
Expand production facilities and capacities	95,936	18,465	77,471
Enhance our R&D capabilities and widen our range of innovative and cost effective solutions	15,479	3,682	11,797
Working capital purposes	22,074		0
- For CO shift catalyst unit and technology implementations		15,868	
- For expanding sales and marketing capabilities and initiatives		6,206	
Total	133,489	44,221	89,268

Gross profit of CSC business decreased by RMB9.4 million from RMB15.8 million in FY2016 to RMB6.4 million in FY2017 was mainly attributable to decrease in gross profit from sales of isothermal shift reactor, which was offset by an increase in sales of methanol reactor and the pressure vessel. The decline in gross profit margin by 15% mainly attributable to the inventory obsolescence allowance.

Income and Expenses

In FY2017, finance and other income of the Group increased marginally by RMB0.05 million or 1% from RMB6.1 million in FY2016 to RMB6.2 million in FY2017.The increase was mainly due to increase of interest income from higher interest rates and increase of other operating income offset by decrease of contract penalties imposed on suppliers, government grants and exchange gain.

The Group continued to upkeep its stringent cost cutting measures including trimming its marketing and distribution expenses by RMB0.9 million or 15% from RMB5.6 million in FY2016 to RMB4.7 million in FY2017. The decrease was mainly attributable to decrease of travelling expenses, and after-sales maintenance expenses.

Administrative expenses fell by RMB11.5 million or 31% from RMB37.2 million in FY2016 to RMB25.7 million in FY2017. The decrease was partly due to lower unallocated manufacturing overheads charged to profit or loss under administrative expenses, salaries and fees and lower compensation expenses incurred for early terminations of staff contracts.

Research expenses increased by RMB0.2 million or 3% from RMB4.3 million in FY2016 to RMB4.5 million in FY2017 and was mainly attributable to higher expenses incurred for catalyst process improvement effort in the past year.

However, other operating expenses increased by RMB12.0 million or 251% from RMB4.7 million in FY2016 to RMB16.7 million in FY2017 mainly due to increase in allowance for impairment of trade receivables.

Income tax expenses decreased by RMB0.1 million from negative RMB0.1 million in FY2016 to nil in FY2017 due to the losses incurred by the Group's subsidiary in FY2017.

Financial Position

As at 31 December 2017, the Group was in a financially strong position with no bank loans and cash and cash equivalents amounting to RMB136.7 million.

The liquidity position of the Group slips to a current ratio of 2.6 times as at 31 December 2017, compared with a current ratio of 3.0 times a year ago. Meanwhile, shareholders' equity remained robust at RMB275.7 million as at 31 December 2017.

The Group's non-current assets decreased by RMB13.4 million or 11.6% from RMB115.5 million as at 31 December 2016 to RMB102.1 million as at 31 December 2017. This was mainly due to depreciation charges on property, plant and equipment in FY2017 which was partially offset by additions during the period.

Current assets decreased by RMB12.7 million or 4.4% from RMB291.9 million as at 31 December 2016 to RMB279.2 million as at 31 December 2017. This was attributable to increase in inventories and bills receivable, which is offset by a decrease in trade and other receivables, cash and cash equivalents and prepayments made to vendors for purchase of raw materials.

Due to the increases in advance from customers and the decreases in trade and other payables incurred for settlements with our suppliers, the Group's current liabilities increased by RMB7.2 million or 7.3% from RMB98.3 million as at 31 December 2016 to RMB105.5 million as at 31 December 2017.

Industry Outlook and Business Strategy

In 2017, we have signed Environmental Protection Engineering service contract amounting to RMB1.2 Million. We will continue to develop more revenue in the environmental protection area, not only engineering services contracts, but also equipment contracts for tail-gas re-utilization projects in metallurgy industry and other fields.

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

BOARD OF DIRECTORS

XIE DING ZHONG

Non-Executive Chairman
Appointed on 2 November 2009

Xie Ding Zhong is our Non-Executive Chairman and member of Remuneration Committee & Nominating Committee, and was last re-elected as a Director on 29 April 2016. 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 an 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 is a committee member of various national specialist committees in the chemical industry, such as China Nitrogen Fertiliser Industry Association and China Petroleum and Chemical Engineering Survey and Design Association, etc. 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.

XIE MING

Executive Director and CEO
Appointed on 2 November 2009

Xie Ming is our Executive Director and Chief Executive Officer ("CEO") and was last re-elected as a Director on 29 April 2016. 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, University of Louisiana at Monroe, USA.

ZHENG ZHI ZHONG

Executive Director and COO
Appointed on 1 June 2014

Zheng Zhi Zhong is our Executive Director and was last re-elected on 28 April 2017. He has also been appointed as our Chief Operating Officer ("COO") with effect from 24 March 2016. He is currently the Legal Representative of Hunan Anchun. He has more than 20 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.

Zheng Zhi Zhong 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 Alcohol-Hydrocarbon 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 and Deputy Manager in the past 20 years with Hunan Anchun. Zheng Zhi Zhong holds a Bachelor's degree in Computer Science and Technology from Shenyang Industrial University.

DAI FENG YU

Executive Director
Appointed on 9 September 2010

Dai Feng Yu is our Executive Director and was last re-elected on 29 April 2016. She is responsible for overall R&D including provision of basic supporting technologies, initiating new R&D projects and management of the company's proprietary intellectual property rights. Dai Feng Yu has more than 20 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 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. Dai Feng Yu 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. 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 and the Outstanding Individual of Hunan Province contributed to scientific and technological progress by the Economic Committee of Hunan Province in 2008.

LEE GEE AIK

Lead Independent Director
Appointed on 9 September 2010

Lee Gee Aik is our Lead Independent and Chairman of Audit Committee, and member of the Nominating Committee. He was last re-elected on 28 April 2017. He is a practising accountant who started his career as an auditor with KPMG Singapore. Mr Lee was seconded to KPMG USA Executive Office located in Manhattan, New York for 2 years in 1986. He was the regional controller of Omni Marco Polo Hotels, Singapore from 1993 to 1998. Mr Lee has over 38 years of extensive and varied experience in accounting, tax and financial matters.

Mr Lee is a Fellow of the Association of Chartered Certified Accountants,

BOARD OF DIRECTORS

United Kingdom, and the Institute of Certified Public Accountants of Singapore. He also obtained a Master of Business Administration from The Henley Management College, United Kingdom. He has been appointed by the Minister of Health to serve as Lay Person member of the Complaints Panel of the Singapore Pharmacy Council. He is currently an Independent Director of Astaka Holdings Limited, SHS Holdings Limited and Uni-Asia Holdings Limited. He formerly served on the board of Ley Choon Group Holdings Limited, Leader Environmental Technologies Limited, LHN Limited and International Healthway Corporation 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 29 April 2016. She is currently a partner at Colin Ng & Partners LLP, a firm of advocates and solicitors in Singapore, and has over 15 years of experience in the legal profession. Tan Min-Li 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.

Tan Min-Li heads the Corporate Finance Practice Group, Greater China Practice Group and Japan Focus Group at Colin Ng & Partners 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 Colin Ng & Partners LLP in 2003, she was a partner with KhattarWong, 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 and Ocean Sky International Limited.

YANG CHUN SHENG
Independent Director
Appointed on 9 September 2010

Yang Chun Sheng is our Independent Director, Chairman of the Nominating Committee & member of the Remuneration Committee, and was last re-elected as a Director on 29 April 2016. Mr Yang is a Registered Senior Engineer (Research Fellow) - the highest rank of engineers in the PRC. He is currently the consultant of the China Nitrogen Fertiliser Industry Association and the President of Shandong Chemical Fertiliser Industry Association. He was previously the President of Shandong Province Chemical Planning & Design Institute, Deputy Chief Engineer of Shandong Province Petrochemical Industry Department, Chief Engineer of Shandong Province Chemical Fertiliser Industry Company and General Manager of Shandong Province Chemical Fertiliser Industry Corporation.

As part of his role in the industry associations, Yang Chun Sheng proactively guides fertiliser enterprises on industrial upgrading and technological innovation activities, as well as hastens science and technology development in domestic coal gasification and the promotion and application of its related technologies. He led and also participated in the planning, standards drafting, policy review for the fertiliser industry, as well as provide advice on how to better develop the industry.

Yang Chun Sheng was awarded the National Scientific and Technological Progress Award (2nd-highest honours) in December 1998 and the Scientific and Technological Progress Award (3rd-highest honours) by the China Petroleum and Chemical Industry Federation in October 2011. He regularly contributes professional articles relating to fertiliser industrial policies, technical progress and business management on national newspapers, periodicals and business networks.

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 28 April 2017. Andrew Bek started his career in Arthur Andersen & Co and was there from 1988 to 1997. He was later attached to a steel manufacturing company as the Accounts Manager from 1997 to 1998. He then joined Ernst & Young Malaysia from 1999 to 2007. He is an Investment Director at OneEquity SG Private Limited since 2007. He was formerly a Director of China Environment Ltd.

KEY EXECUTIVES

LI CHUN YANG
Head of Sales and Marketing Department

Li Chun Yang is our Head of Sales and Marketing Department responsible for our Group's sales and marketing and maintenance of customer relationships. Li Chun Yang has almost 40 years of experience in the chemical industry. Between 1970 and 1972, he worked in Hunan Hengnan County Nitrogen Fertiliser Factory. After which, he pursued his Bachelor's degree in Hunan University and graduated in 1975. Thereafter, he was engineer and head of workshop of Hunan Hengnan County Nitrogen Fertiliser Factory between 1975 and 1984 and later held the same position in Hunan Hengyang City Nitrogen Fertiliser Factory between 1984 and 1987, where he was responsible for the overall production activities. Between 1987 and 1993, he worked in Hunan Fertiliser Industry Company, a state-owned company which was delegated to manage the provincial fertiliser industry and he was responsible for provision of management advice and technical support to laggard fertiliser companies in Hunan Province. In 1993, he was the deputy general manager of Anchun Energy Saving responsible for sales and marketing, customer services and maintenance of customer relationships. In 1998, when operations of Anchun Energy Saving ceased and Hunan Anchun was established, he joined Hunan Anchun and has since then focused on the sales and marketing, maintenance of customer relationships and human resources of Hunan Anchun.

Li Chun Yang holds a Bachelor's degree in Inorganic Chemistry from Hunan University. He was qualified as a registered senior engineer in 1994 and a certified chemical engineer in 2004. The significant awards that Li Chun Yang has won include the National Scientific and Technological Progress Award (2nd-highest honours) by the National Science and Technology Committee of PRC in 1995 and 2003 National Scientific and technological Progress Award (2nd-highest honours) by the State Council in 2004, the outstanding Individual contributing to Nitrogen Fertiliser Industry in 1998 by the Ministry of Chemical Industry of the PRC, and the Scientific and Technological Progress Award (2nd-highest honours) by China Petroleum and Chemical Industries Association in 2002.

KEY EXECUTIVES

LI BIN

Head of System Design Department

Li Bin was our Head of System Design Department responsible for our chemical systems engineering and technology design services. Li Bin has over 20 years of experience in the chemical industry. Between 1982 and 1994, he was head of the product design department of Changsha Chemical Machinery Factory responsible for product design. Thereafter, he joined Anchun Energy Saving in 1994 as an engineer responsible for product design. He has been in charge of our system design department since the operations of Anchun Energy Saving ceased and Hunan Anchun was established in 1998.

Li Bin holds a diploma in chemical machinery from Chemical Industry College of Hunan Province. He was qualified as a registered senior engineer in 2003. The significant awards that Li Bin has won include the Excellent Engineering Design of Hunan Province (2nd-highest honours) in 2001 by the Construction Department of Hunan Province, the Excellent Engineering Design (2nd-highest honours) by China Petroleum and Chemical Engineering Survey and Design Association in 2003 and the 2003 National Scientific and Technological Progress Award (2nd-highest honours) by the State Council in 2004. Li Bin resigned as Head of System Design Department with effect from 28 June 2017.

LI JUAN

Finance Controller

Li Juan is our Financial Controller and was appointed to our Group on 16 May 2017. She is responsible for our Group and the subsidiary's overall finance management. She has 5 years of finance experience. She worked as the GL Supervisor in corporations for more than 3 years since 2014. She has experience in accounting, tax, financing management and internal control. Li Juan holds a China Certified Public Accountant certificate, and also US Certified Management Accountant certificate.

SUSTAINABILITY REPORT

This is Anchun's first sustainability report which adopts the internationally recognized Global Reporting Initiative (GRI) Standard in accordance to GRI Core reporting guidelines.

As a leading integrated engineering, procurement and construction (EPC) provider, our ambition is to create value through innovation and engagement towards sustainable technological and environmental solutions for our clients.

Our company ethos is steered by industry standards and internal guidelines – including vision and values, goals and strategies and corporate ethics.

Our strategy for sustainable growth is a commitment to sustainability principles and green initiatives that encompasses economic, environmental and societal concerns.

Anchun's contribution to the industry and Hunan province is clearly marked by our management positions in key associations and professional organizations.

- Director Unit of China Petroleum & Chemical Engineering Survey And Design Association
- Standing Member of China Nitrogen Fertilizer Industry Association
- Standing Member of China Chemical Industry Environmental Protection Association
- Director Unit of China Petroleum Chemical Industry Federation
- Member Unit of China Chemical Industry Equipment Association
- Standing Member of Hunan Society of Chemical and Chemical Engineering
- Director Unit of Hunan Survey and Design Association
- Director Unit of Hunan Provincial Association of Engineering Consultants
- Vice President Unit of Hunan Petroleum Chemical Industry Association
- Member Unit of Chemical Catalyst Division Technical Committee of National Standardization Technical Committee of Chemical

We have 25 main suppliers located in China that provides steel for the engineering and manufacturing of our chemical systems, components, reactors, pressure vessels and other auxiliary equipment. The raw material procurement order fee from our labour intensive supply chain for FY2017 is approximately RMB50 million.

There have been no significant changes in our organization's size, structure, ownership, or supply chain in the past year.

Anchun is headquartered in People's Republic of China with a regional office in Singapore.

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No. 539, Lusong Road
Changsha National Hi-tech
Industrial Development Zone
Changsha City, Hunan Province,
PRC 410205

SINGAPORE
81 Anson Road Suite 8.20,
Singapore 079908

Stakeholder engagement

The stakeholder engagement is an inclusive approach in the process of sustainability reporting to identify, prioritize and address key material EESG (Economic, Environment, Social, and Governance) topics.

For this first sustainability reporting, the stakeholder engagement uses the format of a questionnaire to internal stakeholder groups – Management, Finance, Human Resources and Operations.

The key material topics identified are:

1. Economic Performance
2. Environmental Compliance
3. Social Compliance

Economic performance

Anchun's integrated business model is anchored on strong R&D capabilities and registered patents for our key technologies, and allows us to create value from system design, system manufacturing and project management, and after-sales service.

In addition, our range of integrated chemical systems engineering and technology solutions; chemical systems and components, including reactors, pressure vessels and other auxiliary equipment; and catalysts and pre-reduced catalysts products are based on the core principles of production efficiency, energy saving and environmental protection.

While the financial implications related to climate change are not explicitly apparent, we are monitoring climate-related risks and opportunities related to transition to a lower-carbon economy and the physical impacts of climate change.

Anchun has received several enterprise awards and accolades, including Status of Designated Company for Technological Support for China Petroleum & Chemical Industry in Environmental Protection and Green Production and 2013 Outstanding Technological Advancement Award

SUSTAINABILITY REPORT

conferred by both the China Fertilizer Industry Association and the China Petroleum and Chemical Industries Association.

In 2017 Anchun received tax relief and tax credits amounting to RMB370,000. We were also granted High-Tech Zone awards of RMB190,000 for the following:

- Positive contribution to economic development award
- Intellectual Property Grants – Domestic Invention Patent Application
- Independent innovation and industrialization (energy saving technology – isothermal transformation of energy-saving technology)

These achievements are the concerted efforts by our strong management team supported by dedicated employees through their contributions in R&D, project work, marketing, and operations.

We have a total of full-time permanent 277 employees comprising of 220 men and 57 women. All our employees are based in China headquarters except for one staff member based in Singapore.

Our employment framework is based on the People's Republic of China Labour and Employment Law. In China, our employees are covered by five social insurances and one housing fund as follows:

- Endowment Insurance
- Medical Insurance
- Unemployment Insurance
- Employment Injury Insurance
- Maternity Insurance
- Housing Provident Fund

In Singapore, we abide by the Singapore Employment Act and the mandatory social security savings scheme, CPF or Central Provident Fund.

Environmental compliance

China's rapid economic expansion and past relaxed environmental oversight have caused a number of ecological problems. With increasing public and global pressure, the national government has set in place a number of measures to curb pollution in the country and improve the China's environmental situation.

Environmental policy is set by the National People's Congress and managed by the Ministry of Environmental Protection (MEP) of the People's Republic of China. Under MEP, the Department of Policies, Laws and Regulations is in charge of establishing and strengthening environmental laws, administrative policies and economical regulations. It is also responsible for the development of national environmental protection policy and macro strategy.

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

- Class A Engineering Design (Ministry of Housing and Urban-Rural Construction, PRC)
- Class A Environmental Design (Ministry of Housing and Urban-Rural Construction, PRC)
- Pressure Pipeline Design (General Administration of Quality Supervision, Inspection and Quarantine, PRC)
- A1/A2/D1/D2 Pressure Vessel Design (General Administration of Quality Supervision, Inspection and Quarantine, PRC)
- Pressure Vessel Manufacture (General Administration of Quality Supervision, Inspection and Quarantine, PRC)
- ASME U Mark Certificate Pressure Vessel Manufacture (The American Society of Mechanical Engineers)

We are also certified ISO 9001 Quality Management System, an international guideline that ensures we meet the statutory and regulatory requirements while delivering high quality products and services to our customers.

Socioeconomic compliance

Anchun was not subject to any substantiated complaints or incidences of corruption, bribery, anti-competitive behaviour, data loss or privacy breaches in 2017. There were no incidences 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 the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST") on corporate governance and believe in the honesty, integrity and vigilance of our management and employees.

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The listing rules as stated in the Listing Manual of the Singapore Exchange Securities Trading Limited ("**SGX-ST**") require an issuer which holds its Annual General Meeting ("**AGM**") on or after 1 January 2003 to describe its corporate governance policies in its annual report.

The Company has, since its listing on the SGX-ST on 25 October 2010, put in place various policies and practices that will safeguard the interests of shareholders and enhance shareholders' value as part of its effort to maintain high standards of corporate governance. This section outlines the main corporate governance practices and procedures adopted by the Company with specific reference made to the principles and guidelines as set out in the revised Code of Corporate Governance 2012 (the "**Code**"). Where there are deviations from the Code, appropriate explanations will be provided.

Principle 1:
The Board's Conduct of its Affairs

Every company should be headed by an effective Board to lead and control the company. The Board is collectively responsible for the long-term success of the company. The Board works with Management to achieve this objective and Management remains accountable to the Board.

The Board is entrusted with the responsibility for the overall management of the business and corporate affairs of the Group. Matters which specifically require the Board's decision or approval are those involving: Guideline 1.1

- corporate strategy and business plans;
- investment and divestment proposals;
- funding decisions of the Group;
- nominations of Directors for appointment to the Board and appointment of key personnel;
- announcement of quarterly, half-year and full-year results, the annual report and accounts; and
- all matters of strategic importance

All Directors, in the course of carrying out his or her duties, exercise due diligence and independent judgement, and act in good faith and in the best interests of the Group. Guideline 1.2

To facilitate effective management, certain matters are delegated to committees whose actions are monitored by the Board. These committees include the Audit Committee ("**AC**"), the Nominating Committee ("**NC**") and the Remuneration Committee ("**RC**"), all of which are chaired by independent Directors and operate within clearly defined terms of reference and functional procedures. Guideline 1.3

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The Board has adopted a set of internal guidelines setting forth matters that requires its approval. Matters which are specifically reserved to the Board for approval include but not limited to the following: Guideline 1.5

(i) any proposed acquisitions and disposal of assets;

(ii) any proposed changes in the capital of the Company;

(iii) any interested person transaction (as defined under Chapter 9 of the Listing Manual);

(iv) dividends and other returns to shareholders; and

(v) capital expenditure.

Newly-appointed Directors undergo an orientation program with materials provided to help them get familiarised 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. The Directors are also provided with updates on the relevant new laws and regulations related to the Group's operating environment through emails and regular briefings by the Company Secretary (or her representatives) and Ernst & Young LLP ("**External Auditors**"). Guidelines 1.6, 1.7 and 12.8

Newly appointed Directors, if any, will be issued a letter of appointment or service contract setting out their duties and obligations when they are appointed.

The Board meets at least once every quarter. It also holds ad-hoc meetings as and when circumstances require. Telephonic and video conference attendance at Board's meetings is allowed under the Company's Constitution. The Board and Board committees may also make decisions by way of circulating resolutions. Guideline 1.4

During FY2017, the number of Board meetings held and attended by each member of the Board is as follows:

Name of Director	Number of Meetings held	Attendance
Mr Xie Ding Zhong	4	4
Ms Xie Ming	4	4
Mr Zheng Zhi Zhong	4	4
Ms Dai Feng Yu	4	3
Mr Lee Gee Aik	4	4
Ms Tan Min-Li	4	4
Mr Andrew Bek	4	4
Mr Yang Chun Sheng	4	3

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Principle 2:
Board Composition and Balance

There should be a strong and independent element on the Board, which is able to exercise objective judgement on corporate affairs independently, in particular, from Management and 10% shareholders. No individual or small group of individuals should be allowed to dominate the Board's decision making.

During FY2017, the Board consisted of one Non-Executive Chairman, three Executive Directors and four Independent Directors. The Board is able to exercise objective judgement independently from Management on corporate affairs of the Group as Independent Directors constitute 50% of the Board. As such, no individual or small group of individuals dominate the decisions of the Board. Guidelines 1.1, 1.2, 2.1 and 2.2

The Board currently comprises:–

Executive Directors
Ms Xie Ming
Mr Zheng Zhi Zhong
Ms Dai Feng Yu

Non-Executive Chairman
Mr Xie Ding Zhong

Independent Directors
Mr Lee Gee Aik
Ms Tan Min-Li
Mr Andrew Bek
Mr Yang Chun Sheng

The independence of each Director is reviewed annually by the NC. The NC adopts the definition in the Code as to what constitutes an Independent Director in its review. In addition, the NC also reviews the composition of the Board annually to ensure that the Board consists of persons who, together, contribute an appropriate balance and diversity of skills to provide core competencies necessary to meet the Company's objectives. Based on the confirmation of independence submitted by the Independent Directors and the results of the NC's review, the NC is of the view that Mr Lee Gee Aik, Ms Tan Min-Li, Mr Andrew Bek and Mr Yang Chun Sheng are independent in accordance with the Code. None of the Independent Directors has a relationship with the Company or its related corporations, its major shareholders (holding 10% or more of its shares) or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the director's independent business judgement. Guidelines 2.3 and 2.6

As at 31 December 2017, none of the Independent Directors have served on the Board beyond 9 years from the date of his/her initial appointment. Guideline 2.4

The Board and the NC has examined the size of the Board and is of the view that it is an appropriate size for effective decision-making, taking into account the scope and nature of the operations of the Company. 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. Guideline 2.5

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The NC and the Board recognise the importance of an appropriate balance and diversity of industry knowledge, skills, backgrounds, experience and professional qualifications in building an effective Board. For this reason, the NC periodically reviews 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 currently comprises 3 female and 5 male directors who, as a whole have relevant competence, in accounting, finance, legal, business and management and strategic planning. Guideline 2.6

Details of the Directors' academic and professional qualifications and other appointments are set out on pages 10 to 13 of this Annual Report.

The Independent 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 warranted, the Independent 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. Guidelines 2.7 and 2.8

Principle 3:
Chairman and Chief Executive Officer

There should be a clear division of responsibilities between the leadership of the Board and the executives responsible for managing the company's business. No one individual should represent a considerable concentration of power.

Notwithstanding that Mr Xie Ding Zhong is the father of Ms Xie Ming, the CEO, all major proposals and transactions are made in consultation with the Board, of which 50% are Independent Directors. As such, the Board is of the view that there are adequate safeguards in terms of accountability and transparency, without any individual or group of individuals exercising any considerable power and influence. Guideline 3.1

The Non-Executive 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 plans and business development formulated by the CEO. The Non-Executive Chairman also participates in communicating with key stakeholders, including shareholders and Management. Guideline 3.2

The CEO's responsibilities, in addition to setting the strategic direction, expansion plans and business development, 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.

To promote a high standard of corporate governance, Mr Lee Gee Aik, an Independent Director, has been appointed as the Lead Independent Director as well as the Chairman of the AC. In accordance with the Code, Mr Lee Gee Aik is available to shareholders when they have concerns where contact through the normal channels of the Chairman and CEO has failed to resolve the same, or for which such contact is inappropriate. Guideline 3.3

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Where warranted, the Lead Independent Director meets with the other Independent Directors 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. Guideline 3.4

Principle 4:
Board Membership

There should be a formal and transparent process for the appointment and re-appointment of Directors to the Board.

Currently, the NC comprises three Independent Directors, Mr Yang Chun Sheng, Ms Tan Min-Li and Mr Lee Gee Aik and one Non-Executive Chairman, Mr Xie Ding Zhong. The Chairman of the NC is Mr Yang Chun Sheng. The NC has written terms of reference that describe the responsibilities of its members. Guideline 4.1

The principal functions of the NC are as follows:– Guideline 4.2

- to review and recommend the nomination or re-nomination of directors having regard to the director's contribution and performance;
- to determine on an annual basis whether or not a director is independent, guided by the guidelines contained in the Code regarding independence;
- to decide whether a Director is able to and has been adequately carrying out his duties as a Director of the Company, particularly when the Director has multiple board representations;
- to evaluate the Board, based on objective performance criteria;
- to assess the effectiveness of the Board as a whole and the contribution of each Director to the effectiveness of the Board; and
- to determine the appropriate training and professional development programs for the Board.

The number of NC meetings held and the attendance thereat during the financial year is as follows:–

Name of Director	Appointment	Number of Meetings held	Attendance
Mr Yang Chun Sheng	Chairman	1	1
Ms Tan Min-Li	Member	1	1
Mr Lee Gee Aik	Member	1	1
Mr Xie Ding Zhong	Member	1	1

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A Director who has no relationship with the Company, its related corporation, its 10% shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Director's independent business judgement, is considered independent. Guideline 4.3

The NC has reviewed the Directors' independence based on the guidelines set out in the Code and the confirmations provided by the Independent Directors, and was satisfied with the independence of the Independent Directors as mentioned in relation to Guidelines 2.3 and 2.4 above.

Notwithstanding that some of the Directors have multiple board representations, the NC and the Board are satisfied that each Director is able to and has been adequately carrying out his duty as a Director of 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. Guideline 4.4

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 or her duties should not be restricted to 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.

Currently, the Company does not have alternate Directors. Guideline 4.5

In selecting and appointing a new Director, the NC will have regard to the desired competencies of the new Director so that he may complement the skills and competencies of the existing Board. Candidates may be suggested by Directors or Management or sourced from external sources. Guidelines 4.2 and 4.6

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.

Regulation 89 of the Company's Constitution provides that one-third of the Directors shall retire from office at each AGM of the Company and, all Directors shall retire from office at least once every three years. The Directors to retire in every year shall be those who have been longest in office since their last election. A retiring Director is eligible for re-election by shareholders at the AGM. The NC has recommended the re-election of the three Directors retiring under Regulation 89 of the Constitution, namely Mr Xie Ding Zhong, Ms Dai Feng Yu and Mr Yang Chun Sheng.

Each member of the NC abstains from voting on any resolution in respect of the assessment of his or her performance or re-appointment as Director.

Key information regarding the Directors is set out under the "Board of Directors" Section of this Annual Report at pages 10 to 13. Guideline 4.7

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Principle 5:
Board Performance

There should be a formal annual assessment of the effectiveness of the Board as a whole and its board committees and the contribution by each Director to the effectiveness of the Board.

The NC has adopted a formal process to annually asses 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 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. Guideline 5.1

The summary of the assessment results are discussed at the NC meeting. No external facilitator was engaged by the Company in FY2017.

The NC had conducted the Board's performance evaluation as a whole, together with the performance evaluation of the Board Committees. The performance criteria, as determined by the NC, cover the following areas: Guideline 5.2

– Board Composition and Structure;
– Conduct of Meetings;
– Corporate Strategy and Planning;
– Risk Management and Internal Control;
– Measuring and Monitoring Performance;
– Training and Recruitment;
– Compensation;
– Financial Reporting;
– Chairman of the Board;
– Board Committees; and
– Communicating with Shareholders.

The above mentioned performance criteria do not change from year to year.

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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. Guideline 5.3

The 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 needs of the Group.

Principle 6:
Access to Information

In order to fulfil their responsibilities, Directors should be provided with complete, adequate and timely information prior to board meetings and on an on-going basis so as to enable them to make informed decisions to discharge their duties and responsibilities.

Directors are furnished with timely and adequate information from the Management to enable them to discharge their duties effectively. Directors have unrestricted access to the Company's Management, records and information, and all Board and Board committees' minutes. Directors are also provided with agenda and meeting materials in advance of meetings, which include quarterly management accounts and summary data. The Management provides detailed explanation of the meeting materials to the Board, and in respect of budgets and financial results, any material variance between the projections and actual results are disclosed and explained. Guidelines 6.1 and 6.2

The Company Secretary or her representatives attend all Board meetings. Together with members of the Company's Management, the Company Secretary is responsible for ensuring that appropriate procedures are followed and that the requirements of the Companies Act, Chapter 50 of Singapore (the "**Act**"), and the provisions in the Listing Manual of the SGX-ST are complied with. Each Director has separate and independent access to the Company Secretary at all times, and also has the right to seek independent legal and other professional advice, at the Company's expense, concerning any aspect of the Group's operations or undertakings in order to fulfil his duties and responsibilities as Director. Guidelines 6.3 and 6.5

The appointment and replacement of the Company Secretary is a matter for the Board. Guideline 6.4

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Principle 7:
Procedures for Developing Remuneration Policies

There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual Directors. No Director should be involved in deciding his own remuneration.

The RC, which terms of reference are approved by the Board, currently comprises two Independent Directors, Ms Tan Min-Li and Mr Yang Chun Sheng and the Non-Executive Chairman, Mr Xie Ding Zhong. The Chairman of the RC is Ms Tan Min-Li. The RC's principal responsibilities include: Guidelines 7.1 and 7.2

– recommending to the Board a framework of remuneration for the directors and key management personnel;

– reviewing and determining specific remuneration packages for each Executive Director and key management personnel; and

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

The number of RC meetings held and the attendance thereat during the financial year is as follows:–

Name of Director	Appointment	Number of Meetings held	Attendance
Ms Tan Min-Li	Chairman	1	1
Mr Xie Ding Zhong	Member	1	1
Mr Yang Chun Sheng	Member	1	1

The RC's recommendation for directors' fees is endorsed by the entire Board, following which the recommendation is tabled for shareholders' approval at the Company's AGM. Each member of the RC or the Board abstains from voting on any resolution in respect of his or her remuneration package.

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 Company's staff remuneration guidelines and commensurate with their respective job scope and level of responsibilities.

No remuneration consultants were engaged by the Company during FY2017. 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 key management personnel are based on their respective existing service agreements. The RC has full authority to obtain any external professional advice on matters relating to remuneration as and when the need arises. Guideline 7.3

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The RC has also reviewed the Company's obligations arising from the termination clauses and termination processes in relation to Executive Directors and key management personnel's contracts of service to ensure such clauses and processes are fair and reasonable. Guideline 7.4

Principle 8:
Level and Mix of Remuneration

The level and structure of remuneration should be aligned with the long-term interest and risk policies of the company, and should be appropriate to attract, retain and motivate (a) the Directors to provide good stewardship of the company, and (b) key management personnel to successfully manage the company. However, companies should avoid paying more for this purpose. A proportion of remuneration, especially those of Executive Directors, should be linked to performance.

In reviewing and determining the remuneration packages of the Executive Directors and the Group's key management personnel, the RC considers their responsibilities, skills, expertise and contribution to the Group's performance when designing their respective remuneration packages. An appropriate proportion of their remuneration is linked to individual and corporate performance and is aligned with the interests of Shareholders to promote the long-term success of the Company. Guideline 8.1

The Company has in 2014 adopted an employee share option scheme and performance share plan whereby employees and Directors (including Non-Executive 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 is intended to align the interests of the employees with that of the Company's shareholders. Guideline 8.2

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

The Independent Directors do not have service agreements with the Company. They are paid fixed Directors' fees, which are determined by the Board, appropriate to the level of their contribution, taking into account factors such as the effort and time spent and the responsibilities of the Independent Directors and Non-Executive Directors. The fees of Independent Directors are subject to approval by the shareholders at each AGM, thereby ensuring that their independence is not compromised. Guideline 8.3

Each member of the RC abstains from deliberating on or making recommendations in respect of any proposed Directors' fees to be paid by the Company to him/her.

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. Guideline 8.4

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Principle 9:
Disclosure on Remuneration

Each company should provide clear disclosure of its remuneration policy, level and mix of remuneration and the procedure for setting remuneration in the company's annual report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to Directors and key management personnel, and performance.

A breakdown, showing the level and mix of each individual Director's remuneration in FY2017 is as follows:–

Guidelines 9.1 and 9.3

Name of Director	Fee#	Salary	Bonus	Benefits	Total
S$0 to S$250,000	**%**	**%**	**%**	**%**	**%**
Mr Xie Ding Zhong	100	–	–	–	100
Ms Xie Ming	–	100	–	–	100
Mr Zheng Zhi Zhong	–	100	–	–	100
Ms Dai Feng Yu	–	100	–	–	100
Mr Lee Gee Aik	100	–	–	–	100
Ms Tan Min-Li	100	–	–	–	100
Mr Andrew Bek	100	–	–	–	100
Mr Yang Chun Sheng	100	–	–	–	100

Note:

These fees were approved by the shareholders at the AGM held on 28 April 2017.

A breakdown, showing the level and mix of top key executives in FY2017 is as follows:–

Name of Executive#	Salary	Bonus	Benefits	Total
S$0 to S$250,000	**%**	**%**	**%**	**%**
Mr Qin Hong Jian*	100	–	–	100
Mr Li Chun Yang	100	–	–	100
Mr Li Bin^	100	–	–	100
Ms Li Juan@	100	–	–	100

Note:

During the financial year under review, there were only four key executives.

* Mr Qin Hong Jian resigned as Financial Controller of the Company on 30 March 2017.

^ Mr Li Bin resigned as Head of System Design Department of the Company on 28 June 2017.

@ Ms Li Juan was appointed as Financial Controller of the Company on 16 May 2017.

The aggregate total remuneration paid to or accrued to key executives (who are not Directors or CEO) amounted to S$75,090.

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The remuneration of each individual Director and key executive is not fully disclosed as the Company believes that disclosure 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. As a Company with a small and tightly-knit team, such disclosure may adversely affect the cohesion and spirit of team work prevailing amongst the employees of the Group. Guideline 9.2

Save that Mr Xie Ding Zhong, the Non-Executive Chairman, is the father of Ms Xie Ming, the Executive Director and CEO, 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. Guideline 9.4

In addition, there is no other employee who is an immediate family member of a Director or CEO, and whose remuneration exceeds S$50,000 during the financial year under review.

The Company has in 2014 adopted an employee share option scheme and performance share plan whereby employees and Directors (including Non-Executive 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 is intended to align the interests of the employees with that of the Company's shareholders. In FY2017, a total of 17,000 awards were granted to an eligible employee of the Company under the Anchun Performance Share Plan 2014. Guidelines 9.5 and 9.6

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 key management personnel, to allow for the alignment of their interests with that of Shareholders. The Executive Directors do not receive additional Directors' fees.

The performance criteria used to assess the remuneration of Executive Directors and key management personnel is based on the revenue and profitability of the Group, and their individual leadership. There are currently no long term incentives for the Executive Directors and key management personnel in their service agreements. The Executive Directors' and key management personnel's short term incentives (namely the performance related variable component) are recommended by the RC and approved by the Board.

Principle 10:
Accountability

The Board should present a balanced and understandable assessment of the company's performance, position and prospects.

The Board provides a balanced and fair assessment of the Group's financial position, performance and prospects of the Group in its annual financial statements and quarterly results announcements. Information is presented to Shareholders on a timely basis in an understandable manner. Guideline 10.1

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The Board reviews compliance issues, if any, with Management on a quarterly basis and as and when required, to ensure that a sound system of internal controls is maintained to safeguard the Shareholders' investment and the Group's assets. Guideline 10.2

The Management provides the Executive Directors with management accounts on a monthly basis and Independent Directors are updated on a quarterly basis. The Board is of the opinion that the Management provides relevant information on the quarterly financial statements and detailed analysis of the results in a timely manner to enable the Board to make a balanced and informed assessment of the Company's performance, position and prospects. Guideline 10.3

Principle 11:
Risk Management and Internal Controls

The Board is responsible for the governance of risk. The Board should ensure that Management maintains a sound system of risk management and internal controls to safeguard shareholders' interests and the Company's assets, and should determine the nature and extent of the significant risks which the Board is willing to take in achieving its strategic objectives.

The Company does not have a risk management committee. However, the Board and Management regularly reviews and improves the Group's business and operational activities to identify areas of significant risks, such as financial, operational, compliance and information technology risks as well as appropriate measures to control and mitigate such risks, based on the feedback of the Internal Auditors and External Auditors. The Management also reviews all significant control policies and procedures and highlights all significant matters to the Board and AC. Guidelines 11.1, 11.2 and 11.4

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 controls 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. To enhance the Group's system of internal controls, the Board has appointed an external professional firm in 2016, namely Pan-China Certified Public Accountants ("**Internal Auditors**"), to review and recommend mitigating measures to the Group's internal control system, and to expand and enhance on its policies and procedures manual. After considering the work and findings of the Internal Auditors in 2016, lower level of business activities and no changes to being made to the internal controls system in 2017, the Company decided to have Internal Auditors visit the Group on alternate years. No internal audit was carried out by the Internal Auditors in 2017 and one is in progress commencing March 2018. The Company will review this arrangement if there are significant findings by the Internal Auditors or there are changes in circumstances that requires annual internal audit to be carried out.

REPORT OF CORPORATE GOVERNANCE

Based on the internal controls established and maintained by the Group, which have not been altered since the work performed by the Internal Auditors in 2016, the work performed by External Auditors in 2017, the assurance from the Chief Executive Officer and the Finance Controller that the Company's risk management and internal control systems in place are effective, and the reviews by the Management, 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 were adequate and effective as at 31 December 2017. Guideline 11.3

The Board acknowledges that it is responsible for the overall internal control framework, but recognizes 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 external and internal audits when conducted and the recommendations thereof are reported to the AC as part of the review of the Group's internal control system. The Board has also received assurance from the Chief Executive Officer and the Finance Controller that the financial records have been properly maintained and the financial statements for FY2017 give a true and fair view of the Company's operations and finances.

Principle 12:
Audit Committee

The Board should establish an Audit Committee ("AC") with written terms of reference which clearly sets out its authority and duties.

The AC comprises three Independent Directors, namely Mr Lee Gee Aik, Ms Tan Min-Li and Mr Andrew Bek, and has written terms of reference clearly setting out its authority and duties. The Chairman of the AC is Mr Lee Gee Aik. 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. Guidelines 12.1 and 12.2

The number of AC meetings held and the attendance thereat during the financial year are as follows:

Name of Director	Appointment	Number of Meetings held	Attendance
Mr Lee Gee Aik	Chairman	4	4
Ms Tan Min-Li	Member	4	4
Mr Andrew Bek	Member	4	4

The AC has explicit authority to investigate any matter within its terms of reference and has full access to and co-operation of the Management and full discretion to invite any Director or key management personnel to attend its meetings. The AC has reasonable resources to enable it to discharge its duties properly. Guideline 12.3

REPORT OF CORPORATE GOVERNANCE

The AC will meet quarterly to review, *inter alia*, the following:– Guidelines 12.4 and 12.8

– 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 quarterly 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.

In the review of the Financial Statements for FY2017, 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.

REPORT OF CORPORATE GOVERNANCE

Provided below is a high level overview of the matters which were identified as the Key Audit Matters ("**KAM**") in the Independent Auditor's Report on the consolidated financial statements of the Group for FY2017. These KAM were discussed with the Management and External Auditors and in the review carried out by the AC:–

Key Audit Matters	How the AC reviewed and responded to the KAM
Impairment of trade receivables *Refer to page 44 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 at 31 December 2017. The AC also reviewed the reasonableness of the basis of impairment and factors that influence management judgement. Impairment of trade receivables was also an area of focus for the External Auditors. The External Auditors has included this item as a key audit matter in its audit report for FY 2017.
Carrying amount of inventories *Refer to page 44 in the Independent Auditor's Report of this Annual Report*	The AC discussed with the Management the approach taken to determine whether inventories including work-in-progress are carried at lower of cost or net realisable value as at 31 December 2017. The AC reviewed the reasonableness of the estimates used, project budgets and allocation of manufacturing overheads. The AC also discussed and reviewed with the External Auditors the adequacy of allowance taken for write down of the carrying amount of inventories to net realisable value as at 31 December 2017. Carrying amount of inventories was also an area of focus for the External Auditors. The External Auditors has included this item as a key audit matter in its audit report for FY 2017.
Revenue from chemical engineering and technology ("CET") engineering services *Refer to page 45 in the Independent Auditor's Report of this Annual Report*	The AC discussed with the Management the approach and methodology used to determine the cost estimates and project budgets used in their application of the percentage of completion method for CET revenue recognition for the preparation of FY 2017 financial reporting purpose. The AC also discussed and reviewed with the External Auditors on significant uncompleted projects at 31 December 2017. Revenue recognition for CET was also an area of focus for the External Auditors. The External Auditors has included this item as a key audit matter in its audit report for FY 2017.
Impairment assessment of property, plant and equipment ("PPE") *Refer to page 45 in the Independent Auditor's Report of this Annual Report*	The AC discussed with the Management the approach taken to determine the impairment of PPE. The AC reviewed the reasonableness of estimates and assumptions used to calculate the value-in-use of PPE as at 31 December 2017, taking into consideration the business plans and financial forecast of the Group. Impairment assessment of PPE was also an area of focus for the External Auditors. The External Auditors has included this item as a key audit matter in its audit report for FY 2017.

As a result of the above review and discussion, the AC recommended to the Board for approval, the FY2017 Financial Statements.

REPORT OF CORPORATE GOVERNANCE

Where the need arises, the AC will meet with the External and Internal Auditors, without the presence of the Management, at least once in every financial year to review any matters that may have arisen. The AC has met with the External Auditors once without the presence of Management in FY2017. Guideline 12.5

The aggregate amount of fees paid or payable to the External Auditors for the audit services for FY2017 amounted to S$189,000, with S$9,000 payable to Peking Certified Public Accountants (Special General Partnership), Hunan Branch, for PRC Statutory reporting purpose. Other non-audit services fees for the provision of tax consultancy services by other third party service providers for FY2017 amounted to S$32,000. Guideline 12.6

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 SGX-ST Listing Manual in relation to its External Auditors.

The AC, has put in place a whistle-blowing 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 CEO, in good faith and confidence. There are arrangements in place for the independent investigation of such matters for appropriate follow-up actions to be taken. No whistle-blowing reports were received in FY2017. Guideline 12.7

The procedures for whistle-blowing are disseminated to new employees as part of their orientation training, with the contact information of the AC Chairman and the CEO provided therein. Whistle-blowers are assured that all actions in good faith will not affect them in their work and staff appraisals.

None of the members of the AC were former partners or directors of the Company's External or Internal Auditors within the previous 12 months and none of the AC members hold any financial interest in the above-mentioned auditing firms. Guideline 12.9

Principle 13:
Internal Audit

The company should establish an effective internal audit function that is adequately resourced and independent of the activities it audits.

The AC, in consultation with the Management, approves the hiring, removal, evaluation and the fees of the Internal Auditors. The Internal Auditors have unfettered access to all the Group's documents, records, personnel and the AC. Guideline 13.1

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

The 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. Guidelines 13.2 and 13.3

REPORT OF CORPORATE GOVERNANCE

Pan-China Certified Public Accountants LLP is a member of the Institute of Internal Auditors. 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. Guideline 13.4

The Internal Auditors generally plan their internal work schedules in consultation with, but independent of the Management. The audit plan is submitted to the AC for approval prior to the commencement of the internal audit work. Guideline 13.5

Principle 14:
Shareholder Rights

Companies should treat all shareholders fairly and equitably, and should recognise, protect and facilitate the exercise of shareholders' rights, and continually review and update such governance arrangements.

In line with the Group's disclosure obligations pursuant to the Listing Manual and 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. Guideline 14.1

All Shareholders are entitled to attend general meetings of the Company and are afforded the opportunity to raise questions to the Board, participate effectively and to vote at such meetings. Shareholders are also informed of the voting procedures prior to the commencement of voting by poll. Guideline 14.2

The Company's Constitution allows an individual Shareholder to appoint not more than two proxies to attend and vote on his or her behalf at general meetings. In line with the amendments to the Act, corporate Shareholders of the Company which provide nominee or custodial services to third parties, are entitled to appoint more than two proxies to attend and vote on their behalf at general meetings. A proxy need not be a member of the Company. Guidelines 14.3 and 16.1

Principle 15:
Communication with Shareholders

Companies should actively engage their shareholders and put in place an investor relations policy to promote regular, effective and fair communication with shareholders.

The Company is committed to maintaining and improving its level of corporate transparency of financial results and other pertinent information. Other than the routine announcements made in accordance with the requirements of the Listing Manual, the Company has issued additional announcements and press releases to update shareholders on the activities of the Company and the Group to keep the shareholders, investors and market apprised of corporate developments and financial performance of the Group. Guidelines 15.1 and 15.2

REPORT OF CORPORATE GOVERNANCE

Shareholders of the Company receive the annual reports and notices of AGMs which are also advertised in the newspapers within the prescribed deadlines prior to the AGMs. The Board encourages Shareholders' participation at the AGMs and periodically communicates with Shareholders through SGXNET throughout the financial year. Similarly, Shareholders receive circulars and notices of Extraordinary General Meetings ("**EGMs**") which are advertised in the newspapers within the prescribed deadlines prior to the EGMs.

The Company does not practise selective disclosure. Price-sensitive information is first publicly released via SGXNET before the Company meets with any group of investors or analysts.

At general meetings, shareholders are given the opportunity to air their views and ask Directors or Management questions regarding the Company and the Group. Both Executive Directors and Independent Directors meet or speak with Shareholders regularly, primarily through general meetings of Shareholders, to gather their views and address concerns. Guidelines 15.3 and 15.4

The Board has not recommended any dividend for FY2017 to ensure that the Company has adequate resources to deal with adverse changes in macroeconomics environment. Guideline 15.5

Principle 16:
Conduct of Shareholder Meetings

Companies should encourage greater shareholder participation at general meetings of shareholders, and allow shareholders the opportunity to communicate their views on various matters affecting the company.

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 recognize remote voting. Guideline 16.1

Separate resolutions on each distinct issue are tabled at general meetings. All resolutions at general meetings of the Company are put to vote by poll in line with Listing Rule 730A. The results of the poll voting on each resolution tabled at general meetings are announced after the meetings at SGXNET. The Company has adopted manual polling as a cost-effective method of conducting the polls. Guidelines 16.2 and 16.5

The Board and the Management (including the chairpersons of the AC, RC and NC) are present at the general meetings to address any questions that shareholders may have. The External Auditors are also present at AGMs to address queries by Shareholders regarding the conduct of their audits and the contents of the auditors' report. Guideline 16.3

Minutes of general meetings, which include substantial comments or queries from shareholders and responses from the Board are available to shareholders upon written request. Guideline 16.4

REPORT OF CORPORATE GOVERNANCE

Dealing in Securities

In compliance with Rule 1207(19) of the SGX-ST Listing Manual, 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 two weeks before the announcement of the Company's financial statements for each of the first three quarters of its financial year and one month before the announcement of the Company's financial statements for the full financial year, and ending on the date of announcement of the relevant results.

The Company and its officers are required to report to the Company Secretary whenever they deal in the Company's shares. The Company Secretary assists the Board in monitoring such share transactions and making the necessary announcements.

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 FY2017 as required to be disclosed pursuant to Rule 1207(17) of the SGX-ST Listing Manual are set out below:

Name of interested person	Aggregate value of all interested person transactions during FY2017 (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

Material Contracts and Loans

Pursuant to Rule 1207(8) of the SGX-ST Listing Manual, the Company confirms that except as disclosed in the Directors' Statement and Financial Statements, there were no other material contracts and loans 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.

REPORT OF CORPORATE GOVERNANCE

Update on Use of IPO Proceeds

As at 31 December 2017, 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	95,936	18,465	77,471
(B)	Enhance our R&D capabilities and widen our range of innovative and cost-effective solutions	15,479	3,682	11,797
(C)	Working capital purposes	22,074	22,074	0
Total		**133,489**	**44,221**	**89,268**

Notes:

The breakdown of working capital utilization is as follows:–

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

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 2017.

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 2017 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:

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

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' 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, Chapter 50, 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	–	–	4,082,200	4,082,200
Xie Ming	–	–	10,800,000	10,800,000
Andrew Bek	–	–	1,600,000	1,600,000

DIRECTORS' STATEMENT

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.

Dawn Vitality International Limited holds 4,252,200 shares, of which 170,000 shares are held on trust for certain employees under Anchun Performance Share Plan 2014. Dai Feng Yu owns 25.24% of Dawn Vitality International Limited with the remaining 74.76% held on trust by her for 142 beneficiaries under a Trust Agreement.

By virtue of Section 7 of the Companies Act, Andrew Bek is deemed to have an interest in 1,600,000 shares of the Company through Able Gallery Ltd, which in turn holds its shares through a nominee account.

There was no change in any of the above-mentioned interests in the Company between the end of the financial year and 21 January 2018.

Except as disclosed in this report, 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 date of appointment if later, or at the end of the financial year.

SHARE OPTION PLANS

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.

On 30 December 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 1,700,000 shares were consolidated to 170,000 shares following a 10 to 1 ordinary share consolidation exercise effective from 26 May 2016.

During the financial year, employees of the Group became beneficially interested in an aggregate of 144,000 shares after fulfilling the three years' service condition of the awards granted to them in FY2014.

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

No options were issued by the Company or its subsidiary during the financial year under review. As at 31 December 2017, there were no options on the unissued shares of the Company or its subsidiary which were outstanding.

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

DIRECTORS' STATEMENT

AUDIT COMMITTEE

The Audit Committee (AC) carried out its functions in accordance with section 201B (5) of the Singapore Companies Act, Chapter 50. Further details regarding the audit committee are disclosed in the Report on Corporate Governance.

AUDITORS

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

On behalf of the board of directors:

Xie Ming
Director

Dai Feng Yu
Director

29 March 2018

INDEPENDENT AUDITOR'S REPORT

For the financial year ended 31 December 2017

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 2017, the 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 a summary of significant accounting policies.

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, Chapter 50 (the Act) and Financial Reporting Standards in Singapore (FRSs) 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 2017 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

For the financial year ended 31 December 2017

Independent Auditor's Report to the Members of Anchun International Holdings Ltd.

Key Audit Matters (cont'd)

Impairment of trade receivables

The Group's gross trade receivable balances were significant as they represent 28% of the total current assets in the consolidated balance sheet and the total trade receivables and related allowance for impairment of trade receivables amounted to RMB77.7 million and RMB36.9 million respectively. As the Group's customers are primarily in People's Republic of China, the slowdown of the China economy may result in more payment delays and potentially higher default by customers. In addition, trade receivables impairment assessment requires significant management judgement in assessing the trade debtors' ability to pay. As such, we determined that this is a key audit matter.

We evaluated the Group's processes and controls relating to the monitoring of trade receivables and review of credit risks of customers. In addition, our audit procedures included, amongst others, on a sample basis, requesting trade receivable confirmations and checking to receipts from customers subsequent to the year end. We also evaluated management's assumptions and estimates used to determine the trade receivables impairment amount through analyses of ageing of receivables, assessment of material overdue individual trade receivables, review of customers' payment history and correspondences between the Group and the customers. The Group's disclosures on the trade receivables and the related risks such as credit risk and liquidity risk are in Note 21 and 30 to the consolidated financial statements.

Carrying amount of inventories

The Group's total inventories and the related allowance for write down to net realisable value amounted to RMB69.5 million and RMB9.7 million respectively. The inventories comprise of raw materials, work-in-progress and finished goods and 83% of inventories were work-in progress and finished goods. We focused on this area as the carrying amounts of work-in progress and finished goods net of the related allowance for write down to net realisable value are material to the financial statements, with their determination involving a high level of management judgement and the use of estimates. As such, we determined that this is a key audit matter.

Our audit procedures include understanding and evaluating the design and operating effectiveness of the Group's internal controls with respect to the inventory costing process. We assessed management's budgeting and monitoring process by comparing actual costs incurred for major projects completed during the year to its budgeted costs on a sample basis. We tested the costing of inventories by checking the costs incurred to purchase invoices and testing the reasonableness of the manufacturing overhead costs capitalized in work-in progress and finished goods. We tested the inventory ageing and evaluated the appropriateness of management's basis and process of assessment of allowance for write down of inventories to their estimated net realisable value on selected samples. We attended and observed management's inventory count process, including observing the identification of obsolete or slow-moving inventories. We also assessed the adequacy of the disclosures related to inventories in Note 20 to the financial statements.

INDEPENDENT AUDITOR'S REPORT

For the financial year ended 31 December 2017

Independent Auditor's Report to the Members of Anchun International Holdings Ltd.

Key Audit Matters (cont'd)

Revenue from chemical engineering and technology ("CET") engineering services

The Group recognises revenue from providing CET design services using the percentage of completion ("POC") method. The stage of completion is determined by reference to the actual costs incurred to date as a percentage of the total estimated costs for each contract. Where the contract outcome cannot be measured reliably, revenue is recognised to the extent of the expenses incurred that are recoverable. The determination of total budgeted contract costs, progress towards completion, and remaining costs to completion, require significant management judgements and estimates, which may have an impact on the amounts of revenue, cost 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 results estimation process, and accounting for these contracts. We reviewed the robustness of management's budgeting process by comparing the budgeted costs to actual costs incurred for major projects completed during the year. For projects not completed as at 31 December 2017, we reviewed the actual costs incurred against the budgeted costs for selected projects and checked the arithmetic accuracy of management's computation of POC. For significant on-going projects, we inquired with management regarding the project status, budgeted costs to complete, probability of foreseeable losses, and reviewed the estimates of costs to complete and reasonableness of any provision for foreseeable losses provided by management. We also assessed the adequacy of the disclosures in respect of revenue in Note 4 to the financial statements.

Impairment assessment of property, plant and equipment

The carrying amount of the Group's property, plant and equipment amounted to RMB87.7 million. The Group assesses at each reporting date whether there are indicators of impairment, such as assessing the utilisation of manufacturing capacity, and the general economic environment. If there are such indicators, an estimate of the recoverable amount is made. Management has assessed the recoverable amount of the property, plant and equipment based on its value-in-use by performing cash flow projection for those property, plant and equipment. Based on the outcome of this impairment test, the Group did not recognise any impairment charge. This assessment required management to use significant judgement over the assumptions and estimations used in performing the forecast. The key assumptions and estimates used are the annual growth rate of the business, forecasted gross margins, estimated operating expenses, and discount rate used to discount the future cash flow to its present value. As such, we determined that this is a key audit matter.

Our audit procedures included, amongst others, reviewing management's assessment of impairment indicators of property, plant and equipment, taking into consideration the past financial performance. We checked whether the cash flows were based on approved management budgets that reflected business plans, and tested the robustness of management's budgeting process by comparing previous forecasts to actual results. We reviewed the key assumptions and estimates used by management in the value-in-use calculations, and assessed the reasonableness of growth rate used, based on historical results, current developments and future plans of the business. We also compared the forecast to industry growth rates, as well as market and economic outlook. We evaluated the discount rate applied to determine present values, by comparing to market comparable rates and available information. We also performed sensitivity analysis on certain key assumptions. We also assessed the adequacy of disclosures related to property, plant and equipment in Note 14 to the financial statements.

INDEPENDENT AUDITOR'S REPORT

For the financial year ended 31 December 2017

Independent Auditor's Report to the Members of Anchun International Holdings Ltd.

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 SFRSs, 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.

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.

INDEPENDENT AUDITOR'S REPORT

For the financial year ended 31 December 2017

Independent Auditor's Report to the Members of Anchun International Holdings Ltd.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D)

- 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

For the financial year ended 31 December 2017

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 Tan Soon Seng.

Ernst & Young LLP
Public Accountants and
Chartered Accountants
Singapore

29 March 2018

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2017

(Amounts expressed in Renminbi)

		Group	
	Note	**2017**	**2016**
		RMB'000	RMB'000
Revenue	4	62,782	78,520
Cost of sales		(50,034)	(50,883)
Gross profit		12,748	27,637
Other item of income			
Finance and other income	5	6,124	6,081
Other items of expense			
Marketing and distribution expenses		(4,714)	(5,571)
Administrative expenses		(25,743)	(37,168)
Research expenses		(4,449)	(4,328)
Other expenses	6	(16,713)	(4,763)
Finance costs	7	(458)	(556)
Loss before tax	8	(33,205)	(18,668)
Income tax expense	9	–	(99)
Loss for the year, representing total comprehensive income for the year attributable to owners of the Company		(33,205)	(18,767)
Loss per share (RMB cents):			
Basic	10	(65.99)	(37.29)
Diluted	10	(65.99)	(37.29)

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

BALANCE SHEETS

As at 31 December 2017

(Amounts expressed in Renminbi)

	Note	Group 2017 RMB'000	Group 2016 RMB'000	Company 2017 RMB'000	Company 2016 RMB'000
ASSETS					
Non-current assets					
Property, plant and equipment	14	87,695	100,222	–	–
Intangible assets	15	264	598	–	–
Land use rights	16	13,709	14,075	–	–
Investment in a subsidiary	13	–	–	75,461	75,353
Investment property	18	436	612	–	–
Prepayments	19	35	–	–	–
		102,139	115,507	75,461	75,353
Current assets					
Inventories	20	59,825	50,566	–	–
Trade and other receivables	21	76,070	84,138	35,800	35,788
Prepayments	19	6,583	8,481	95	82
Cash and cash equivalents	22	136,689	148,697	22,161	24,576
		279,167	291,882	58,056	60,446
Total assets		381,306	407,389	133,517	135,799
EQUITY AND LIABILITIES					
Current liabilities					
Trade and other payables	23	37,568	42,719	11,439	11,252
Advances from customers		47,045	34,564	–	–
Other liabilities	24	14,362	14,415	996	1,035
Income tax payable		6,560	6,560	–	–
		105,535	98,258	12,435	12,287
Net current assets		173,632	193,624	45,621	48,159
Non-current liability					
Deferred tax liabilities	17	100	100	–	–
Total liabilities		105,635	98,358	12,435	12,287
Net assets		275,671	309,031	121,082	123,512
Equity attributable to owners of the Company					
Share capital	25	149,278	149,278	149,278	149,278
Treasury/employee benefit trust shares	25	(288)	(430)	(288)	(430)
Other reserves	26	121,001	120,388	64	349
Accumulated profits/(losses)		5,680	39,795	(27,972)	(25,685)
Total equity		275,671	309,031	121,082	123,512
Total equity and liabilities		381,306	407,389	133,517	135,799

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 2017

(Amounts expressed in Renminbi)

	Attributable to owners of the Company				
	Total equity RMB'000	**Share capital (Note 25)** RMB'000	**Treasury/ employee benefit trust shares** RMB'000	**Other reserves (Note 26)** RMB'000	**Accumulated profits** RMB'000
2017					
Group					
Opening balance at 1 January 2017	309,031	149,278	(430)	120,388	39,795
Loss for the year, representing total comprehensive income for the year	(33,205)	–	–	–	(33,205)
Contributions by and distributions to owners					
Grant of equity-settled performance shares	100	–	–	100	–
EBT shares reissued pursuant to vesting of performance share plan	(21)	–	364	(385)	–
Purchase of treasury shares	(222)	–	(222)	–	–
	(143)	–	142	(285)	–
Others					
Transfer to statutory reserve fund – safety production expenditure	–	–	–	536	(536)
Transfer to statutory reserve fund	–	–	–	362	(362)
Transfer to staff welfare payable	(12)	–	–	–	(12)
	(12)	–	–	898	(910)
Closing balance at 31 December 2017	275,671	149,278	(288)	121,001	5,680
2016					
Group					
Opening balance at 1 January 2016	327,617	149,278	(430)	119,399	59,370
Loss for the year, representing total comprehensive income for the year	(18,767)	–	–	–	(18,767)
Contributions by and distributions to owners					
Grant of equity-settled performance shares	181	–	–	181	–
Others					
Transfer to statutory reserve fund – safety production expenditure	–	–	–	808	(808)
Closing balance at 31 December 2016	309,031	149,278	(430)	120,388	39,795

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 2017

(Amounts expressed in Renminbi)

	Total equity RMB'000	Attributable to owners of the Company: Share capital (Note 25) RMB'000	Treasury/ employee benefit trust shares RMB'000	Other reserves (Note 26) RMB'000	Accumulated losses RMB'000
2017					
Company					
Opening balance at 1 January 2017	123,512	149,278	(430)	349	(25,685)
Loss for the year, representing total comprehensive income for the year	(2,287)	–	–	–	(2,287)
Contributions by and distributions to owners					
Grant of equity-settled performance shares	100	–	–	100	–
EBT shares reissued pursuant to vesting of performance share plan	(21)	–	364	(385)	–
Purchase of treasury share	(222)	–	(222)	–	–
	(143)	–	142	(285)	–
Closing balance at 31 December 2017	121,082	149,278	(288)	64	(27,972)
2016					
Company					
Opening balance at 1 January 2016	126,081	149,278	(430)	168	(22,935)
Loss for the year, representing total comprehensive income for the year	(2,750)	–	–	–	(2,750)
Contributions by and distributions to owners					
Grant of equity-settled performance shares	181	–	–	181	–
Closing balance at 31 December 2016	123,512	149,278	(430)	349	(25,685)

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

CONSOLIDATED CASH FLOW STATEMENT

For the financial year ended 31 December 2017

(Amounts expressed in Renminbi)

	Group	
	2017	**2016**
	RMB'000	RMB'000
Operating activities		
Loss before tax	(33,205)	(18,668)
Adjustments for:		
Depreciation of property, plant and equipment	13,208	14,467
Depreciation of investment property	176	176
Amortisation of intangible assets	334	333
Amortisation of land use rights	366	365
Allowance for impairment of trade receivables, net	16,660	4,257
Write down of inventory to net realisable value	4,253	1,698
Write-back of inventory to net realisable value	(98)	(2,007)
Loss on disposal of property, plant and equipment, net	6	84
Write-off of property, plant and equipment	71	–
Finance costs	458	556
Finance income	(3,733)	(2,865)
Performance share expense	100	181
Unrealised exchange gain	(58)	(262)
Operating cash flows before changes in working capital	(1,462)	(1,685)
Changes in working capital		
Decrease/(increase) in:		
Inventories	(13,414)	15,131
Trade and other receivables	(8,592)	5,964
Prepayments	1,898	(451)
Increase/(decrease) in:		
Trade and other payables	(4,855)	(10,400)
Advances from customers	12,481	(8,083)
Other liabilities	(516)	(1,619)
Total changes in working capital	(12,998)	542
Cash flows used in operations	(14,460)	(1,143)
Interest received	3,733	2,865
Interest paid	(8)	(1,360)
Income taxes paid	–	(485)
Net cash flows used in operating activities	(10,735)	(123)

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

CONSOLIDATED CASH FLOW STATEMENT

For the financial year ended 31 December 2017

(Amounts expressed in Renminbi)

	Note	Group 2017 RMB'000	Group 2016 RMB'000
Investing activities			
Purchase of property, plant and equipment	A	(1,098)	(1,714)
Purchase of intangible assets – software		–	(638)
Proceeds from disposal of property, plant and equipment		10	45
Net cash flows used in investing activities		(1,088)	(2,307)
Financing activities			
Purchase of treasury shares		(222)	–
Repayment of loans from former shareholders of a subsidiary		–	(4,498)
Net cash flows used in financing activities		(222)	(4,498)
Net decrease in cash and cash equivalents		(12,045)	(6,928)
Cash and cash equivalents at 1 January		148,697	155,363
Effect of exchange rate changes on cash and cash equivalents		37	262
Cash and cash equivalents at 31 December	22	136,689	148,697

A. Purchase of property, plant and equipment

	Group 2017 RMB'000	Group 2016 RMB'000
Current year additions to property, plant and equipment (Note 14)	768	114
Less: Payable to creditors	(64)	(9)
Prepayments made in prior year	–	(8)
	704	97
Add: Payments for prior year purchase	359	1,617
Prepayments made in current year	35	–
Net cash outflow for purchase of property, plant and equipment	1,098	1,714

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 2017

1. CORPORATE INFORMATION

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

The registered office of the Company is located at 81 Anson Road, Suite 8.20, Singapore 079908. 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, 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 (FRS).

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.

Convergence with International Financial Reporting Standards

For annual financial period beginning on or after 1 January 2018, Singapore-incorporated companies listed on the Singapore Exchange will apply Singapore Financial Reporting Framework (International), a new financial reporting framework identical to International Financial Reporting Standards. The Group will adopt SFRS(I) on 1 January 2018.

The Group has performed an assessment of the impact of adopting SFRS(I). Other than the adoption of the new standards that are effective on 1 January 2018, the Group expects that the adoption of the new framework will have no material impact on the financial statements in the year of initial application. The Group expects that the impact of adopting the new standards that are effective on 1 January 2018 will be similar to that as disclosed in Note 2.3.

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 financial periods beginning on or after 1 January 2017. The adoption of these standards 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 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.3 Standards issued but not yet effective

The Group has not adopted the following FRSs that have been issued but not yet effective:

Description	**Effective for annual periods beginning on or after**
Amendments to FRS 102 *Classification and Measurement of Share-based Payment Transactions*	1 January 2018
Amendments to FRS 40 *Transfers of Investment Property*	1 January 2018
FRS 109 *Financial Instruments*	1 January 2018
FRS 115 *Revenue from Contracts with Customers*	1 January 2018
FRS 116 *Leases*	1 January 2019
Amendments to FRS 28 *Investments in Associates and Joint Ventures*	1 January 2018
INT FRS 122 *Foreign Currency Transactions and Advance Consideration*	1 January 2018
INT FRS 123 *Uncertainty over Income Tax Treatments*	1 January 2019
Amendments to FRS 109 *Prepayment Features with Negative Compensation*	1 January 2019
Amendments to FRS 28 *Long-term Interests in Associates and Joint Ventures*	1 January 2019
Improvements to FRSs (March 2018)	
– Amendments to FRS 103 *Business Combinations*	1 January 2019
– Amendments to FRS 111 *Joint Arrangements*	1 January 2019
– Amendments to FRS 12 *Income Taxes*	1 January 2019
– Amendments to FRS 23 *Borrowing Costs*	1 January 2019
Amendments to FRS 110 and FRS 28 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	Date to be determined

Except for FRS 109, FRS 115 and FRS 116, the directors expect that the adoption of the other standards above will have no material impact on the financial statements in the year of initial application. The nature of the impending changes in accounting policy on adoption of FRS 109, FRS 115 and FRS 116 are described below.

<u>FRS 109 *Financial Instruments*</u>

FRS 109 introduces new requirements for classification and measurement of financial assets, impairment of financial assets and hedge accounting, and is effective for annual periods beginning on or after 1 January 2018. Financial assets are classified according to their contractual cash flow characteristics and the business model under which they are held. The impairment requirements in FRS 109 are based on an expected credit loss model and replace the FRS 39 incurred loss model.

The Group plans to adopt the new standard on the required effective date without restating prior periods' information and recognises any difference between the previous carrying amount and the carrying amount at the beginning of the annual reporting period at the date of initial application in the opening retained earnings.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.3 Standards issued but not yet effective (cont'd)

FRS 109 *Financial Instruments (cont'd)*

FRS 109 requires the Group and the Company to record expected credit losses on all of its debt securities, loans and trade receivables, either on a 12-month or lifetime basis. The Group expects to apply the simplified approach and record lifetime expected losses on all trade receivables. Upon application of the expected credit loss model, the Group does not expect any material adjustment to impairment allowance upon initial recognition.

FRS 115 *Revenue from Contracts with Customers*

FRS 115 establishes a five-step model to account for revenue arising from contracts with customers, and introduces new contract cost guidance. Under FRS 115, revenue is recognised at an amount that reflects the consideration which an entity expects to be entitled in exchange for transferring goods or services to a customer. The new revenue standard is effective for annual periods beginning on or after 1 January 2018.

The Group has performed a preliminary impact assessment of adopting FRS 115 based on currently available information. This assessment may be subject to changes arising from ongoing analysis until the Group adopts FRS 115 in 2018.

The Group is in the business of providing integrated chemical systems engineering and technology solutions to the petrochemical and chemical industries. The Group expects the following impact upon adoption of FRS 115:

(a) Sale of chemical catalyst

The Group does not normally enter into contracts with customers to provide a right of return, trade discounts or volume rebates. The Group assessed that the application of FRS 115 does not have material impact on the current revenue recognition.

(b) Sale of chemical equipment

The Group currently recognises revenue from the sale of chemical equipment using the completed contract method. Under FRS 115, performance obligations for the sale of chemical equipment are satisfied over time where the performance does not create an asset with an alternative use, and the Group has an enforceable right to payment for performance completed to date. Accordingly, the revenue currently recognised using the completed contract method may be adjusted upon adoption of FRS 115 to recognise the revenue over time.

(c) Rendering of services

The Group provides chemical systems engineering and technology design services for which it recognises revenue by reference to the stage of completion. The services are satisfied over time given that there is no alternative use for the design services and the Group has an enforceable right to payment for services completed as at the end of the reporting period. Accordingly the Group assessed that the application of FRS 115 does not have material impact on the current revenue recognition.

The Group plans to apply the changes in accounting policies retrospectively to each reporting year presented, using the full retrospective approach.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.3 Standards issued but not yet effective (cont'd)

FRS 116 *Leases*

FRS 116 requires lessees to recognise most leases on balance sheets to reflect the rights to use the leased assets and the associated obligations for lease payments as well as the corresponding interest expense and depreciation charges. The standard includes two recognition exemption for lessees – leases of 'low value' assets and short term leases. The new standard is effective for annual periods beginning on or after 1 January 2019.

The Group is currently assessing the impact of the adoption of FRS 116 and expects that the adoption of FRS 116 will result in increase in total assets and total liabilities, EBITDA and gearing ratio.

The Group plans to adopt the new standard on the required effective date by applying FRS 116 retrospectively with the cumulative effect of initial application as an adjustment to the opening balance of retained earnings as at 1 January 2019.

The Group plans to adopt the new standard on the required effective date.

2.4 Basis of consolidation and business combinations

(a) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiary as at the end of the reporting period. The financial statements of the subsidiary used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

The subsidiary is consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group losses control over a subsidiary, it:

– de-recognises the assets (including goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost;

– de-recognises the carrying amount of any non-controlling interest;

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.4 Basis of consolidation and business combinations (cont'd)

(a) *Basis of consolidation (cont'd)*

- de-recognises the cumulative translation differences recorded in equity;
- recognises the fair value of the consideration received;
- recognises the fair value of any investment retained;
- recognises any surplus or deficit in profit or loss;
- re-classifies the Group's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

(b) *Business combination*

Business combinations are accounted for by applying the acquisition method. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in profit or loss.

The Group elects for each individual business combination, whether non-controlling interest in the acquiree (if any), that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation, is recognised on the acquisition date at fair value, or at the non-controlling interest's proportionate share of the acquiree identifiable net assets. Other components of non-controlling interests are measured by their acquisition date fair value, unless another measurement basis is required by another FRS.

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill. In instances where the latter amount exceeds the former, the excess is recognised as gain on bargain purchase in profit or loss on the acquisition date.

Goodwill is initially measured at cost. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to the Group's cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.4 Basis of consolidation and business combinations (cont'd)

(b) Business combination (cont'd)

The cash-generating units to which goodwill have been allocated is tested for impairment annually and whenever there is an indication that the cash-generating unit may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit (or group of cash-generating units) to which the goodwill relates.

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.

When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.6 Property, plant and equipment (cont'd)

Assets under construction included in property, plant and equipment are not depreciated as these assets are not yet available for use.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable.

The residual value, useful life and depreciation method are reviewed at each financial year-end, and adjusted prospectively, if appropriate.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset is included in profit or loss in the year the asset is derecognised.

2.7 Intangible assets

Intangible assets acquired separately are measured initially at cost. Following initial acquisition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets are not capitalised and expenditure is reflected in profit or loss in the year in which the expenditure is incurred.

Intangible assets with finite useful lives are amortised over their estimated useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

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 Land use rights

Land use rights are initially measured at cost. Following initial recognition, land use rights are measured at cost less accumulated amortisation. The land use rights are amortised on a straight-line basis over the lease term of 50 years.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.9 Investment properties

Investment properties are properties that are either owned by the Group or leased under a finance lease 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. Properties held under operating leases are classified as investment properties when the definition of an investment property is met.

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 over the estimated useful lives of 20 years.

The carrying values of investment properties are reviewed for impairment when event or charges in circumstances indicate that the carrying value may not be recoverable.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in profit or loss in the year of retirement or disposal.

2.10 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.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Impairment losses are recognised in profit or loss.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit and loss.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.11 Subsidiaries

A subsidiary is an investee that is controlled by the Group. The Group controls an investee when it 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.

In the Company's separate financial statements, investment in subsidiary is accounted for at cost less impairment losses.

2.12 Financial instruments

(a) Financial assets

Initial recognition and measurement

Financial assets 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 assets at initial recognition.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

Subsequent measurement

Loans and receivables

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

De-recognition

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On de-recognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.12 Financial instruments (cont'd)

(b) *Financial liabilities*

Initial recognition and measurement

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, directly attributable transaction costs.

Subsequent measurement

After initial recognition, financial liabilities that are not carried at fair value through profit or loss are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

De-recognition

A financial liability is de-recognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

2.13 Impairment of financial assets

The Group assesses at each reporting date whether there is any objective evidence that a financial asset is impaired.

(a) *Financial assets carried at amortised cost*

For financial assets carried at amortised cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be recognised are not included in a collective assessment of impairment.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.13 Impairment of financial assets (cont'd)

(a) Financial assets carried at amortised cost (cont'd)

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The impairment loss is recognised in profit or loss.

When the asset becomes uncollectible, the carrying amount of impaired financial asset is reduced directly or if an amount was charged to the allowance account, the amounts charged to the allowance account are written off against the carrying value of the financial asset.

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

(b) Financial assets carried at cost

If there is objective evidence (such as significant adverse changes in the business environment where the issuer operates, probability of insolvency or significant financial difficulties of the issuer) that an impairment loss on financial assets carried at cost had been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

2.14 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.15 Contracts

The Group principally operates fixed price contracts. Contract revenue and contract costs are recognised as revenue and expenses respectively by reference to the stage of completion of the contract activity at the end of the reporting period, when the outcome of a contract can be estimated reliably.

When the outcome of a contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that are likely to be recoverable and contract costs are recognised as an expense in the period in which they are incurred.

An expected loss on the contract is recognised as an expense immediately when it is probable that total contract costs will exceed total contract revenue.

The stage of completion is determined by reference to the proportion of contract costs incurred for work performed to date to the estimated costs to complete.

2.16 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 for the carrying amount of inventories to the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

2.17 Provisions

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.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.18 Borrowing costs

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

2.19 Government grants

Government grants are recognised when there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. Where the government grants relate to income, it is recognised in profit or loss 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".

2.20 Research costs

Research costs are expensed as incurred.

2.21 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.

<u>PRC</u>

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.

<u>Singapore</u>

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.21 Employee benefits (cont'd)

(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.

2.22 Leases

(a) *As lessee*

Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

(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. The accounting policy for rental income is set out in Note 2.23(f).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.23 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is made. Revenue is measured at the fair value of consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty.

(a) Sale of goods

Revenue from sale of goods is recognised upon the transfer of significant risk and rewards of ownership of the goods to the customers, usually on delivery of goods. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

(b) Rendering of services

Revenue from providing chemical engineering and technology ("CET") engineering design services is recognised by reference to the stage of completion at the end of the reporting period. Stage of completion is determined by reference to costs incurred to date as a percentage of total estimated costs for each contract. Where the contract outcome cannot be measured reliably, revenue is recognised to the extent of the expenses recognised that are recoverable.

(c) Sale of scrap materials and parts

Sale of scrap items is recognised upon the transfer of significant risk and rewards of the scrap items to contracted party responsible for scraping, upon delivery of goods.

(d) Interest income

Interest income is recognised using the effective interest method.

(e) Dividend income

Dividend income is recognised when the Group's right to receive payment is established.

(f) 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.24 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 at 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 are recognised for all temporary differences, except:

– Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; 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.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and unused tax losses, 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 except:

– Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.24 Taxes (cont'd)

(b) Deferred tax (cont'd)

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 at the end of each reporting period.

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.

2.25 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.26 Contingencies

A contingent liability is:

(a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or

(b) a present obligation that arises from past events but not recognised because:

(i) It is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or

(ii) The amount of the obligation cannot be measure with sufficient reliability.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group.

Contingent liabilities and assets are not recognised on the balance sheet of the Group.

2.27 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.

2.28 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONT'D)

3.1 Judgements made in applying accounting policies

In the process of applying the Group's accounting policies, management has made the following judgements, which has the most significant effect on the amounts recognised in the consolidated financial statements:

Impairment of investment in a subsidiary

Assessment for impairment of the investment in a subsidiary requires significant judgement. The Group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; and the financial health of and near-term business outlook for the investment; including factors such as industry and sector performance, and operational and financing cash flow. For the financial year ended 31 December 2017, there was no impairment loss recorded (2016: nil).

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) Impairment of loans and receivables

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

When there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on management's knowledge and assessment of specific customer situation and historical loss experience for assets with similar credit risk characteristics. The carrying amount of the Group's loans and receivables at the end of the reporting period is disclosed in Note 21 to the financial statements.

(b) Inventory related allowance

Management performs a review for excess inventories, obsolescence and decline in net realisable value below cost and records an allowance against the inventory balance for any such impairment. This review requires management to estimate future demand for the Group's products. Possible change in these estimates could result in revisions to the valuation of inventories. The carrying amount of the Group's inventories at the end of the reporting period is disclosed in Note 20 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (CONT'D)

3.2 Key sources of estimation uncertainty (cont'd)

(c) Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. The determination of the recoverable amount requires an estimation of the value-in-use of the asset or the cash-generating unit ("CGU").

This requires the Group to estimate the future cash flows expected from the asset or the CGU and an appropriate discount rate in order to calculate the present value of the future cash flows. The carrying amount of the Group's property, plant and equipment at the end of the reporting period is disclosed in Note 14.

(d) Contracts and revenue recognition

The Group recognises contract revenue by reference to the stage of completion of the contract activity at the end of each reporting period, when the outcome of a contract can be estimated reliably. The stage of completion is measured by reference to the proportion of contract costs incurred for work performed to date to the estimated costs to complete. 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 2017, the Group recorded revenue of RMB5,361,000 (2016: RMB4,170,000) from contracts under CET engineering services.

4. REVENUE

	Group	
	2017	**2016**
	RMB'000	RMB'000
Sale of goods	57,421	74,350
Rendering of services	5,361	4,170
	62,782	78,520

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

5. FINANCE AND OTHER INCOME

	Group	
	2017	**2016**
	RMB'000	RMB'000
Finance income		
Interest income on bank balances and deposits	3,733	2,865
Other income		
Government grants^	214	475
Sale of scrap materials and parts	859	691
Rental income from investment properties (Note 18)	731	503
Net foreign exchange gain	58	262
Gain from contract penalty	512	1,252
Gain on disposal of property, plant and equipment	–	30
Others	17	3
	6,124	6,081

^ During the financial year ended 31 December 2017 and 2016, the Company' 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.

6. OTHER EXPENSES

	Group	
	2017	**2016**
	RMB'000	RMB'000
Contract penalty	–	278
Allowance for impairment of trade receivables, net	16,660	4,257
Loss on disposal of property, plant and equipment	6	113
Others	47	115
	16,713	4,763

7. FINANCE COSTS

	Group	
	2017	**2016**
	RMB'000	RMB'000
Interest expense on loans from former shareholders of a subsidiary	450	553
Others	8	3
	458	556

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

8. LOSS BEFORE TAX

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

	Note	Group 2017 RMB'000	Group 2016 RMB'000
Audit fees			
– auditors of the Company		412	405
– other auditors		557	550
Non-audit fees			
– other auditors		156	248
Grant of equity-settled performance shares		100	181
Amortisation of land use rights	16	366	365
Amortisation of intangible assets	15	334	333
Allowance for/(write-back of) inventory obsolescence	20	4,155	(309)
Operating lease expense	28	536	549
Depreciation of property, plant and equipment	14	13,208	14,467
Depreciation of investment property	18	176	176
Employee benefits expense	11	23,659	23,730
Direct operating expenses arising from investment property	18	264	232
Inventories recognised as an expense in cost of sales	20	46,076	48,434

9. INCOME TAX EXPENSE

Major components of income tax expense

The major components of income tax expense for the years ended 31 December 2017 and 2016 are:

	Group 2017 RMB'000	Group 2016 RMB'000
Current income tax:		
– Overprovision in respect of previous years	–	(54)
Deferred income tax:		
– Overprovision of deferred tax in previous years	–	153
Income tax expense recognised in profit or loss	–	99

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

9. INCOME TAX EXPENSE (CONT'D)

Relationship between tax expense and accounting loss

The reconciliation between tax expense and the product of accounting loss multiplied by the applicable corporate tax rate for the years ended 31 December 2017 and 2016 is as follows:

	Group	
	2017	**2016**
	RMB'000	RMB'000
Loss before tax	(33,205)	(18,668)
Tax at the domestic rates applicable to profit in the countries where the Group operates	(5,027)	(2,857)
Adjustments:		
– Non-deductible expenses	394	506
– Deferred tax assets not recognised	4,644	2,401
– Overprovision of deferred tax in previous years	–	153
– Income not subject to taxation	(11)	(50)
– Overprovision in respect of previous years	–	(54)
Income tax expense recognised in profit or loss	–	99

The above reconciliation is prepared by aggregating separate reconciliations for each national jurisdiction.

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 2017 (2016: 17%).

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

According to the Enterprise Income Tax Law of the PRC, promulgated by the State Council and the Administrative Measure for Determination of High and New Technology Enterprises, issued by the Ministry of Science and Technology, Finance and State Administration of Tax and effective on 1 January 2008, High and New Technology Enterprises that require key state support are subject to the applicable enterprise income tax rate of 15%.

Given that Hunan Anchun has received the certificate of High and New Technology Enterprise since 2007, it enjoys the preferential income tax rate of 15%.

Unrecognised tax losses

At the end of the reporting period, the Group has tax losses of approximately of RMB10,878,000 (2016: RMB11,550,000) that are available for offset against future taxable profits of a subsidiary in which the losses arose. As at 31 December 2017, no deferred tax asset is recognised 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

10. LOSS PER SHARE

The basic loss per share is calculated by dividing the loss for the year attributable to owners of the Company by the weighted average number of ordinary shares for basic loss per share computation, which excludes those held in treasury and employee benefit trust ("EBT").

The diluted loss per share is the same as the basic loss per share as the Company does not have any dilutive potential ordinary shares for the years ended 31 December 2017 and 2016.

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

	Group	
	2017	**2016**
	RMB'000	RMB'000
Loss for the year attributable to owners of the Company used in the computation of basic and diluted loss per share	(33,205)	(18,767)
Weighted average number of ordinary shares (excluding treasury/EBT shares) ('000) for basic and diluted loss per shares computation*	50,317	50,330
Basic loss per share (RMB cents)	(65.99)	(37.29)
Diluted loss per share (RMB cents)	(65.99)	(37.29)

* 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.

26,000 (2016: 170,000) EBT shares granted to employees under the Performance Share Plan 2014 have not been included in the calculation of diluted loss per share because they are anti-dilutive.

11. EMPLOYEE BENEFITS EXPENSE

	Group	
	2017	**2016**
	RMB'000	RMB'000
Employee benefits expense (including directors):		
Salaries and bonuses	18,714	18,252
Welfare expense	775	1,027
Contribution to defined contribution plans	4,070	4,270
Performance share expense	100	181
	23,659	23,730

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

11. EMPLOYEE BENEFITS EXPENSE (CONT'D)

Employee share option plans

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.

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 revisions to this estimate as certain employees had not fulfilled the three years' service condition (2016: nil). The movement in performance shares during the financial year is disclosed in Note 25(b) to the financial statements (2016: no movement).

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:

	Group	
	2017	**2016**
	RMB'000	RMB'000
Service fee charged to a subsidiary	20	30

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

12. RELATED PARTY TRANSACTIONS (CONT'D)

(b) *Compensation of key management personnel*

	Group 2017 RMB'000	Group 2016 RMB'000
Salaries, bonuses and fees	2,437	2,497
Contribution to defined contribution plans	122	102
Performance share expense	–	18
Total compensation paid to key management personnel	2,559	2,617
Comprises amounts paid to:		
– Directors of the Company	2,145	2,096
– Other key management personnel	414	521
Total compensation paid to key management personnel	2,559	2,617

At the end of the reporting period, no performance shares have been granted to the Company's directors.

13. INVESTMENT IN A SUBSIDIARY

	Company 2017 RMB'000	Company 2016 RMB'000
Unquoted equity shares, at cost	75,000	75,000
Anchun PSP	461	353
	75,461	75,353

Details of the subsidiary is as follows:

Name of company	Country of incorporation	Principal activities	Proportion of ownership interest 2017 %	Proportion of ownership interest 2016 %
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 Peking Certified Public Accountants (Special General Partnership), Hunan Branch, for PRC statutory reporting purpose. Audited by Ernst & Young Hua Ming, Shenzhen office, for consolidation purpose.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

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 2016	91,567	109,835	5,657	2,509	–	209,568
Additions	–	89	12	–	13	114
Disposals	–	(855)	(39)	(183)	–	(1,077)
Transfers	–	13	–	–	(13)	–
At 31 December 2016 and 1 January 2017	91,567	109,082	5,630	2,326	–	208,605
Additions	–	583	185	–	–	768
Disposals	–	(301)	(4)	–	–	(305)
Write-off	–	(199)	–	(474)	–	(673)
At 31 December 2017	91,567	109,165	5,811	1,852	–	208,395
Accumulated depreciation:						
At 1 January 2016	(31,579)	(57,827)	(4,182)	(1,276)	–	(94,864)
Depreciation charge for the year	(4,339)	(9,215)	(607)	(306)	–	(14,467)
Disposals	–	740	34	174	–	948
At 31 December 2016 and 1 January 2017	(35,918)	(66,302)	(4,755)	(1,408)	–	(108,383)
Depreciation charge for the year	(4,338)	(8,311)	(253)	(306)	–	(13,208)
Disposals	–	285	4	–	–	289
Write-off	–	152	–	450	–	602
At 31 December 2017	(40,256)	(74,176)	(5,004)	(1,264)	–	(120,700)
Net carrying amount:						
At 31 December 2016	55,649	42,780	875	918	–	100,222
At 31 December 2017	51,311	34,989	807	588	–	87,695

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

15. INTANGIBLE ASSETS

	Group	
	2017	**2016**
	RMB'000	RMB'000
Cost		
At 1 January	1,562	924
Additions	–	638
At 31 December	1,562	1,562
Accumulated amortisation		
At 1 January	(964)	(631)
Amortisation charge for the year	(334)	(333)
At 31 December	(1,298)	(964)
Net carrying amount		
At 31 December	264	598

Intangible assets relate to computer software purchased from vendors and have an average remaining amortisation period of 2 years (2016: 3 years). The amortisation of intangible asset is included in the "Administrative expenses" line item in the consolidated statement of comprehensive income.

16. LAND USE RIGHTS

	Group	
	2017	**2016**
	RMB'000	RMB'000
Cost:		
At 1 January and 31 December	18,271	18,271
Accumulated amortisation:		
At 1 January	(4,196)	(3,831)
Amortisation for the year	(366)	(365)
At 31 December	(4,562)	(4,196)
Net carrying amount		
At 31 December	13,709	14,075
Amount to be amortised:		
– Not later than one year	365	365
– Later than one year but not later than five years	1,460	1,460
– Later than five years	11,884	12,250

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 and have an average remaining tenure of 36 years (2016: 37 years). The amortisation of land use rights is included in the "Administrative expenses" line item in the consolidated statement of comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

17. DEFERRED TAX LIABILITIES

Deferred tax as at 31 December relates to the following:

	Group	
	2017	**2016**
	RMB'000	RMB'000
Deferred tax liabilities:		
Undistributed earnings of a subsidiary	(100)	(100)

Unrecognised tax losses

At the end of the reporting period, the Group has tax losses of approximately of RMB10,878,000 (2016: RMB11,550,000) that are available for offset against future taxable profits of a subsidiary in which the losses arose. As at 31 December 2017, no deferred tax asset is recognised 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. The tax losses have no expiry date except for an amount of RMB9,771,000 (2016: RMB11,001,000) which will expire in 2021.

Unrecognised temporary differences relating to investment in subsidiary

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. Such temporary difference for which no deferred tax liability has been recognised aggregates RMB31,768,000 (2016: RMB63,594,000) and the deferred tax liability is estimated at RMB3,177,000 (2016: RMB6,359,000).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

18. INVESTMENT PROPERTY

	Group 2017 RMB'000	Group 2016 RMB'000
Balance sheet:		
Cost		
At 1 January and 31 December	3,711	3,711
Accumulated depreciation		
At 1 January	(3,099)	(2,923)
Depreciation charge for the year	(176)	(176)
At 31 December	(3,275)	(3,099)
Net carrying amount		
At 31 December	436	612
Fair value	12,029	9,613
Consolidated statement of comprehensive income		
Rental income from investment property:		
– Minimum lease payments	731	503
Direct operating expenses (including repairs and maintenance) arising from:		
– Rental generating property	264	232

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 is determined based on comparable market transactions that consider the sales of similar properties that have been transacted in the open market.

The investment property held by the Group as at 31 December is 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	32 years (2016: 33 years)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

19. PREPAYMENTS

	Group		Company	
	2017	2016	2017	2016
	RMB'000	RMB'000	RMB'000	RMB'000
Non-current				
Prepayments relating to acquisition of property, plant and equipment	35	–	–	–
Current				
Prepayments to trade suppliers	6,249	7,262	–	–
Prepaid operating expenses	334	1,219	95	82
	6,583	8,481	95	82

20. INVENTORIES

	Group	
	2017	2016
	RMB'000	RMB'000
Balance sheet:		
Raw materials (at cost)	10,159	8,094
Work-in-progress (at cost or net realisable value)	29,343	17,214
Finished goods (at cost or net realisable value)	20,323	25,258
	59,825	50,566
Consolidated statement of comprehensive income:		
Inventories recognised as an expense in cost of sales	46,076	48,434
Inclusive of the following charge/(credit):		
– Write down of inventory to net realisable value	4,253	1,698
– Write-back of inventory to net realisable value	(98)	(2,007)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

21. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2017	**2016**	**2017**	**2016**
	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables	40,836	66,379	–	–
Bill receivables	33,742	16,371	–	–
VAT/GST receivables	10	17	10	17
Amount due from a subsidiary (non-trade)	–	–	35,761	35,742
Other receivables	1,482	1,371	29	29
Total trade and other receivables	76,070	84,138	35,800	35,788
Add: Cash and cash equivalents (Note 22)	136,689	148,697	22,161	24,576
Less: VAT/GST receivables	(10)	(17)	(10)	(17)
Total loans and receivables	212,749	232,818	57,951	60,347

Trade receivables

Trade receivables are unsecured, non-interest bearing and are normally settled on 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 and Company	
	2017	**2016**
	RMB'000	RMB'000
Singapore dollars	39	46

Bill receivables

Bill receivables are interest-free and have maturity periods of approximately 90 to 180 days' terms.

Amount due from a subsidiary (non-trade)

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

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2017

21. TRADE AND OTHER RECEIVABLES (CONT'D)

Trade receivables that are past due but not impaired

The Group has trade receivables amounting to RMB20,823,000 (2016: RMB52,136,000) that are past due at the end of the reporting period but not impaired. These receivables are unsecured and the analysis of their ageing at the end of the reporting period is as follows:

	Group	
	2017	**2016**
	RMB'000	RMB'000
Trade receivables past due but not impaired:		
1 to 365 days	11,774	28,630
More than 365 days	9,049	23,506
	20,823	52,136

Trade receivables that are impaired

The Group's trade receivables that are impaired at the end of the reporting period and the movement of the allowance accounts used to record the impairment are as follows:

	Group	
	2017	**2016**
	RMB'000	RMB'000
Trade receivables – nominal amounts	36,864	20,212
Less: Allowance for impairment	(36,864)	(20,212)
	–	–
Movement in the allowance accounts:		
At 1 January	20,212	17,204
Charge for the year	25,546	6,354
Write-back during the year	(8,886)	(2,097)
Written-off	(8)	(1,249)
At 31 December	36,864	20,212

Trade receivables that are individually determined to be impaired at the end of the reporting period relate to debtors that are in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

22. CASH AND CASH EQUIVALENTS

	Group		Company	
	2017	2016	2017	2016
	RMB'000	RMB'000	RMB'000	RMB'000
Cash at banks and on hand	108,489	106,126	2,024	2,908
Short-term deposits	28,200	42,571	20,137	21,668
Cash and cash equivalents	136,689	148,697	22,161	24,576

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 and three months (2016: one and three months), and earn interests at the respective short-term deposit rates.

The weighted average effective interest rates as at 31 December 2017 for the Group and the Company were 2.2% (2016: 2.3%) and 2.9% (2016: 2.7%) respectively.

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

	Group and Company	
	2017	2016
	RMB'000	RMB'000
Singapore dollars	2,024	2,908

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

23. TRADE AND OTHER PAYABLES

	Group		Company	
	2017	2016	2017	2016
	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables	5,820	8,184	–	–
Bill payables	1,088	739	–	–
Payables to suppliers of property, plant and equipment	669	962	–	–
Loans from former shareholders of a subsidiary	17,990	17,990	–	–
Amount due to subsidiary (non-trade)	–	–	11,439	11,252
Other taxes payable	220	717	–	–
VAT payable	5,464	8,037	–	–
Other payables	6,317	6,090	–	–
	37,568	42,719	11,439	11,252
Add: Other liabilities (Note 24)	14,362	14,415	996	1,035
Less: Other taxes payable	(220)	(717)	–	–
Less: VAT payable	(5,464)	(8,037)	–	–
Total financial liabilities carried at amortised cost	46,246	48,380	12,435	12,287

Trade payables

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

Bill payables

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

Loans from former shareholders of a subsidiary

Loans from former shareholders of the subsidiary, Hunan Anchun, are for working capital purposes. The tenure will be for a year from the date of disbursement of the loans, renewable on a yearly basis up to five years by the subsidiary. As at 31 December 2017, the loans bear interest at rate of 2.5% (2016: 2.5%) per annum.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

24. OTHER LIABILITIES

	Group		Company	
	2017	2016	2017	2016
	RMB'000	RMB'000	RMB'000	RMB'000
Accrued salaries and bonuses	5,454	4,780	535	446
Accrued operating expenses	2,539	4,144	461	589
Accrued interest payable	487	37	–	–
Accrued welfare expenses	5,882	5,454	–	–
	14,362	14,415	996	1,035

Accrued interest payable

Accrued interest payable is charged on the loans from former shareholders of the subsidiary, Hunan Anchun, at an interest rate of 2.5% (2016: 2.5%) per annum.

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

	Group and Company	
	2017	2016
	RMB'000	RMB'000
Singapore dollars	957	1,005

25. SHARE CAPITAL AND TREASURY/EMPLOYEE BENEFIT TRUST SHARES

(a) Share capital

	Group and Company			
	2017	2017	2016	2016
	No. of shares	RMB'000	No. of shares	RMB'000
Issued and fully paid ordinary shares				
At 1 January	50,500,000	149,278	505,000,000	149,278
Share consolidation exercise	–	–	10 to 1	–
At 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.

Share consolidation exercise

A share consolidation exercise of 10 to 1 ordinary share was conducted and effective from 26 May 2016.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

25. SHARE CAPITAL AND TREASURY/EMPLOYEE BENEFIT TRUST SHARES (CONT'D)

(b) *Treasury/employee benefit trust shares*

	Group and Company			
	2017	**2017**	**2016**	**2016**
	No. of shares	RMB'000	No. of shares	RMB'000
At 1 January	(170,000)	(430)	(1,700,000)	(430)
Acquired during the year	(160,000)	(222)	–	–
Reissued pursuant to vesting of performance share plan	144,000	364	–	–
Share consolidation exercise	–	–	10 to 1	–
At 31 December	(186,000)	(288)	(170,000)	(430)

Treasury shares acquired during the year

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

The Company acquired 160,000 (2016: nil) shares in the Company through purchases on the Singapore Exchange during the financial year. The total amount paid to acquire the shares was RMB222,000 (2016: nil) and this was presented as a component within shareholders' equity.

EBT shares reissued during the year

The Company adopted the Anchun Performance Share Plan (PSP) 2014, which was approved by the shareholders at the Extraordinary General Meeting held on 29 April 2014.

On 30 December 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 an employee benefit trust (EBT) managed by a director-related company. 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. Of the 26,000 remaining treasury shares held under the EBT, the Company has granted 17,000 shares to an employee on 29 December 2017. The shares will be released to the employee at the conclusion of a three years vesting period. 9,000 treasury shares held under the EBT remain available for allocation as at 31 December 2017.

The fair value of the shares granted is determined directly by reference to the published market bid price at the respective grant date.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

26. OTHER RESERVES

	Group		Company	
	2017	**2016**	**2017**	**2016**
	RMB'000	RMB'000	RMB'000	RMB'000
(a) Statutory reserve fund	38,691	38,329	–	–
(b) Statutory reserve fund – safety production expenditure	5,521	4,985	–	–
(c) Contribution from shareholder	1,725	1,725	–	–
(d) Merger reserve	75,000	75,000	–	–
(e) Gain on reissuance of EBT shares	64	–	64	–
(f) Anchun PSP reserve	–	349	–	349
	121,001	120,388	64	349

(a) *Statutory reserve fund*

In accordance with the Foreign Enterprise Law applicable to entities in the People's Republic of China ("PRC"), the Company's PRC 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	
	2017	**2016**
	RMB'000	RMB'000
At 1 January	38,329	38,329
Transferred from accumulated profits	362	–
At 31 December	38,691	38,329

(b) *Statutory reserve fund – safety production expenditure*

In accordance with the Regulation on Safety Production Expenditures applicable to the subsidiary in the People's Republic of China ("PRC"), the subsidiary is required to make appropriation ranges 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	
	2017	**2016**
	RMB'000	RMB'000
At 1 January	4,985	4,177
Transferred from accumulated profits	536	808
At 31 December	5,521	4,985

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For the financial year ended 31 December 2017

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) Gain on reissuance of EBT shares

This represents the gain arising from the reissue of EBT shares to employees after fulfilling the three years' service condition under the Anchun PSP.

(f) Anchun PSP reserve

This represents the Anchun PSP cumulative expense recognised in profit or loss prior the vesting date of the Anchun PSP, and is reduced by the release of shares to employees who become beneficially interested in the shares after fulfilling the three years' service condition.

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 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.

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

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

Except as indicated above, no operating segments have been aggregated to form the above reportable operating segments.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

27. SEGMENT INFORMATION (CONT'D)

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.

	Catalyst Business RMB'000	CET Engineering Services RMB'000	CSC Business RMB'000	Total RMB'000
Group				
31 December 2017				
Revenue				
External customers	13,318	5,361	44,103	62,782
Total revenue	13,318	5,361	44,103	62,782
Results:				
Segment gross profit	2,831	3,475	6,442	12,748
Finance income				3,733
Other income				2,391
Marketing and distribution expenses				(4,714)
Administrative expenses				(25,743)
Research expenses				(4,449)
Other expenses				(16,713)
Finance costs				(458)
Loss before tax				(33,205)
Depreciation and amortisation				14,084
Other material non-cash items				
Allowance for impairment of trade receivables, net				16,660
Write down of inventory to net realisable value, net				4,155

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

27. SEGMENT INFORMATION (CONT'D)

	Catalyst Business RMB'000	CET Engineering Services RMB'000	CSC Business RMB'000	Total RMB'000
Group				
31 December 2016				
Revenue				
External customers	20,644	4,170	53,706	78,520
Total revenue	20,644	4,170	53,706	78,520
Results:				
Segment gross profit	9,345	2,500	15,792	27,637
Finance income				2,865
Other income				3,216
Marketing and distribution expenses				(5,571)
Administrative expenses				(37,168)
Research expenses				(4,328)
Other expenses				(4,763)
Finance costs				(556)
Loss before tax				(18,668)
Depreciation and amortisation				15,341
Other material non-cash items				
Allowance for impairment of trade receivables, net				4,257
Write-back of inventory to net realisable value, net				(309)

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 2017, revenue from two (2016: two) major customers amount to RMB18,332,000 (2016: RMB30,643,000), arising from sales by the CSC Business and CET Engineering Services segments (2016: CSC Business and Catalyst Business segments).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

28. COMMITMENTS

(a) Operating lease commitments – as lessee

In addition to the land use rights disclosed in Note 16, the Group has operating lease commitments with respect to the rental of motor vehicles, office and dormitory facilities. These leases have an average tenure of between one to three years (2016: one to three years) with no renewal option or contingent rent provision included in the contracts. There are no restrictions placed upon the Group by entering into these leases.

Operating lease payments recognised as an expense in the consolidated statement of comprehensive income for the financial year ended 31 December 2017 amounted to RMB536,000 (2016: RMB549,000).

Future minimum rental payable under non-cancellable operating lease (excluding land lease rights) at the end of the reporting period are as follows:

	Group	
	2017	**2016**
	RMB'000	RMB'000
Not later than 1 year	862	533
Later than 1 year but not later than 5 years	529	–
	1,391	533

(b) Operating lease commitments – as lessor

The Group has entered into commercial property leases on its investment property. The non-cancellable leases have remaining lease terms of between one to three years (2016: one to four years). All leases include a clause to enable upward revision of the rental charge on an annual basis on prevailing market conditions.

Future minimum rental receivable under non-cancellable operating leases at the end of the reporting period are as follows:

	Group	
	2017	**2016**
	RMB'000	RMB'000
Not later than 1 year	524	307
Later than 1 year but not later than 5 years	823	755
	1,347	1,062

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

29. FAIR VALUE OF ASSETS AND LIABILITIES

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.

Assets not carried at fair value but for which fair value is disclosed

The following table shows an analysis of the Group's asset not measured at fair value at the end of the reporting period but for which fair value is disclosed:

		2017	
	Note	**Significant observable inputs other than quoted prices (Level 2)** RMB'000	**Carrying amount** RMB'000
Investment property	18	12,029	436

		2016	
	Note	**Significant observable inputs other than quoted prices (Level 2)** RMB'000	**Carrying amount** RMB'000
Investment property	18	9,613	612

Determination of fair value

The fair value 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

29. FAIR VALUE OF ASSETS AND LIABILITIES (CONT'D)

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 values 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 year, 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 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. 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 lower/higher with all other variables held constant, the Group's loss before tax would have been RMB1,367,000 (2016: RMB1,487,000) higher/lower, arising mainly as a result of lower/higher 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(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.

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.

	1 year or less	
	2017	**2016**
	RMB'000	RMB'000
Group		
Financial assets		
Trade and other receivables (excluding sales tax receivables)	76,060	84,121
Cash and cash equivalents	136,689	148,697
Total undiscounted financial assets	212,749	232,818
Financial liabilities		
Trade and other payables (excluding sales tax payables)	31,884	33,965
Other liabilities	14,362	14,415
Total undiscounted financial liabilities	46,246	48,380
Total net undiscounted financial assets	166,503	184,438

	1 year or less	
	2017	**2016**
	RMB'000	RMB'000
Company		
Financial assets		
Trade and other receivables (excluding sales tax receivables)	35,790	35,771
Cash and cash equivalents	22,161	24,576
Total undiscounted financial assets	57,951	60,347
Financial liabilities		
Trade and other payables (excluding sales tax payables)	11,439	11,252
Other liabilities	996	1,035
Total undiscounted financial liabilities	12,435	12,287
Total net undiscounted financial assets	45,516	48,060

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(c) 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.

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 32% (2016: 38%) of the Group's trade receivables were due from 5 (2016: 5) major customers located in the People's Republic of China.

Financial assets that are neither past due nor impaired

Trade and other receivables that are neither past due nor impaired are with creditworthy debtors with good payment record with the Group. Cash and cash equivalents that are neither past due nor impaired are placed with or entered into with reputable financial institutions.

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 21 (Trade and other receivables).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(d) 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 Dollars ("SGD")

The Group's currency exposure to SGD is as follows:

	2017	**2016**
	RMB'000	RMB'000
Financial assets		
Cash and cash equivalents	2,024	2,908
Trade and other receivables	39	46
Financial liability		
Other liabilities	(957)	(1,005)
Currency exposure	1,106	1,949

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity of the Group's loss 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 Loss before tax	
	2017	**2016**
	RMB'000	RMB'000
RMB against SGD		
– strengthened 5% (2016: 5%)	55	97
– weakened 5% (2016: 5%)	(55)	(97)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

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 2017 and 31 December 2016.

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 2017 and 2016.

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	
	2017	**2016**
	RMB'000	RMB'000
Trade and other payables (Note 23)	37,568	42,719
Other liabilities (Note 24)	14,362	14,415
Less: Cash and cash equivalents (Note 22)	(136,689)	(148,697)
Net surplus	(84,759)	(91,563)
Equity attributable to owners of the Company	275,671	309,031
Less: Statutory reserve fund (Note 26)	(38,691)	(38,329)
Less: Statutory reserve fund – safety production expenditure (Note 26)	(5,521)	(4,985)
Less: Staff welfare payable	(12)	–
Total capital	231,447	265,717
Gearing ratio	NA*	NA*

* Not applicable as the Group is in a net cash position.

32. AUTHORISATION OF FINANCIAL STATEMENTS

The consolidated financial statements for the year ended 31 December 2017 were authorised for issue in accordance with a resolution of the directors on 29 March 2018.

STATISTICS OF SHAREHOLDINGS

AS AT 16 MARCH 2018

Issued and fully paid	:	S$45,449,200
Number of shares with voting rights	:	50,340,000 (excluding treasury shares and subsidiary holdings)
Number of Treasury Shares held	:	160,000
Subsidiary Holdings Held	:	Nil
Class of shares	:	Ordinary shares
Voting rights	:	1 vote per ordinary share

% of the aggregate number of treasury shares and subsidiary holdings held against the total number of issued shares in issue (excluding treasury shares and subsidiary holdings) – 0.32%

SHAREHOLDINGS HELD IN HANDS OF PUBLIC

Based on information available to the Company as at 16 March 2018 approximately 32.55% of the issued ordinary shares of the Company (excluding treasury shares and subsidiary holdings) are held by the public and therefore Rule 723 of the Listing Manual is complied with.

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 – 99	4	0.34	310	0.00
100 – 1,000	447	37.79	233,755	0.46
1,001 – 10,000	555	46.91	2,379,035	4.73
10,001 – 1,000,000	168	14.20	9,556,210	18.98
1,000,001 AND ABOVE	9	0.76	38,170,690	75.83
TOTAL	**1,183**	**100.00**	**50,340,000**	**100.00**

TWENTY LARGEST SHAREHOLDERS

S/NO.	NAME	NO. OF SHARES	%
1	ACE SENSE HOLDINGS LIMITED	10,800,000	21.45
2	ORIENTAL EAGLE HOLDINGS LIMITED	5,110,000	10.15
3	GIANT YIELD GLOBAL LIMITED	4,470,000	8.88
4	DAWN VITALITY INTERNATIONAL LIMITED	4,252,200	8.45
5	INVENTIVE RESULT ENTERPRISES LIMITED	4,097,500	8.14
6	PHILLIP SECURITIES PTE LTD	3,676,190	7.30
7	HUANG BAOJIA	2,090,300	4.15
8	CHINA XLX FERTILISER LTD	1,960,000	3.89
9	UOB KAY HIAN PRIVATE LIMITED	1,714,500	3.41
10	MAYBANK KIM ENG SECURITIES PTE. LTD.	555,450	1.10
11	SINGAPORE NOMINEES PRIVATE LIMITED	507,600	1.01
12	LIM POH CHOON	405,600	0.81
13	BAO CHEN	397,600	0.79
14	GO POWER INVESTMENTS LIMITED	390,000	0.77
15	ABN AMRO CLEARING BANK N.V.	280,700	0.56
16	OCBC SECURITIES PRIVATE LIMITED	275,130	0.55
17	LIU DAN	272,100	0.54
18	DBS NOMINEES (PRIVATE) LIMITED	231,390	0.46
19	ZHANG GUOWEI	224,200	0.45
20	LAU CHUN LEUNG	224,000	0.44
	TOTAL	**41,934,460**	**83.30**

STATISTICS OF SHAREHOLDINGS

AS AT 16 MARCH 2018

SUBSTANTIAL SHAREHOLDERS

	DIRECT INTEREST		DEEMED INTEREST	
	NO. OF SHARES	%[1]	NO. OF SHARES	%[1]
Liang Gong Zeng[2]	–	–	4,470,000	8.88
Dai Feng Yu[3]	–	–	4,082,200	8.11
Xie Ming[4]	–	–	10,800,000	21.45
Ma Ong Kee[5]	–	–	3,255,400	6.47
Li Chun Yang[6]	–	–	5,199,500	10.33
Li Bin[7]	–	–	4,097,500	8.14
Xie Xing[8]	–	–	10,800,000	21.45
Giant Yield Global Limited	4,470,000	8.88	–	–
Dawn Vitality International Limited[9]	4,252,200	8.45	–	–
Ace Sense Holdings Limited	10,800,000	21.45	–	–
Oriental Eagle Holdings Limited	5,110,000	10.15	–	–
Inventive Result Enterprises Limited	4,097,500	8.14	–	–

Notes:–

(1) Percentage calculated based on 50,340,000 voting shares (excluding treasury shares and subsidiary holdings) of the Company as at 16 March 2018.

(2) Liang Gong Zeng is deemed to be interested in 4,470,000 shares held by Giant Yield Global Limited.

(3) Dai Feng Yu is deemed to be interested in 4,082,200 shares held by Dawn Vitality International Limited.

(4) Xie Ming is deemed to be interested in 10,800,000 shares held by Ace Sense Holdings Limited.

(5) Ma Ong Kee is deemed to be interested in 3,255,400 shares held in the name of a nominee account.

(6) Li Chun Yang is deemed to be interested in 5,110,000 shares held by Oriental Eagle Holdings Limited and 89,500 shares held in the name of a nominee account.

(7) Li Bin is deemed to be interested in 4,097,500 shares held by Inventive Result Enterprises Limited.

(8) Xie Xing is deemed to be interested in 10,800,000 shares held by Ace Sense Holdings Limited.

(9) Of the 4,252,200 shares, Dawn Vitality International Limited is holding 170,000 shares on trust for certain employees who are 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. (the "**Company**") will be held at Lower Level, Shenton Room, M Hotel, 81 Anson Road, Singapore 079908 on Thursday, 26 April 2018 at 9:30 a.m., for the purpose of transacting the following businesses:–

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Statement and the Audited Financial Statements for the financial year ended 31 December 2017 together with the Independent Auditors' Report thereon. **(Resolution 1)**

2. To approve the payment of Directors' fees of up to S$280,000 for the financial year ending 31 December 2018 (FY2017: S$280,000). **(Resolution 2)**
   [See Explanatory Note 1]

3. To re-elect the following Directors retiring pursuant to Regulation 89 of the Company's Constitution:

   (i) Xie Ding Zhong **(Resolution 3)**
   (ii) Dai Feng Yu **(Resolution 4)**
   (iii) Yang Chun Sheng **(Resolution 5)**

4. To re-appoint Messrs Ernst & Young LLP as Auditors of the Company until the conclusion of the next Annual General Meeting and to authorise the Directors to fix their remuneration. **(Resolution 6)**

5. To transact any other business that may be properly transacted at an Annual General Meeting.

AS SPECIAL BUSINESS

To consider and, if thought fit, to pass the following resolutions as Ordinary Resolutions, with or without amendments:

6. **General Share Issue Mandate** **(Resolution 7)**

   "That pursuant to Section 161 of the Companies Act, Cap. 50 of Singapore (the "**Companies Act**") and 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 shares (the "**Shares**"), whether by way of rights, bonus or otherwise; and/or

   (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 Board may, in their absolute discretion, deem fit; and

NOTICE OF ANNUAL GENERAL MEETING

(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 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 issued 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 percentage of issued shares shall be based on the 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:

(aa) new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time this Resolution is passed; and

(bb) any subsequent consolidation or subdivision of shares;

(3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Constitution for the time being of the Company;

(4) unless revoked or varied by the Company in general meeting, such authority conferred by this Resolution shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier."

[See Explanatory Note 2]

NOTICE OF ANNUAL GENERAL MEETING

7. Renewal of Share Purchase Mandate **(Resolution 8)**

That:

(a) for the purpose of Section 76C and 76E of the Companies Act, Cap. 50 of Singapore (the "**Companies Act**"), the Directors of the Company be and are hereby authorised to exercise all the powers of the Company to purchase or otherwise acquire ordinary shares in the capital of the Company ("**Shares**") not exceeding in aggregate the Prescribed Limit (as hereinafter defined), at such price(s) as may be determined by the Directors of the Company from time to time up to the Maximum Price (as hereinafter defined), whether by way of:

(i) market purchases (each a "**Market Purchase**") on the Singapore Exchange Securities Trading Limited ("**SGX-ST**"); and/or

(ii) off-market purchases (each an "**Off-Market Purchase**") effected otherwise than on the SGX-ST in accordance with any equal access schemes, as may be determined or formulated by the Directors of the Company as they consider fit, which scheme(s) shall satisfy all the conditions prescribed by the Companies Act,

and otherwise in accordance with all other provisions of the Companies Act and the Listing Manual of the SGX-ST as may for the time being be applicable (the "**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 of the Company; either be cancelled or held in treasury and dealt with in accordance with the Companies Act;

(c) unless varied or revoked by the Company in general meeting, the authority conferred on the Directors of the Company pursuant to the Share Purchase Mandate may be exercised by the Directors at any time and from time to time during the period commencing from the passing of this Resolution and expiring on the earlier of:

(i) the date on which the next AGM of the Company is held or is required by law to be held;

(ii) the date on which the share purchases 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;

NOTICE OF ANNUAL GENERAL MEETING

(d) for purpose of this Resolution:

"**Prescribed Limit**" means 10% of the issued ordinary share capital of the Company as at the date of passing of this Resolution unless the Company has effected a reduction of the share capital of the Company in accordance with the applicable provisions of the Companies Act, at any time during the relevant period, in which event the issued ordinary share capital of the Company shall be taken to be the amount of the issued ordinary share capital of the company as altered (shares held by the Company as treasury shares and subsidiary holdings shall be disregarded for purposes of computing the Prescribed Limit).

"**Maximum Price**" in relation to a Share to be purchased, means an amount (excluding brokerage, commission, stamp duties, applicable goods and services tax, clearance fees and other related expenses) not exceeding:

(i) in the case of a Market Purchase:105% of the Average Closing Price: and

(ii) in the case of an Off-Market Purchase: 110% of the Average Closing Price, where

"**Average Closing Price**" means the average of the closing market prices of a Share over the last five market days, on which transactions in the Shares were recorded, immediately preceding the day of the Market Purchase by the Company or, as the case may be the day of the making of the offer pursuant to the Off-Market Purchase, and deemed to be adjusted in accordance with the Listing Manual of the SGX-ST for any corporate action that occurs after the relevant 5-day period;

"**day of the making of the offer**" means the day on which the Company makes an offer for the purchase of Shares from shareholders of the Company stating the purchase price (which shall not be more than the Maximum Price calculated on the foregoing basis) for each Share and the relevant terms of the equal access scheme for effecting the Off-Market Purchase; and

"**market day**" means a day on which the SGX-ST is open for trading in securities; and

NOTICE OF ANNUAL GENERAL MEETING

(e) any of the Directors of the Company be and are hereby authorised to complete and do all such acts and things (including without limitation, to execute all such documents as may be required and to approve any amendments, alterations or modify cations to any documents), as they or he may consider desirable, expedient or necessary to give effect to the transactions contemplated by this Resolution.

[See Explanatory Note 3]

BY ORDER OF THE BOARD

Wee Woon Hong
Company Secretary

Singapore
11 April 2018

Explanatory Notes:

1. The Ordinary Resolution 2 proposed in item 2 above is to seek approval for the payment of up to S$280,000 as directors' fees on a current year basis, that is for the financial year ending 31 December 2018. In the event that the amount proposed is insufficient, approval will be sought at next year's annual general meeting for payments to meet the shortfall.

2. The Ordinary Resolution 7 proposed in item 6 above, if passed, will empower the Directors of the Company to issue shares or other securities for up to 50% of the Company's issued share capital, with an aggregate sub-limit of 20% of the Company's share capital for any issue of shares or securities not made on a pro-rata basis to shareholders of the Company.

3. The Ordinary Resolution 8 proposed in item 7 above, if passed, will empower the Directors to make purchase (whether by way of Market Purchase or Off-Market Purchases on an equal access scheme) from time to time during the Relevant Period (as hereinafter defined) 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 11 April 2018 accompanying this notice of annual general meeting. The "Relevant Period" is the period commencing from the passing of the aforesaid Share Purchase Mandate and expiring on the earliest of:

    (i) the conclusion of the next annual general meeting or the date by which such annual general meeting is required by law to be held;

    (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.

NOTICE OF ANNUAL GENERAL MEETING

Notes:

(i) A member of the Company entitled to attend and vote at the AGM may appoint not more than two proxies to attend and vote in his/her instead. A proxy need not be a shareholder of the Company. Where a member appoints more than one proxy, he/she shall specify the proportion of his/her shareholdings to be represented by each proxy.

(ii) Intermediaries such as banks and capital markets services licence holders which provide custodial services and are members of the Company may appoint more than two proxies provided that each proxy is appointed to exercise the rights attached to different shares held by the member.

(iii) The instrument appointing a proxy, duly executed, must be deposited at the office of the Company's Share Registrar, Boardroom Corporate & Advisory Services Pte. Ltd. at 50 Raffles Place, #32-01, Singapore Land Tower, Singapore 048623, not less than 48 hours before the time appointed for the meeting.

(iv) The instrument appointing a proxy or proxies must be under the hand of the appointer or his or his attorney duly authorised in writing. Where the instrument appointing a proxy is executed by a corporation, it must be executed either under its Common Seal or under the hand of its attorney or a duly authorised officer.

(v) Where an instrument appointing a proxy is signed on behalf of the appointer by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.

(vi) A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the meeting, in accordance with Section 179 of the Companies Act, Cap. 50.

(vii) The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed, illegible or where the true intentions of the appointer are not ascertainable from the instructions of the appointer specified in the instrument appointing a proxy or proxies. In addition, in the case of a member whose shares are entered against his/her name in the Depository Register, the Company may reject any instrument of proxy lodged if such member, being the appointer, is not shown to have shares entered against his/her name in the Depository Register 72 hours before the time appointed for holding the meeting, as certified by the Depository to the Company.

Personal Data Privacy:

Where a member of the Company submits an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member'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 Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, proxy lists, minutes and other documents relating to the Annual General Meeting (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 member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member 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, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

ANCHUN INTERNATIONAL HOLDINGS LTD.
Registration No. 200920277C
(Incorporated in the Republic of Singapore)

PROXY FORM

ANNUAL GENERAL MEETING

Important:

1. For investors who have used their CPF monies ("**CPF Investors**") to buy the Company's shares, this Annual Report 2017 is sent to them at the request of their CPF Approved Nominees solely FOR INFORMATION ONLY.
2. This Proxy Form is not valid for use by CPF Investor and shall be ineffective for all intents and purposes if used or is purported to be used by them.

I/We*, ______________________________ (Name) NRIC/Passport No.* ______________

of ____ (Address)

being a shareholder/shareholders of **ANCHUN INTERNATIONAL HOLDINGS LTD.** (the "**Company**") hereby appoint:

Name	NRIC/Passport Number	Proportion of Shareholdings	
		Number of Shares	%
Address			

and/or*

Name	NRIC/Passport Number	Proportion of Shareholdings	
		Number of Shares	%
Address			

or failing him, the Chairman of the Annual General Meeting ("**AGM**") of the Company as my/our proxy/proxies* to attend and to vote for me/us* on my/your* behalf at the AGM of the Company to be held at Lower Level, Shenton Room, M Hotel, 81 Anson Road, Singapore 079908 on Thursday, 26 April 2018 at 9:30 a.m., and at any adjournment thereof. 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 will vote or abstain from voting at his/her discretion.

☐ Please tick here if more than two proxies will be appointed (Please refer to note 3). This is only applicable for intermediaries such as banks and capital markets services licence holders which provide custodial services.

All resolutions put to the vote at the AGM shall be decided by way of poll.

No.	Resolutions	For	Against
1.	Adoption of Directors' Statement and the Audited Financial Statements for the financial year ended 31 December 2017 together with the Independent Auditors' Report thereon		
2.	Approval of Directors' fees for the financial year ending 31 December 2018		
3.	Re-election of Xie Ding Zhong as Director		
4.	Re-election of Dai Feng Yu as Director		
5.	Re-election of Yang Chun Sheng as Director		
6.	Re-appointment of Ernst & Young LLP as Auditors of the Company and authority to Directors to fix their remuneration		
7.	Authority to Directors to allot and issue shares and other securities		
8.	Proposed renewal of the Share Purchase Mandate		

(*Please indicate your vote "For" or "Against" with a tick [√] within the box provided. Alternatively, please indicate the number of votes as appropriate.*)

Dated this __________ day of ________________ 2018.

Total number of shares	No. of Shares
(a) CDP	
(b) Register of Members	

____
Signature(s) 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, Chapter 289), 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 member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint not more than two proxies to attend and vote on his behalf. A proxy need not be a member of the Company. Where a member appoints more than one proxy, he /she shall specify the proportion of his /her shareholdings to be represented by each proxy.

3. Intermediaries such as banks and capital markets services licence holders which provide custodial services and are members of the Company may appoint more than two proxies provided that each proxy is appointed to exercise the rights attached to different shares held by the member. In such event, the relevant intermediary shall submit a list of its proxies together with the information required in this proxy form to the Company.

4. The instrument appointing a proxy or proxies must be deposited at the office of the Company's Share Registrar, Boardroom Corporate & Advisory Services Pte. Ltd. at 50 Raffles Place, #32-01, Singapore Land Tower, Singapore 048623, not less than 48 hours before the time appointed for the AGM.

5. The instrument appointing a proxy or proxies must be executed under the hand of the appointor or 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 Common Seal or under the hand of its attorney or a duly authorised officer.

6. Where an instrument appointing a proxy is signed on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.

7. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the meeting, in accordance with Section 179 of the Companies Act, Cap. 50.

8. The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of a member whose shares are entered against his/her name in the Depository Register, the Company may reject any instrument of proxy lodged if such member, 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 meeting, as certified by the Depository to the Company.

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CORPORATE INFORMATION

BOARD OF DIRECTORS:
Xie Ding Zhong (Non-Executive Chairman)
Xie Ming (Executive Director and CEO)
Zheng Zhi Zhong (Executive Director and COO)
Dai Feng Yu (Executive Director)
Lee Gee Aik (Lead Independent Director)
Tan Min-Li (Independent Director)
Yang Chun Sheng (Independent Director)
Andrew Bek (Independent Director)

COMPANY SECRETARY:
Wee Woon Hong (Appointed on 26 October 2010)

REGISTERED OFFICE:
81 Anson Road
Suite 8.20
Singapore 079908
Telephone: (65) 6500 6276

PRINCIPAL OFFICE AND CONTACT DETAILS:
No. 539, Lusong Road
Changsha National Hi-tech Industrial Development Zone
Changsha City, Hunan Province, PRC 410205
Telephone: 0731-88958633, 88958632
Facsimile: 0731-88958611

IR CONTACT:
Website Address: http://www.anchun.com/home.htm

SHARE REGISTRAR AND SHARE TRANSFER AGENT:
Boardroom Corporate & Advisory Services Pte. Ltd.
50 Raffles Place
#32-01 Singapore Land Tower
Singapore 048623

AUDITOR:
Ernst & Young LLP
One Raffles Quay
North Tower, Level 18
Singapore 048583
Partner-in-charge: Tan Soon Seng
(Date of appointment: since financial year ended
31 December 2016)

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

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 : 0731-88958633,