ANCHUN INTERNATIONAL HOLDINGS LTD.

Enhancing Capabilities

Expanding Market Presence

ANNUAL REPORT

2015

ANCHUN INTERNATIONAL HOLDINGS LTD

ANNUAL REPORT 2015

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CORPORATE PROFILE

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

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

Since its establishment in Hunan, Anchun has been awarded 19 national patents including one US patent and one CAN patent. In recognition of its technological breakthroughs, Anchun has received two National Scientific and Technological Progress Award (second class honours) and various similar awards with first class honours at the provincial level, which makes the Group stand out among its competitors.

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.

With the key focus on sustainable development and stability, Anchun has recorded a steady and continuous growth in performance over the past two decades.

Competitive Advantages of Anchun

Highly sustainable business model:

- Specialises in integrated technology and innovative solutions
- Competitive technology innovation and advancements
- Sound financial position with healthy cash flows
- Well-qualified management and work teams with many years of experience

Market Opportunities

The China Government has announced in its plan for the 12th Five-Year Period (2011-2015), the target to reduce energy consumption per unit of GDP by 16%. The Chinese Government has also requested state-owned enterprises to achieve reductions in their chemical oxygen demand and emissions of carbon dioxide, sulphur dioxide, ammonia, nitrogen oxides and other major pollutants, by at least the national average level. Sectors relating to oil and petrochemical, electric power, iron and steel, nonferrous metals, coal, building materials, chemical and transportation, are expected to take lead in terms of energy consumption reduction. Being the major technology developer and reactor manufacturer in this industry in China, Anchun will have plenty of growth opportunities in many years to come.

WHAT WE OFFER

From System Design To Production And Project Management,

We Provide Integrated Chemical Systems Engineering And Technology Solutions For Our Clients.

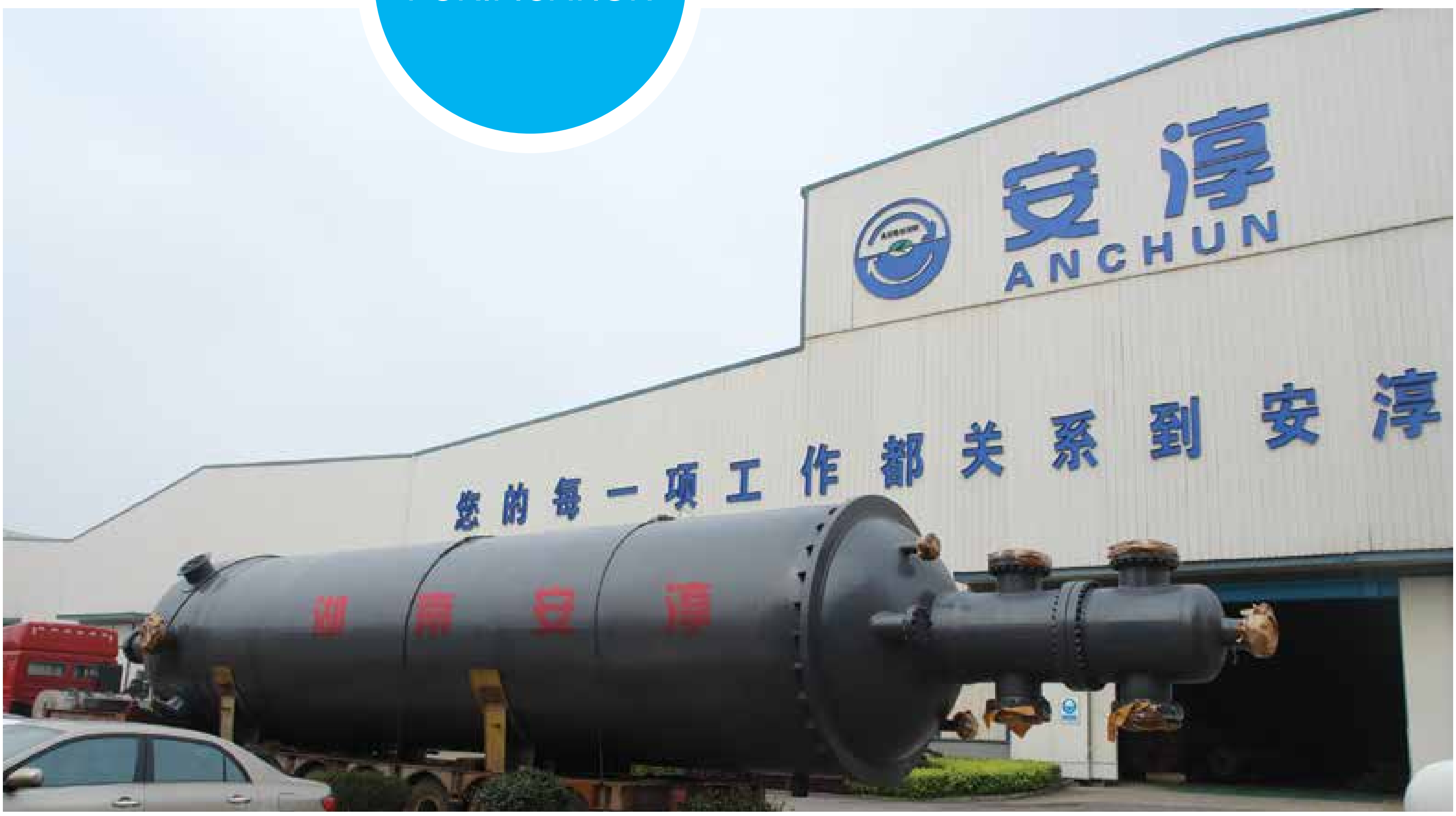
GAS PREPARATION

GAS PURIFICATION

AMMONIA/ METHANOL SYNTHESIS

AMMONIA
Urea and compound fertilizers

METHANOL
Methanol fuel and other related products for energy uses



CHAIRMAN'S MESSAGE / 主席致词

XIE DING ZHONG
Non-Executive Chairman

展望2016年，中国的经济增长预计继续放缓，我们认为整体商业环境依然竞争激烈。安淳国际的首要任务是确保业务的可持续增长，因此，我们将在持续支持研发的同时保持谨慎与稳健。

尊敬的股东：

我谨代表安淳国际董事会及全体同仁，为您呈现本集团2015财政年度报告。感谢您抽出时间阅读。

2015年，全球宏观经济形势充满挑战，营商环境受到了负面冲击。

尽管低迷的经济环境导致公司营收略降，安淳国际的可分配净利润依然同比增长68%，达到880万人民币，毛利率稳定在41%的健康水平。虽然面临复杂的经济形势且竞争日益激烈，但集团仍在2015财年取得了良好的业绩，我感到欣慰与鼓舞。20多年累积的商业运营经验为安淳国际提供了深厚、强劲的竞争优势，带动集团取得了如今的出色成就。

首先，作为中国石化行业的变革者，我们拥有雄厚的科技实力作为后盾。我们的员工、企业文化、产品和科技都以创新精神为发展动力。安淳国际拥有的众多科技专利充分体现了集团对创新的重视。2016年1月份，中国石油和化学工业联合会将“最具创新力企业”奖项颁发给本公司，以此来表彰安淳国际在2011至2015年对中国的石化行业做出的卓越贡献。获颁这个奖项，我们感到很荣幸，这是对安淳国际的独特业务及改变行业面貌的环保节能科技的积极认可。

优秀的团队是我们取得成功的另一个因素。他们不仅拥有丰富的经验，而且注重工作成效，遵循顾客至上的理念。他们为安淳国际奉献了一切，因此能够一次次地领先于业内同行，率先将先进实用的产品和科技引入市场。在团队的积极贡献和集团的绩效薪酬方案的推动下，安淳国际在过去一年取得了可观的业绩。

展望2016年，中国的经济增长预计继续放缓，我们认为整体商业环境依然竞争激烈。安淳国际的首要任务是确保业务的可持续增长，因此，我们将在持续支持研发的同时保持谨慎与稳健。

在此，我要感谢安淳国际的管理层和员工，公司能够在2015财年保持盈利，归功于你们的辛勤付出。同时，我也要感谢客户及合作伙伴多年来的不懈支持。最后，真诚感谢各位股东对本集团的投资与信任。未来，我期望大家继续参与分享安淳国际的长期增长业绩！

谢定中
集团主席

In January 2016, Anchun received the “Most Innovative Companies” award from the China Petroleum and Chemical Industries Association in recognition of our contributions to China’s petrochemical and chemical industry from 2011 to 2015

CEO'S MESSAGE

XIE MING
Executive Director and CEO

THOUGH IT WILL NOT BE AN EASY PATH FOR ANCHUN TO NAVIGATE, WE WILL CONTINUE TO DO OUR BEST TO DELIVER GOOD RESULTS TO OUR SHAREHOLDERS IN FY2016.

Dear Shareholders,

Reflecting the challenging economic and business climate in China last year, Anchun's revenue in FY2015 saw a slight dip of 5% to RMB123.5 million, from RMB129.4 million for the 12 months ended 31 December 2014 ("FY2014"). At the baseline, however, we achieved a marked improvement with net attributable profit rising 68% to RMB8.8 million, from RMB5.2 million in FY2014, while our gross profit margin remained stable at 41% in FY2015. Our operational cash flow has registered a stellar increase of 118%, from RMB8.0 million in FY2014 to RMB17.4 million in FY2015.

It was not an easy task for us to maintain a steady financial footing given the business landscape we faced. We believe Anchun was able to deliver a strong performance in FY2015 because of the strategic imperatives that we have implemented in the last two years. We rolled out further strategic initiatives in FY2015, which we believe will raise Anchun's resilience and keep us trim and fighting fit to better navigate the business landscape.

Enhancing operational efficiency through organisational restructure

Our strategies have always been tied directly to deploying the right people, processes and engineering efforts to provide high-value solutions to our customers. So far, we have been successful in this. Last year, our priority was to perform these tasks more efficiently. We undertook an organisation-wide restructure in FY2015, which

we believe, has optimised our operations. We strengthened the CSC business by adding a group of design engineers to ensure effective quality and schedule control. We combined eight departments into one administrative function to streamline the organisational structure and cut cost.

Implementing performance-based pay scheme across the organisation

In FY2014, we were focused on developing a results-driven leadership team. Thus we had rolled out a performance-based pay scheme to our employees across the organisation in FY2015. The clear alignment of incentives and the Group's financial goals has brought us significant improvements on our operational cash flow and net profit. We also saw a 86% surge in sales of our Catalyst business to RMB17.5 million with gross profit doubling to RMB7.8 million in FY2015 as more orders were filled and delivered at the Group's expanded 1,500-tonne production facility.

Facing up the challenging business environment and expand market presence

China clocked an economic growth rate of 6.9% in 2015, the slowest in 25 years, and economists expect 2016 to be an even tougher year[1] given the Government's restructuring measures. The global economic outlook also projects massive challenges as we see chemical giants like Dow and DuPont announced merger plans. As global players are seeking cost-effective and market-efficient solutions to operate under the highly competitive environment, it also creates opportunities for Anchun to use our niche position and engineering experiences. Anchun has attained organic growth in China in the past 23 years in China. We have engaged in cooperation discussions with a couple of global players and are pushing ourselves to expand market presence and create a larger global footprint.

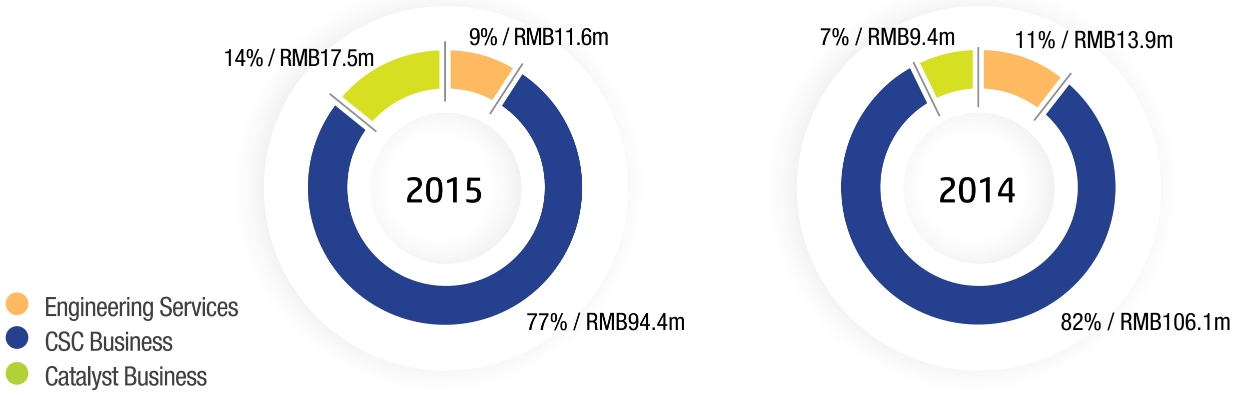
Though it will not be an easy path for Anchun to navigate, we will continue to do our best to deliver good results to our shareholders in FY2016. Already we have RMB144.6 million of confirmed book orders in hand as at 31 December 2015, which provides some revenue visibility for the Group.

Yours sincerely,
Xie Ming
Executive Director and CEO

1. *Wall Street Journal, "China's Economic Growth in 2015 Is Slowest in 25 Years", 19 January 2016*

OPERATIONS AND FINANCIAL REVIEW

REVENUE BY BUSINESS SEGMENT



For the financial year ended 31 December 2015 ("FY2015"), the Group reported total revenue of RMB123.5 million, representing a decrease of 5% from RMB129.4 million in the previous year ended 31 December 2014 ("FY2014"). The decline was mainly attributable to lower revenue from the Group's Engineering Services and CSC Business.

Revenue from the Group's Engineering Services was RMB2.3 million or 16% lower at RMB11.6 million in FY2015, impacted by lower revenue recognition based on the extent of completion for service contracts during FY2015.

Compared to FY2014, revenue from the Group's CSC Business decreased by RMB11.7 million or 11% to RMB94.4 million in FY2015. This was mainly due to less chemical equipment delivered in accordance with customers' project development activities.

Revenue from the Group's Catalyst Business rose by RMB8.1 million or 86% to RMB17.5 million in FY2015, driven by more orders being filled at the Group's expanded 1,500-tonned production facility and the delivery of finished goods.

Overall gross profit was RMB2.4 million or 5% lower at RMB50.8 million in FY2015, in tandem with the decline in the Group's revenue. Gross profit margin held steady at 41% in FY2015.

A higher net gain from sales of equipment and a new type of catalyst arising from research and development activities lifted the Group's profit before tax, which gained RMB4.1 million or 60% to reach RMB11.0 million in FY2015. This was partially offset by an increase in operating expenses.

In line with the increase in profit of the Group's subsidiary, income tax expense increased by RMB0.6 million or 35% to RMB2.2 million in FY2015. Effective tax rate was approximately 20% in FY2015.

Overall, the Group's net profit attributable to owners of the Company increased by RMB3.6 million or 68% from RMB5.2 million in FY2014 to RMB8.8 million in FY2015.

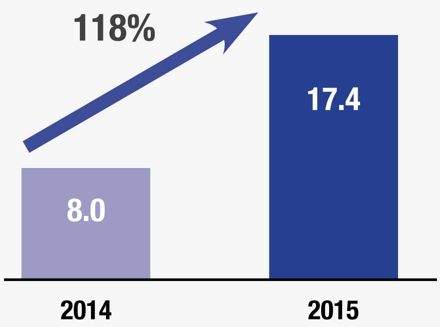
Gross Profit by Business Segment (RMB'000)	FY2015	FY2014	Chg (%)
Engineering Services	8,330	9,407	(11)
CSC Business	34,647	39,964	(13)
Catalyst Business	7,842	3,865	103
Total	**50,819**	**53,236**	**(5)**

Gross Profit Margin by Business Segment (%)	FY2015	FY2014	Chg (pts)
Engineering Services	72	68	4
CSC Business	37	38	(1)
Catalyst Business	45	41	4
Total	**41**	**41**	**0**

HEALTHY FINANCIAL POSITION

The Group remains in a financially strong position with no bank loans and with cash and cash equivalents amounting to RMB155.4 million as at 31 December 2015. The liquidity position of the Group continued to remain healthy with an improved current ratio of 2.6 times as at 31 December 2015, compared with a current ratio of 2.1 times a year ago. Shareholders' equity rose RMB 9.0 million to RMB327.6 million as at 31 December 2015 from the current year's retained profits.

OPERATIONAL CASH FLOW (RMB 'million)



Total current assets amounted to RMB321.4 million as at 31 December 2015, compared to RMB342.4 million as at 31 December 2014. The decrease of RMB21.0 million was mainly due to lower cash and cash equivalents, bills receivable and inventories, partially offset by higher trade and other receivables. The increase in trade receivables was mainly attributable to the debts not due for collection.

Total non-current assets decreased by RMB10.3 million to RMB132.1 million as at 31 December 2015, mainly attributable to lower net book values of the Group's property, plant and equipment.

Total current liabilities decreased by RMB40.4 million to RMB125.8 million as at 31 December 2015, mainly due to decreases in trade and other payables, advances from customers and other liabilities. This was partially offset by higher income tax payable, resulting from income tax accrual which was line with the increase in profit before tax.

UPDATE ON USE OF IPO PROCEEDS

As at 31 December 2015, the net proceeds from the Group's initial public offering have been utilised as follows:

Usage of IPO Proceeds	Amount allocated (RMB'000)	Amount utilised (RMB'000)	Balance (RMB'000)
Expand our production facilities and capacities	84,238	17,055	67,183
Enhance our R&D capabilities and widen our range of innovative and cost-effective solutions	15,479	3,680	11,799
Working capital purposes	33,772	17,071	16,701
Total	**133,489**	**37,806**	**95,683**

FINANCIAL HIGHLIGHTS

Striving for **Sustainable Growth**

BOARD OF DIRECTORS

XIE DING ZHONG
Non-Executive Chairman

Xie Ding Zhong is our Non-Executive Chairman. 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

Xie Ming 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 was appointed as our Executive Director in June 2014 and he has been appointed as 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.

ZHENG ZHI ZHONG
Executive Director and COO

Dai Feng Yu is our Executive Director. She was appointed to our Board on 9 September 2010 and 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.

DAI FENG YU
Executive Director

BOARD OF DIRECTORS

LEE GEE AIK
Lead Independent Director

Lee Gee Aik was appointed as an Independent Non-executive Director of our Company on 9 September 2010. He is currently an accountant in public practice. He has over 30 years of experience in accounting, tax and financial management areas. He previously worked for KPMG Singapore and USA and in the hospitality industry. Mr Lee is a Fellow of the Association of Chartered Certified Accountants (UK) and the Institute of Singapore Chartered Accountants. He also obtained a Masters in 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 was the Executive Vice Chairman of Astaka Holdings Limited (formerly known as E2-Capital Holdings Limited) and also an Independent Director of SHS Holdings Limited, Astaka Holdings Limited, International Healthway Corporation Limited, Uni-Asia Holdings Limited and LHN Limited. The past directorships held by him in the preceding three years in other listed companies include Leader Environmental Technologies Limited and Ley Choon Group Holdings Limited.

TAN MIN-LI
Independent Director

Tan Min-Li is our Independent Director, and was appointed to our Board on 9 September 2010. 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.

Andrew Bek was appointed to our board on 1 March 2014 as Non-executive Director and re-designated as Independent Director on 4 September 2014. 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 is currently an Executive Director of SGX Mainboard-listed China Environment Ltd.

ANDREW BEK
Independent Director

Yang Chun Sheng was appointed to our Board as Independent Director on 4 September 2014. Mr Yang is a Registered Senior Engineer (Research Fellow) -- the highest rank of engineers, in the PRC. He is currently the Honourary Chairman of the China Nitrogen Fertilizer Industry Association and the President of Shandong Chemical Fertilizer 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 Fertilizer Industry Company and General Manager of Shandong Province Chemical Fertilizer Industry Corporation.

As part of his role in the industry associations, Yang Chun Sheng proactively guided fertilizer enterprises on industrial upgrading and technological innovation activities, as well as hastened the science and technology development in the area of domestic coal gasification and the promotion and application of the related technologies. He led and also participated in the planning, standards drafting, policy review for the fertilizer 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 fertilizer industrial policies, technical progress and business management on national newspapers, periodicals and business networks.

YANG CHUN SHENG
Independent Director

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.

LI BIN
Head of System Design Department

Li Bin is 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.

Lin 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.

QIN HONG JIAN
Finance Controller

Qin Hong Jian is our Finance Controller. He was appointed to our Group in October 2014. He is responsible for our Group and the subsidiary's overall finance management. He has 20 years of finance experience. He worked as the finance manager in corporations and banks for more than 8 years since 2006. He has engaged in IPO audit, routine annual report audit and due diligence for more than 4 years since 2002. He has much experience in enterprise finance management, accounting, tax, investment and financing management and internal control. Before joining our Group, Qin Hong Jian worked as the Finance Manager in Gac Flat Automobiles Co., Ltd for more than 3 years. Qin Hong Jian holds China certified public accountant certificate, and also posseses the intermediate level of the Association of Chartered Certified Accountants of United Kingdom.

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)
Andrew Bek (Independent Director)
Yang Chun Sheng (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 Swee Ho
(Date of appointment: since financial year ended 31 December 2011)

PRINCIPAL BANKERS:

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

FINANCIAL CONTENTS

REPORT OF CORPORATE GOVERNANCE

The 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.

The Board's Conduct of its Affairs

Principle 1: 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:-

- 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;
- material acquisitions and disposal of assets; and
- all matters of strategic importance.

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.

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 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. Directors' recruiting, appointing and resigning process are discussed in Board meetings and NC meetings. The decision-making processes and the decisions are recorded in meeting minutes in a timely and orderly manner. Relevant supporting documents are filed accordingly.

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.

REPORT OF CORPORATE GOVERNANCE

During FY2015, the number of 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	5	5
Ms Xie Ming	5	5
Mr Liang Gong Zeng*	5	4
Ms Dai Feng Yu	5	5
Mr Zheng Zhi Zhong	5	5
Mr Lee Gee Aik	5	5
Ms Tan Min-Li	5	5
Mr Andrew Bek	5	5
Mr Yang Chun Sheng	5	5

* Mr Liang Gong Zeng resigned as a Director of the Company on 24 March 2016.

Board Composition and Balance

Principle 2: 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.

The Board currently comprises:-

Executive Directors
Ms Xie Ming
Mr Liang Gong Zeng (Resigned on 24 March 2016)
Ms Dai Feng Yu
Mr Zheng Zhi Zhong

Non-Executive Director
Mr Xie Ding Zhong

Independent and Non-Executive 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 to ensure that the Board consists of persons who, together, will provide core competencies necessary to meet the Company's objectives. 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. The independent and non-executive Directors constructively challenge and help to develop proposals on strategy and also review the performance of the management in meeting agreed goals and objectives, and monitor the reporting of performance. Non-Executive Directors are encouraged to meet regularly without the presence of management.

REPORT OF CORPORATE GOVERNANCE

The Board has examined its size 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 and the wide spectrum of skill and knowledge of the Directors. The NC is of the view that no individual or small group of individuals dominates the Board's decision-making process.

There is adequate relevant competence on the part of the Directors, who, as a group, carry specialist backgrounds in accounting, finance, legal, business and management and strategic planning.

Chairman and Chief Executive Officer

Principle 3: 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.

The Non-Executive Chairman 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) while the CEO is responsible for the formulation of the Group's strategic directions and expansion plans, and managing the Group's overall business development.

Notwithstanding that Mr Xie Ding Zhong is the father of Ms Xie Ming, all major proposals and transactions are made in consultation with the Board which comprises independent and non-executive Directors. 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.

To promote a high standard of corporate governance, Mr Lee Gee Aik has been appointed as the Lead Independent and Non-Executive 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 or for which such contact is inappropriate.

Where warranted, the Lead Independent and Non-Executive Directors meets with the other Independent and Non-Executive 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.

Board Membership

Principle 4: There should be a formal and transparent process for the appointment and re-appointment of Directors to the Board.

Under the Constitution of the Company, all Directors are required to submit themselves for re-nomination and re-election every three years.

Currently, the NC comprises Independent and Non-Executive Directors, Mr Yang Chun Sheng, Ms Tan Min-Li and Mr Lee Gee Aik and Non-Executive Director, 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.

The principal functions of the NC are as follows:-

- to review and recommend to the Board all Board appointments and re-appointments, having regard to their contribution and performance;
- to determine on an annual basis whether 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; and
- to determine the appropriate training and professional development programs for the Board.

REPORT OF CORPORATE GOVERNANCE

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

The number of meetings held and the attendance thereat during the financial years is as follows:-

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

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.

Regulation 89 of the Constitution provides that one-third of the Directors shall retire from office by rotation 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 five Directors retiring under Regulation 89 of the Constitution, namely Mr Xie Ding Zhong, Mr Yang Chun Sheng, Ms Xie Ming, Ms Dai Feng Yu and Ms Tan Min-Li.

Notwithstanding that some of the Directors have multiple board representations, the Board is satisfied that each Director is able to and has been adequately carrying out his duty as a Director of the Company. The Board is of the view that the assessment of whether each Director is able to devote sufficient time to discharge his or her duties should not restricted to the number of board representations. Holistically, the contributions by the Directors during the meetings and attendance at such meeting should also be taken into consideration. As such, the NC would (i) continue to review from time to time the listed company board representations of each Director to ensure that the Directors continue to meet the demands of the Group and are able to discharge their duties adequately; and (ii) decide on the maximum number of listed company board representations which Directors may hold should such need arises.

Key information regarding the Directors is set out under the “Board of Directors” Section of this annual report.

Board Performance

Principle 5: 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 evaluation factors, and disseminates the same to each Director for completion. The summary of the assessment results are discussed at the NC meeting.

Access to Information

Principle 6: 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.

REPORT OF CORPORATE GOVERNANCE

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 records and information, all Board and Board committees' minutes. Directors are also provided with agenda and meeting materials in advance and have separate and independent access to the Company Secretary and Management at all times.

The Company Secretary or his/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, and the provisions in the Listing Manual of the SGX-ST are complied with. Each Director 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.

Procedures for Developing Remuneration Policies

Principle 7: 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 currently comprises Independent and Non-Executive Directors, Ms Tan Min-Li and Mr Yang Chun Sheng and Non-Executive Director, Mr Xie Ding Zhong. The Chairman of the RC is Ms Tan Min-Li. The RC has written terms of reference that describe the responsibilities of its members.

The RC was formed to recommend to the Board a framework of remuneration for the Directors and Key Executives and to determine specific remuneration packages for each Executive Director and Key Executive. The recommendations of the RC are submitted for endorsement by the entire Board. All aspects of remuneration, including but not limited to Directors' fees, salaries, allowances, bonuses, options and benefits in kind shall be covered by our RC. In addition, the RC will perform an annual review of the remuneration of employees related to the Directors and Substantial Shareholders to ensure that their remuneration packages are in line with our staff remuneration guidelines and commensurate with their respective job scope and level of responsibilities. They will also review and approve any bonuses, pay increases and/or promotion for these employees. 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. The RC has full authority to obtain any external professional advice on matters relating to remuneration as and when the need arises. Each member of the RC shall abstain from voting on any resolution in respect of his or her remuneration package.

The number of 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

Level and Mix of Remuneration

Principle 8: 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.

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 Director and key management personnel.

REPORT OF CORPORATE GOVERNANCE

The Independent and Non-Executive 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 and Non-Executive Directors. The fees are subject to approval by the shareholders at each AGM. Except as disclosed, the Independent and Non-Executive Directors do not receive any other remuneration from the Company.

The Company had entered into service agreements with the Executive Directors for a period of three years. These service agreements are subject to automatic renewal for another three-year term on the same terms and conditions upon the expiry thereof.

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. .

Disclosure on Remuneration

Principle 9: Each company should provide clear disclosure of its remuneration policy, level and mix of remuneration and the procedures for setting remuneration in the company's annual report.

A breakdown, showing the level and mix of each individual Director's remuneration in FY2015 is as follows:-

Name of Director	Fee#	Salary	Bonus	Benefits	Total
S$0 to S$250,000	**%**	**%**	**%**	**%**	**%**
Mr Xie Ding Zhong	100	–	–	–	100
Mr Liang Gong Zeng	–	50	50	–	100
Ms Dai Feng Yu	–	47	53	–	100
Mr Zheng Zhi Zhong	–	48	52	–	–
Ms Xie Ming	–	50	50	–	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 are subject to the approval of the shareholders at the forthcoming AGM

A breakdown, showing the level and mix of top key executives in FY2015 is as follows:-

Name of Executive#	Salary	Bonus	Benefits	Total
S$0 to S$250,000	**%**	**%**	**%**	**%**
Mr Qin Hong Jian	63	37	–	100
Mr Li Chun Yang	48	52	–	100
Mr Li Bin	50	50	–	100

Note:

\# During the financial year under review, there were only three key executives.

REPORT OF CORPORATE GOVERNANCE

The aggregate total remuneration paid to or accrued to key executives (who are not Directors or CEO) amounted to S$229,857.

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 this regard, weighing the advantages and disadvantages of such disclosure.

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 executives, or between any of the Directors, key executive and substantial shareholders.

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

Accountability

Principle 10: The Board present a balanced and understandable assessment of the company's performance, position and prospects.

For the financial performance reporting via the SGXNET announcement to SGX-ST, and the annual report to the shareholders, the Board has a responsibility to present a balanced and fair assessment of the Group's financial position, including the prospects of the Group. Information is presented to shareholders on a timely basis.

The Board ensures that the management maintains a sound system of internal control to safeguard the shareholders' investment and the Group's assets.

The management will provide all members of the Board with management accounts of the Group's performance, with explanatory details on its operations on a periodical basis. The board papers are given prior to any board meeting to facilitate effective discussion and decision-making.

Internal Controls

Principle 11: The Board should ensure that the 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 work performed by external auditors and the on-going review upon the scope of work previously performed by the internal auditors, as well as the continuing efforts in enhancing controls and processes which currently in place, the Board, with the concurrence of the AC, is of the view that there are adequate internal controls in place for the Group to address financial, operational, compliance and information technology risks and risk management systems were adequate during the year. The Board and the AC noted that all internal controls contain inherent limitations and no systems of internal controls could provide absolute assurance against the occurrence of material errors, poor judgment in decision making, human error, losses, fraud or other irregularities.

The Board has also received assurance from the Executive Chairman and the Chief Financial Officer that (i) the financial records have been properly maintained and the financial statements for FY2015 give a true and fair view of the Company's operations and finances and (ii) the Company risk management and internal control systems in place are effective.

The Board will continue its risk assessment process, which is an on-going process, with a view to improve the Company's internal controls system.

REPORT OF CORPORATE GOVERNANCE

Audit Committee

Principle 12: The Board should establish an audit committee with written terms of reference which clearly sets out its authority and duties.

The AC, which has written terms of reference clearly setting out its authority and duties, is made up of three Independent and Non-Executive Directors, namely Lee Gee Aik, Tan Min-Li and Mr Andrew Bek. The Chairman of the AC is Lee Gee Aik. The Board is of the view that the AC has the necessary experience and expertise required to discharge its duties.

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

- reviewing the announcement of the quarterly, half-year and full-year results and the accounts of the Group;
- reviewing the audit plans and reports of the external auditors and considering the effectiveness of the actions taken by Management on the auditors' recommendations;
- appraising and reporting to the Board on the audits undertaken by the external auditors, the adequacy of disclosure of information, and the appropriateness and quality of the system of management and internal controls;
- reviewing the assistance and co-operation given by Management to the external auditors;
- discussing problems and concerns, if any, arising from the external audits;
- nominating external auditor for re-appointment; and
- reviewing interested person transactions, as defined in the Listing Manual of the SGX-ST.

The AC, has put in place a whistle-blowing arrangement whereby the staff of the Company may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters. There are arrangements in place for the independent investigation of such matters for appropriate follow-up actions to be taken.

Where the need arises, the AC will meet with the external auditor and with the internal auditors, without the presence of the Management, at least once in every financial year to review the adequacy of audit arrangement with emphasis on the scope and quality of their audit, the independence, objectivity and observations of the auditors.

The AC has recommended to the Board that Ernst & Young LLP be nominated for re-appointment as auditors of the Company at the forthcoming AGM.

The aggregate amount of audit fees paid or payable to the external auditors of the Company for FY2015 was S$189,000.

The Company is in compliance with Rules 712 and 715 of the Listing Manual in relation to its external auditors.

The number of 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

REPORT OF CORPORATE GOVERNANCE

Internal Audit

Principle 13: The company should establish an effective internal audit function that is adequately resourced and independent of the activities it audits.

The AC is aware of the need to establish a system of internal controls within the Group to safeguard the shareholders' interests and the Group's assets, and to manage risks. The system is intended to provide reasonable but not absolute assurance against material misstatements or loss, and to safeguard assets and ensure maintenance of proper accounting records, reliability of financial information, compliance with appropriate legislation, regulation and best practice, and the identification and containment of business risks.

The Company outsourced its internal audit function to an external professional firm. The internal auditor primary line of reporting is to the Chairman of the AC in respect of its work which will also include reviewing and assessing the financial, operational and compliance risks and any special projects commissioned by the AC. The Company conducted an on-going review in FY2015 upon the scope of work previously performed by the internal auditors on the internal control processes of the Group. An ERP system has been successfully implemented by the Company during the year. The Company intends to have the internal auditors conduct a review of the ERP system in FY2016 to ensure that key internal controls remain in place following the implementation of the ERP system as well as any areas for further improvements.

The Board believes that, in the absence of any evidence to the contrary, the system of internal controls maintained by the management, and that was in place throughout the year and up to the date of this Report, is adequate to meet the needs of the Group in its current business environment.

Shareholder Rights

Principle 14: 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.

All shareholders are treated fairly and equitably to ensure their ownership rights are met. The Group respects the equal information rights of all shareholders and is committed to the practice of fair, transparent and timely disclosure.

Shareholders are encouraged to attend, raise questions and vote at the Company's general meeting.

Communication with Shareholders

Principle 15: 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.

The Company does not practise selective disclosure. Price-sensitive information is first publicly released before the Company meets with any group of investors or analysts. Results and annual reports are announced or issued within the mandatory period (and where this is not possible, relevant extensions of time are sought in accordance with applicable laws, regulations and rules).

The Board has not recommended any dividend for FY2015 because the Board wants to ensure that the Company has adequate resources to deal with adverse changes in macroeconomics environments.

REPORT OF CORPORATE GOVERNANCE

Principle 16: 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.

All shareholders of the Company will receive the Company's annual report and notice of AGM. At AGM, shareholders will be given the opportunity and time to air their views and ask Directors or the Management questions regarding the Company.

The Constitution of the Company allows members of the Company who are individuals to appoint up to two proxies to attend and vote on their behalf through proxy forms sent in advance. The Company prepares minutes of general meetings and these minutes are available upon request by shareholders.

Pursuant to the amendments of the Companies Act (Cap. 50) effective from 3 January 2016, corporations which provide nominee or custodial services and are members of the Company are entitled to appoint more than two proxies so that shareholders who hold shares through such corporations can attend and participate in general as proxies.

The Chairman of each Board committee is required to be present to address questions at the AGM. The external auditor will also be present at such meeting to assist the Directors to address shareholders' queries, if necessary.

To enhance shareholder participation, the Group puts all resolutions at general meeting to vote by poll and announces the results by showing the number of votes cast for and against each resolution and the respective percentage to the audience at the general meetings. With effect from the forthcoming AGM, the Company will put all resolutions to vote by electronic polling.

Dealing in Securities

The Company has adopted policies in line with the requirements of the Listing Manual of the SGX-ST on dealings in the Company's securities.

The Company prohibits its officers from dealing in the Company's shares on short-term considerations or when they are in possession of unpublished price-sensitive information. They are 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 full financial year, and ending on the date of announcement of the relevant results.

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 FY2015 as required to be disclosed pursuant to Rule 1207(17) of the Listing Manual of the SGX-ST are set out below:

Name of interested person	Aggregate value of all interested person transactions during FY2015 (excluding transactions less than $100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than $100,000)
Nil	Nil	Nil

REPORT OF CORPORATE GOVERNANCE

The Board confirms that the above interested person transactions were entered into on an arm's length basis and on normal commercial terms and are not prejudicial to the interests of the shareholders of the Company.

Material Contracts and Loans

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

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 2015.

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 2015 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	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
Andrew Bek	Independent Director
Tan Min-li	Independent Director
Yang Chun Sheng	Independent Director
Liang Gong Zeng	Executive Director and COO (Resigned on 24 March 2016)

Arrangements to enable directors to acquire shares and debentures

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

DIRECTORS' STATEMENT

Directors' interests in shares or debentures

The following directors, who held office at the end of the financial year, had, according to the register of directors' shareholdings, required to be kept under section 164 of the Singapore Companies Act, 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	1,200,000	1,200,000	–	–
Dai Feng Yu	–	–	41,200,000	40,822,000
Xie Ming	–	–	108,000,000	108,000,000
Andrew Bek	–	–	16,000,000	16,000,000
Liang Gong Zeng (Resigned on 24 March 2016)	–	–	44,700,000	44,700,000

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

Dawn Vitality International Limited holds 42,522,000 shares, of which 1,700,000 shares are held on trust for certain employees under the Anchun Performance Share Plan 2014 and Dai Feng Yu owns 25.24% of Dawn Vitality International Limited with the remaining 74.76% held on trust by her for the 143 beneficiaries under a Trust Agreement. Able Gallery Ltd., a company wholly owned by Andrew Bek holds 16,000,000 shares. Giant Yield Global Limited holds 44,700,000 shares and Liang Gong Zeng owns 25.41% of Giant Yield Global Limited with the remaining 74.59% held on trust by him for the 103 beneficiates under a Trust Agreement.

There was no change in any of the above-mentioned interests in the Company between the end of the financial year and 21 January 2016.

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 and Anchun Employee Share Option Scheme 2014.

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.

DIRECTORS' STATEMENT

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 shares will be released to these employees at the conclusion of the three years vesting period under Anchun PSP.

No options were issued by the Company or its subsidiary during the financial year. As at 31 December 2015, there are 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.

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

24 March 2016

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF ANCHUN INTERNATIONAL HOLDINGS LTD.

Report on the Financial Statements

We have audited the accompanying financial statements of Anchun International Holdings Ltd. (the "Company") and its subsidiary (collectively, the "Group") set out on pages 35 to 77, which comprise the balance sheets of the Group and the Company as at 31 December 2015, 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 a summary of significant accounting policies and other explanatory information.

Management's Responsibility 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 Singapore Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards, 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF ANCHUN INTERNATIONAL HOLDINGS LTD.

Opinion

In our opinion, the consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2015 and of the financial performance, changes in equity and cash flows of the Group and the changes in equity of the Company for the year ended on that date.

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.

Ernst & Young LLP
Public Accountants and
Chartered Accountants
Singapore

24 March 2016

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

(Amounts expressed in Renminbi)

		Group	
	Note	**2015**	**2014**
		RMB'000	RMB'000
Revenue	4	123,505	129,354
Cost of sales		(72,686)	(76,118)
Gross profit		50,819	53,236
Other item of income			
Finance and other income	5	14,737	11,457
Other items of expense			
Marketing and distribution expenses		(6,256)	(5,799)
Administrative expenses		(38,404)	(42,783)
Research expenses		(8,387)	(7,754)
Other expenses	6	(674)	(96)
Finance costs	7	(850)	(1,414)
Profit before tax	8	10,985	6,847
Income tax expense	9	(2,158)	(1,600)
Profit for the year, representing total comprehensive income for the year attributable to owners of the Company		8,827	5,247
Earnings per share (RMB cents):			
Basic	10	1.75	1.04
Diluted	10	1.75	1.04

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

BALANCE SHEETS

AS AT 31 DECEMBER 2015

(Amounts expressed in Renminbi)

	Note	Group 2015	Group 2014	Company 2015	Company 2014
		RMB'000	RMB'000	RMB'000	RMB'000
ASSETS					
Non-current assets					
Property, plant and equipment	14	114,704	121,783	–	–
Intangible assets	15	293	62	–	–
Land use rights	16	14,440	14,805	–	–
Deferred tax assets	17	53	53	–	–
Investment in subsidiary	13	–	–	75,166	75,000
Investment property	18	788	964	–	–
Prepayments	19	1,788	4,751	–	–
		132,066	142,418	75,166	75,000
Current assets					
Inventories	20	65,388	71,615	–	–
Trade and other receivables	21	94,359	99,442	35,766	35,802
Prepayments	19	6,250	6,655	85	80
Cash and cash equivalents	22	155,363	164,684	27,223	29,930
		321,360	342,396	63,074	65,812
Total assets		453,426	484,814	138,240	140,812
EQUITY AND LIABILITIES					
Current liabilities					
Trade and other payables	23	59,225	89,006	11,074	10,873
Advances from customers		42,647	52,785	–	–
Other liabilities	24	16,838	19,332	1,085	1,163
Provision for after-sale expenses	25	–	35	–	–
Income tax payable		7,099	5,034	–	–
		125,809	166,192	12,159	12,036
Total liabilities		125,809	166,192	12,159	12,036
Net current assets		195,551	176,204	50,915	53,776
Net assets		327,617	318,622	126,081	128,776
Equity attributable to owners of the Company					
Share capital	26	149,278	149,278	149,278	149,278
Treasury/employee benefit trust shares	26	(430)	(430)	(430)	(430)
Other reserves	27	119,399	117,895	168	–
Accumulated profits/(loss)		59,370	51,879	(22,935)	(20,072)
Total equity		327,617	318,622	126,081	128,776
Total equity and liabilities		453,426	484,814	138,240	140,812

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 2015

(Amounts expressed in Renminbi)

	Attributable to owners of the Company				
	Total equity	**Share capital (Note 26)**	**Treasury/ employee benefit trust shares**	**Other reserves (Note 27)**	**Accumulated profits**
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
2015					
Group					
Opening balance at 1 January 2015	318,622	149,278	(430)	117,895	51,879
Profit for the year, representing total comprehensive income for the year	8,827	–	–	–	8,827
Others					
Grant of equity-settled performance shares	168	–	–	168	–
Transfer to statutory reserve fund - safety production expenditure	–	–	–	982	(982)
Transfer to statutory reserve fund	–	–	–	354	(354)
Total others	168	–	–	1,504	(1,336)
Closing balance at 31 December 2015	327,617	149,278	(430)	119,399	59,370
2014					
Group					
Opening balance at 1 January 2014	313,375	149,278	(430)	115,880	48,647
Profit for the year, representing total comprehensive income for the year	5,247	–	–	–	5,247
Others					
Transfer to statutory reserve fund - safety production expenditure	–	–	–	1,048	(1,048)
Transfer to statutory reserve fund	–	–	–	967	(967)
Total others	–	–	–	2,015	(2,015)
Closing balance at 31 December 2014	318,622	149,278	(430)	117,895	51,879

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

(Amounts expressed in Renminbi)

	Attributable to owners of the Company				
	Total equity	Share capital (Note 26)	Treasury/ employee benefit trust shares	Other reserves (Note 27)	Accumulated loss
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
2015					
Company					
Opening balance at 1 January 2015	128,776	149,278	(430)	–	(20,072)
Loss for the year, representing total comprehensive income for the year	(2,863)	–	–	–	(2,863)
Grant of equity-settled performance shares	168	–	–	168	–
Closing balance at 31 December 2015	126,081	149,278	(430)	168	(22,935)
2014					
Company					
Opening balance at 1 January 2014	132,564	149,278	(430)	–	(16,284)
Loss for the year, representing total comprehensive income for the year	(3,788)	–	–	–	(3,788)
Closing balance at 31 December 2014	128,776	149,278	(430)	–	(20,072)

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

CONSOLIDATED CASH FLOW STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

(Amounts expressed in Renminbi)

	Group	
	2015	**2014**
	RMB'000	RMB'000
Operating activities		
Profit before tax	10,985	6,847
Adjustments for:		
Depreciation of property, plant and equipment	14,169	12,903
Depreciation of investment property	176	176
Amortisation of intangible assets	73	12
Amortisation of land use rights	365	367
Write-back of allowance for impairment of trade receivables, net	–	(983)
Bad debts written off	598	–
Write down of inventory to net realisable value	896	3,912
(Write-back of)/allowance for impairment of prepayments	(3)	96
Write-back of allowance for after-sale services	(35)	(28)
Gain on disposal of property, plant and equipment	(3)	(566)
Finance costs	850	1,414
Finance income	(3,208)	(4,272)
Performance share expense	168	–
Net foreign exchange loss/(gain)	76	(53)
Operating cash flows before changes in working capital	25,107	19,825
Changes in working capital		
Decrease/(increase) in:		
Inventories	5,331	(13,262)
Trade and other receivables	4,485	(28,346)
Prepayments	408	(3,575)
Increase/(decrease) in:		
Trade and other payables	(7,517)	8,132
Advances from customers	(10,138)	17,779
Other liabilities	(1,922)	4,821
Total changes in working capital	(9,353)	(14,451)
Cash flows generated from operations	15,754	5,374
Interest received	3,208	4,272
Interest paid	(1,422)	(1,669)
Income taxes paid	(93)	–
Net cash flows generated from operating activities	17,447	7,977

CONSOLIDATED CASH FLOW STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

(Amounts expressed in Renminbi)

	Note	Group 2015 RMB'000	Group 2014 RMB'000
Investing activities			
Purchase of property, plant and equipment	A	(4,065)	(13,754)
Purchase of intangible assets - software		(304)	(63)
Proceeds from disposal of property, plant and equipment		56	727
Net cash flows used in investing activities		(4,313)	(13,090)
Financing activity			
Repayment of loans from former shareholders of a subsidiary		(22,379)	(20,085)
Net cash flows used in financing activity		(22,379)	(20,085)
Net decrease in cash and cash equivalents		(9,245)	(25,198)
Cash and cash equivalents at 1 January		164,684	189,829
Effect of exchange rate changes on cash and cash equivalents		(76)	53
Cash and cash equivalents at 31 December	22	155,363	164,684

A. Purchase of property, plant and equipment

	Group 2015 RMB'000	Group 2014 RMB'000
Current year additions to property, plant and equipment (Note 14)	7,143	12,234
Less: Payable to creditors	(2,570)	(2,455)
Prepayments made in prior year	(4,751)	(2,775)
	(178)	7,004
Add: Payments for prior year purchase	2,455	1,999
Prepayments made in current year	1,788	4,751
Net cash outflow for purchase of property, plant and equipment	4,065	13,754

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 2015

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.

The registered office of the Company is located at 81 Anson Road, #08-8.20 M Hotel, 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 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.

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 2015. The adoption of these standards did not have any effect on the financial performance or position of the Group and the Company.

2.3 Standards issued but not yet effective

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

Description	**Effective for annual periods beginning on or after**
Improvements to FRSs (November 2014)	
(a) Amendments to FRS 107 Financial Instruments	1 January 2016
(b) Amendments to FRS 19 Employee Benefit	1 January 2016
Amendments to FRS 1 Disclosure Initiative	1 January 2016
FRS 115 *Revenue from Contracts with Customers*	1 January 2018
FRS 109 *Financial Instruments*	1 January 2018

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

2. Summary of significant accounting policies (cont'd)

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

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

FRS 109 *Financial Instruments*

FRS 109 introduces new requirements for classification and measurement of financial assets, impairment of financial assets and hedge accounting. 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. Adopting the expected credit losses requirements will require the Group to make changes to its current systems and processes.

FRS 109 is effective for annual periods beginning on or after 1 January 2018 with early application permitted. Retrospective application is required, but comparative information is not compulsory. The Group is currently assessing the impact of FRS 109 and plans to adopt the standard on the required effective date.

FRS 115 *Revenue from Contracts with Customers*

FRS 115 establishes a five-step model that will apply to revenue arising from contracts with customers. 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 principles in FRS 115 provide a more structured approach to measuring and recognising revenue when the promised goods and services are transferred to the customer i.e. when performance obligations are satisfied.

Key issues for the Group include identifying performance obligations, accounting for contract modifications, applying the constraint to variable consideration, evaluating significant financing components, measuring progress toward satisfaction of a performance obligation, recognising contract cost assets and addressing disclosure requirements.

Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2018 with early adoption permitted. The Group is currently assessing the impact of FRS 115 and 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

2. Summary of significant accounting policies (cont'd)

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

(a) Basis of consolidation (cont'd)

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 controls is lost;
- de-recognises the carrying amount of any non-controlling interest;
- 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 entitles 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

2. Summary of significant accounting policies (cont'd)

2.5 Foreign currency

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

Transactions and balances

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

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

2.6 Property, plant and equipment

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

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

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

Assets under construction 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 measured 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

2. Summary of significant accounting policies (cont'd)

2.7 Intangible assets (cont'd)

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 life 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.

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. Depreciation is computed on a straight-line basis over the estimated useful life of 20 years.

Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation and any accumulated impairment losses.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

2. Summary of significant accounting policies (cont'd)

2.10 Impairment of non-financial assets (cont'd)

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.

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 2015

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.

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

2. Summary of significant accounting policies (cont'd)

2.13 Impairment of financial assets (cont'd)

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.

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.

2.15 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.

2.16 Provisions

General

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

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.

Provision for after-sale expenses

Provision for after-sale expenses is recognised when the product is sold. Initial recognition is based on historical experience. The initial estimate of after-sales expenses is reviewed annually.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

2. Summary of significant accounting policies (cont'd)

2.17 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.

2.18 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 relates 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 in "Finance and other income".

2.19 Research costs

Research costs are expensed as incurred.

2.20 Employee benefits

(a) Defined contribution plans - pension benefits

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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

2. Summary of significant accounting policies (cont'd)

2.20 Employee benefits (cont'd)

(b) *Equity-settled share-based payment transactions (cont'd)*

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).

2.21 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 2.22(e).

2.22 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. 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

2. Summary of significant accounting policies (cont'd)

2.22 Revenue (cont'd)

(c) Interest income

Interest income is recognised using the effective interest method.

(d) Dividend income

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

(e) Rental income

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms.

2.23 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

2. Summary of significant accounting policies (cont'd)

2.23 Taxes (cont'd)

(b) Deferred tax (cont'd)

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.

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 to 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.

2.24 Share capital and share issuance expenses

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

2. Summary of significant accounting policies (cont'd)

2.25 Treasury shares

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

3. Significant accounting judgments and estimates

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

3.1 Judgements made in applying accounting policies

Management is of the opinion that there is no significant judgment made in applying accounting policies.

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 2015

4. Revenue

	Group	
	2015	**2014**
	RMB'000	RMB'000
Sale of goods	111,882	115,456
Rendering of services	11,623	13,898
	123,505	129,354

5. Finance and other income

	Group	
	2015	**2014**
	RMB'000	RMB'000
Finance income		
Interest income on bank balances and deposits	3,208	4,272
Other income		
Government grants^	677	510
Sale of scrap materials and parts	839	1,204
Sale of equipment arising from research and development efforts	8,543	2,134
Rental income from investment properties (Note 18)	362	262
Net foreign exchange gain	–	53
Write-back of allowance for impairment of prepayments, net	3	–
Write-back of impairment of trade receivables, net	–	983
Gain from contract penalty	192	1,473
Gain on disposal of property, plant and equipment	3	566
Write-back of over-provision for VAT payable	896	–
Others	14	–
	14,737	11,457

^ During the financial year ended 31 December 2015 and 2014, the Company' subsidiary in the People's Republic of China received cash grants for distinguished enterprise and research and development from Changsha Finance Bureau High-Tech Zone.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

6. Other expenses

	Group	
	2015	**2014**
	RMB'000	RMB'000
Net foreign exchange loss	76	–
Bad debts written off	598	–
Allowance for impairment of prepayments, net	–	96
	674	96

7. Finance costs

	Group	
	2015	**2014**
	RMB'000	RMB'000
Interest expense on loans from former shareholders of a subsidiary	842	1,414
Others	8	–
	850	1,414

8. Profit before tax

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

	Group	
	2015	**2014**
	RMB'000	RMB'000
Audit fees:		
- auditors of the Company	867	917
Amortisation of land use rights	365	367
Amortisation of intangible assets	73	12
Write down of inventory to net realisable value	896	3,912
Operating lease expense	617	602
Depreciation of property, plant and equipment	14,169	12,903
Depreciation of investment property	176	176
Employee benefits expense (Note 11)	29,835	30,408
Gain on disposal of property, plant and equipment	(3)	(566)
Write-back of allowance for impairment of trade receivables, net	–	(983)
Bad debts written off	598	–
Write-back of after-sale services	(35)	(28)
Direct operating expenses arising from investment property (Note 18)	219	259
Inventories recognised as an expense in cost of sales (Note 20)	66,972	62,857

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

9. Income tax expense

Major components of income tax expense

The major components of income tax expense for the years ended 31 December 2015 and 2014 are:

	Group	
	2015	2014
	RMB'000	RMB'000
Consolidated statement of comprehensive income:		
Current income tax:		
- Current income tax	2,065	1,600
- Under-provision in respect of previous years	93	–
Income tax expense recognised in profit or loss	2,158	1,600

Relationship between tax expense and accounting profit

The reconciliation between tax expense and the product of accounting profit multiplied by the applicable corporate tax rate for the years ended 31 December 2015 and 2014 is as follows:

	Group	
	2015	2014
	RMB'000	RMB'000
Profit before tax	10,985	6,847
Tax at the domestic rates applicable to profit in the countries where the Group operates	1,594	951
Adjustments:		
- Non-deductible expenses	582	772
- Deferred tax assets not recognised	–	2
- Income not subject to taxation	(111)	(125)
- Under-provision in respect of previous years	93	–
Income tax expense recognised in profit or loss	2,158	1,600

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 2015 (2014: 17%).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

9. Income tax expense (cont'd)

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% from 1 January 2007 to 27 August 2017.

10. Earnings per share

Basic earnings per share amounts are calculated by dividing the profit for the year attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the year, excluding those held in treasury and employee benefit trust ("EBT").

Diluted earnings per share amounts are calculated by dividing the profit for the year attributable to owners of the Company by the weighted average number of ordinary share during the year, including EBT shares.

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

	Group	
	2015	**2014**
	RMB'000	RMB'000
Profit for the year attributable to owners of the Company used in the computation of basic and diluted earnings per share	8,827	5,247
Weighted average number of ordinary shares (excluding treasury/EBT shares) ('000) for basic earnings per shares computation	503,300	503,300
Weighted average number of ordinary shares (including EBT shares) ('000) for diluted earnings per shares computation	505,000	505,000
Basic earnings per share (RMB cents)	1.75	1.04
Diluted earnings per share (RMB cents)	1.75	1.04

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

11. Employee benefits expense

	Group	
	2015	2014
	RMB'000	RMB'000
Employee benefits expense (including directors):		
Salaries and bonuses	23,397	24,269
Welfare expense	1,724	1,623
Contribution to defined contribution plans	4,546	4,516
Performance share expense	168	–
	29,835	30,408

12. Related party transactions

(a) *Sale and purchase of goods*

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

	Company	
	2015	2014
	RMB'000	RMB'000
Sales of goods to a subsidiary	–	2

(b) *Compensation of key management personnel*

	Group	
	2015	2014
	RMB'000	RMB'000
Salaries, bonuses and fees	3,523	3,800
Contribution to defined contribution plans	217	170
Performance share expense	168	–
	3,908	3,970
Comprises amounts paid to:		
- Directors of the Company	2,686	2,895
- Other key management personnel	1,222	1,075
	3,908	3,970

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

13. Investment in subsidiary

	Company	
	2015	**2014**
	RMB'000	RMB'000
Unquoted equity shares, at cost	75,000	75,000
Anchun PSP	166	–
	75,166	75,000

The Company has the following investment in a subsidiary:

Name of company	Country of incorporation	Principal activities	Proportion (%) of ownership interest 2015	2014
			%	%
Held by the Company:				
Hunan Anchun Advanced Technology Co., Ltd ("Hunan Anchun")[(1)]	PRC	Provision of integrated chemical systems engineering and technology solutions to the petrochemical and chemical industries	100	100

(1) Audited by Hunan Zhengyang Certified Public Accountants Co., Ltd 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 2015

14. Property, plant and equipment

	Buildings	Machinery	Office equipment and furniture	Motor vehicles	Construction-in-progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Group						
Cost:						
At 1 January 2014	91,472	87,015	4,778	2,907	6,390	192,562
Additions	–	8,243	395	1,030	2,566	12,234
Disposals	(122)	(310)	(47)	(1,064)	–	(1,543)
Transfers	–	6,353	382	–	(6,735)	–
At 31 December 2014 and 1 January 2015	91,350	101,301	5,508	2,873	2,221	203,253
Additions	221	1,388	149	349	5,036	7,143
Disposals	(4)	(111)	–	(713)	–	(828)
Transfers	–	7,257	–	–	(7,257)	–
At 31 December 2015	91,567	109,835	5,657	2,509	–	209,568
Accumulated depreciation:						
At 1 January 2014	(22,984)	(41,387)	(3,036)	(2,542)	–	(69,949)
Depreciation charge for the year	(4,341)	(7,843)	(563)	(156)	–	(12,903)
Disposals	83	245	44	1,010	–	1,382
At 31 December 2014 and 1 January 2015	(27,242)	(48,985)	(3,555)	(1,688)	–	(81,470)
Depreciation charge for the year	(4,337)	(8,939)	(627)	(266)	–	(14,169)
Disposals	–	97	–	678	–	775
At 31 December 2015	(31,579)	(57,827)	(4,182)	(1,276)	–	(94,864)
Net carrying amount:						
At 31 December 2014	64,108	52,316	1,953	1,185	2,221	121,783
At 31 December 2015	59,988	52,008	1,475	1,233	–	114,704

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

15. Intangible assets

	Group	
	2015	**2014**
	RMB'000	RMB'000
Cost		
At 1 January	620	557
Additions	304	63
At 31 December	924	620
Accumulated amortisation		
At 1 January	(558)	(546)
Amortisation charge for the year	(73)	(12)
At 31 December	(631)	(558)
Net carrying amount		
At 31 December	293	62

Intangible assets relate to computer software purchased from vendors and have an average remaining amortisation period of 3 years (2014: 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	
	2015	**2014**
	RMB'000	RMB'000
Cost:		
At 1 January and 31 December	18,271	18,271
Accumulated amortisation:		
At 1 January	(3,466)	(3,099)
Amortisation for the year	(365)	(367)
At 31 December	(3,831)	(3,466)
Net carrying amount		
At 31 December	14,440	14,805
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	12,615	12,980

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

16. Land use rights (cont'd)

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 38 years (2014: 39 years). The amortisation of land use rights is included in the "Administrative expenses" line item in the consolidated statement of comprehensive income.

17. Deferred tax assets

Deferred tax as at 31 December relates to the following:

	Group	
	Consolidated balance sheet	
	2015	**2014**
	RMB'000	RMB'000
Deferred tax liabilities:		
Undistributed earnings of subsidiary	(100)	(100)
Deferred tax assets:		
Others	153	153
Net deferred tax assets	53	53

Unrecognised temporary differences relating to investment in subsidiary

At the end of the reporting period, no 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 RMB 82,404,000 (2014: RMB 70,056,000) and the deferred tax liability is estimated at RMB 8,240,400 (2014: RMB 7,005,600).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

18. Investment property

	Group	
	2015	**2014**
	RMB'000	RMB'000
Balance sheet:		
Cost		
At 1 January and 31 December	3,711	3,711
Accumulated depreciation		
At 1 January	(2,747)	(2,571)
Depreciation charge for the year	(176)	(176)
At 31 December	(2,923)	(2,747)
Net carrying amount		
At 31 December	788	964
Fair value	7,643	9,804
Consolidated statement of comprehensive income		
Rental income from investment property:		
- Minimum lease payments	362	262
Direct operating expenses (including repairs and maintenance) arising from:		
- Rental generating property	219	259

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
10th floor, Xiang Kai Shi Hua Tower, Changsha, PRC	Offices	Leasehold, 50 years lease from 2 August 1999

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

19. Prepayments

	Group		Company	
	2015	2014	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Non-current				
Prepayments relating to acquisition of property, plant and equipment	1,788	4,751	–	–
Current				
Prepayments to trade suppliers	5,938	5,636	–	–
Prepaid operating expenses	312	1,019	85	80
	6,250	6,655	85	80

20. Inventories

	Group	
	2015	2014
	RMB'000	RMB'000
Balance sheet:		
Raw materials (at cost)	10,887	15,784
Work-in-progress (at cost or net realisable value)	12,576	15,721
Finished goods (at cost or net realisable value)	41,925	40,110
Total inventories	65,388	71,615
Consolidated statement of comprehensive income:		
Inventories recognised as an expense in cost of sales	66,972	62,857
Inclusive of the following charge/ (credit):		
-Write down of inventory to net realisable value	3,660	4,267
-Write-back of inventory to net realisable value	(2,764)	(355)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

21. Trade and other receivables

	Group		Company	
	2015	2014	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables	63,387	57,449	–	–
Bill receivables	30,129	40,390	–	–
VAT/GST receivables	17	18	17	18
Amount due from subsidiary (non-trade)	–	–	35,720	35,720
Other receivables	826	1,585	29	64
Total trade and other receivables	94,359	99,442	35,766	35,802
Add: Cash and cash equivalents (Note 22)	155,363	164,684	27,223	29,930
Less: VAT/GST receivables	(17)	(18)	(17)	(18)
Total loans and receivables	249,705	264,108	62,972	65,714

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.

Bill receivables

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

Amount due from subsidiary (non-trade)

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

Trade receivables that are past due but not impaired

The Group has trade receivables amounting to RMB 41,695,000 (2014: RMB 35,986,000) 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	
	2015	2014
	RMB'000	RMB'000
Trade receivables past due but not impaired:		
1 - 365 days	28,318	15,291
More than 365 days	13,377	20,695
	41,695	35,986

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

21. Trade and other receivables (cont'd)

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	
	2015	**2014**
	RMB'000	RMB'000
Trade receivables – nominal amounts	17,204	17,204
Less: Allowance for impairment	(17,204)	(17,204)
	–	–
Movement in the allowance accounts:		
At 1 January	17,204	18,187
Charge for the year	–	3,080
Write-back of allowance	–	(4,063)
At 31 December	17,204	17,204

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.

Other receivables that are impaired

As at 31 December 2014, the Group has provided an allowance for impairment of RMB 50,000 against other receivables in respect of debtors which have defaulted on payment with nominal amount of RMB 50,000.

22. Cash and cash equivalents

	Group		Company	
	2015	**2014**	**2015**	**2014**
	RMB'000	RMB'000	RMB'000	RMB'000
Cash at banks and on hand	132,485	129,570	6,079	2,792
Short-term deposits	22,878	35,114	21,144	27,138
Cash and cash equivalents	155,363	164,684	27,223	29,930

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

Short-term deposits are made for varying periods between one and two months (2014: one and two months), and earn an average interest of 1.7% (2014: 2.0%) per annum based on the period deposited with the bank.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

22. Cash and cash equivalents (cont'd)

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

	Group and Company	
	2015	2014
	RMB'000	RMB'000
Singapore dollars	6,079	2,792

23. Trade and other payables

	Group		Company	
	2015	2014	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables	11,849	15,987	–	–
Bill payables	1,190	4,870	–	–
Payables to suppliers of property, plant and equipment	2,570	2,455	–	–
Loans from former shareholders of a subsidiary	22,488	44,867	–	–
Amount due to subsidiary (non-trade)	–	–	11,074	10,873
Other taxes payable	1,127	873	–	–
VAT payable	13,065	11,325	–	–
Other payables	6,936	8,629	–	–
	59,225	89,006	11,074	10,873
Add: Other liabilities (Note 24)	16,838	19,332	1,085	1,163
Less: Other taxes payable	(1,127)	(873)	–	–
Less: VAT payable	(13,065)	(11,325)	–	–
Total financial liabilities carried at amortised cost	61,871	96,140	12,159	12,036

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.

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 2015, the loans amounted to RMB 22,488,000 (2014: RMB 44,867,000) and bear interest at rate of 2.5% (2014: 2.5%) per annum.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

23. Trade and other payables (cont'd)

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.

24. Other liabilities

	Group		Company	
	2015	**2014**	**2015**	**2014**
	RMB'000	RMB'000	RMB'000	RMB'000
Accrued salaries and bonuses	7,824	9,487	544	553
Accrued operating expenses	3,006	3,624	541	610
Accrued interest payable	842	1,414	–	–
Accrued welfare expenses	5,166	4,807	–	–
	16,838	19,332	1,085	1,163

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% (2014: 2.5%) per annum.

25. Provision for after-sale expenses

A provision is recognised for expected after-sale expenses on Chemical Systems and Components ("CSC") equipment sold during the year, based on past experience of the level of repairs and returns. It is expected that all of these costs will be incurred within 12 months from the end of the reporting period.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

26. Share capital and treasury/employee benefit trust shares

(a) *Share capital*

	Group and Company			
	2015	**2015**	**2014**	**2014**
	No. of shares	RMB'000	No. of shares	RMB'000
Issued and fully paid ordinary shares				
At 1 January and 31 December	505,000,000	149,278	505,000,000	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.

(b) *Treasury/employee benefit trust shares*

	Group and Company			
	2015	**2015**	**2014**	**2014**
	No. of shares	RMB'000	No. of shares	RMB'000
At 1 January and 31 December	(1,700,000)	(430)	(1,700,000)	(430)

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

The Company has adopted the Anchun PSP, 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 managed by a director-related company. The shares will be released to these employees at the conclusion of the three years vesting period under the Anchun Performance Share Plan 2014.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

27. Other reserves

		Group		Company	
		2015	2014	2015	2014
		RMB'000	RMB'000	RMB'000	RMB'000
(a)	Statutory reserve fund	38,329	37,975	–	–
(b)	Statutory reserve fund - safety production expenditure	4,177	3,195	–	–
(c)	Contribution from shareholder	1,725	1,725	–	–
(d)	Merger reserve	75,000	75,000	–	–
(e)	Anchun PSP reserve	168	–	168	–
		119,399	117,895	168	–

(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	
	2015	2014
	RMB'000	RMB'000
At 1 January	37,975	37,008
Transferred from accumulated profits	354	967
At 31 December	38,329	37,975

(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	
	2015	2014
	RMB'000	RMB'000
At 1 January	3,195	2,147
Transferred from accumulated profits	982	1,048
At 31 December	4,177	3,195

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

27. 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) Anchun PSP reserve

This represents the Anchun PSP cumulative expense recognised in profit or loss prior the vesting date of the Anchun PSP.

28. 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.

No operating segments have been aggregated to form the above reportable operating segments.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on gross profit or loss.

Segment assets and liabilities are not disclosed as they are not regularly provided to the chief operating decision maker.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

28. Segment information (cont'd)

	Catalyst Business	CET Engineering Services	CSC Business	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Group				
31 December 2015				
Revenue				
External customers	17,497	11,623	94,385	123,505
Total revenue	17,497	11,623	94,385	123,505
Results:				
Segment gross profit	7,842	8,330	34,647	50,819
Finance income				3,208
Other income				11,529
Marketing and distribution expenses				(6,256)
Administrative expenses				(38,404)
Research expenses				(8,387)
Other expenses				(674)
Finance costs				(850)
Profit before tax				10,985
Depreciation and amortisation				14,783
Other material non-cash items				
Write down of inventory to net realisable value				896
Bad debts written off				598

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

28. Segment information (cont'd)

	Catalyst Business	CET Engineering Services	CSC Business	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Group				
31 December 2014				
Revenue				
External customers	9,404	13,898	106,052	129,354
Total revenue	9,404	13,898	106,052	129,354
Results:				
Segment gross profit	3,865	9,407	39,964	53,236
Finance income				4,272
Other income				7,185
Marketing and distribution expenses				(5,799)
Administrative expenses				(42,783)
Research expenses				(7,754)
Other expenses				(96)
Finance costs				(1,414)
Profit before tax				6,847
Depreciation and amortisation				13,458
Other material non-cash items				
Write down of inventory to net realisable value				3,912
Write-back of allowance for impairment of trade receivables, net				(983)

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 2015, revenue from two (2014: three) major customers amount to RMB 36,513,000 (2014: RMB 63,728,000), arising from sales by the CET Engineering Services and CSC Business segments.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

29. Commitments

(a) *Capital commitments*

Capital expenditure contracted for as at the end of the reporting period but not recognised in the financial statements are as follows:

	Group	
	2015	**2014**
	RMB'000	RMB'000
Commitment in respect of purchase contracts entered into for:		
Property, plant and equipment	384	234

(b) *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 (2014: 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 2015 amounted to RMB 617,000 (2014: RMB 602,000).

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

	Group	
	2015	**2014**
	RMB'000	RMB'000
Not later than 1 year	638	597
Later than 1 year but not later than 5 years	90	223
	728	820

(c) *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 two years (2014: two to three 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	
	2015	**2014**
	RMB'000	RMB'000
Not later than 1 year	420	409
Later than 1 year but not later than 5 years	169	589
	589	998

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

30. 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.

<u>Assets not carried at fair value but for which fair value is disclosed</u>

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:

		2015	
	Note	**Significant observable inputs other than quoted prices (Level 2)**	**Carrying amount**
		RMB'000	RMB'000
Investment property	18	7,643	788

		2014	
	Note	**Significant observable inputs other than quoted prices (Level 2)**	**Carrying amount**
		RMB'000	RMB'000
Investment property	18	9,804	964

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.

31. 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 and credit 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

31. Financial risk management objectives and policies (cont'd)

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 profit net of tax would have been RMB 1,321,000 lower/higher (2014: RMB 1,400,000 lower/higher), 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.

(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

At the end of the reporting period, all of the Group's and the Company's financial assets and liabilities mature within one year based on the carrying amounts reflected in the financial statements.

(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.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

31. Financial risk management objectives and policies (cont'd)

(c) Credit risk (cont'd)

Exposure to credit risk (cont'd)

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).

32. 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 2015 and 31 December 2014.

As disclosed in Note 27, 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 2015 and 2014.

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, loans from former shareholders of a subsidiary, less cash and cash equivalents. Capital consists of equity attributable to owners of the Company less the above mentioned reserve fund.

	Group	
	2015	**2014**
	RMB'000	RMB'000
Loans from former shareholders of a subsidiary (Note 23)	22,488	44,867
Less: Cash and cash equivalents (Note 22)	(155,363)	(164,684)
Net surplus	(132,875)	(119,817)
Equity attributable to owners of the Company	327,617	318,622
Less: Statutory reserve fund (Note 27)	(38,329)	(37,975)
Less: Statutory reserve fund – safety production expenditure (Note 27)	(4,177)	(3,195)
Total capital	285,111	277,452
Gearing ratio	NA*	NA*

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

33. Authorisation of financial statements

The consolidated financial statements for the year ended 31 December 2015 were authorised for issue in accordance with a resolution of the directors on 24 March 2016.

STATISTICS OF SHAREHOLDINGS

AS AT 15 MARCH 2016

Issued and fully paid	:	S$45,449,200
Number of shares with voting rights	:	505,000,000
Number of Treasury Shares held	:	Nil
Class of shares	:	Ordinary shares
Voting rights	:	1 vote per ordinary share

SHAREHOLDINGS HELD IN HANDS OF PUBLIC

Based on information available to the Company as at 15 March 2016, approximately 33.42% of the issued ordinary shares of the Company 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	0	0.00	0	0.00
100 - 1000	21	1.63	20,900	0.00
1,001 - 10,000	454	35.11	2,489,800	0.49
10,001 - 1,000,000	785	60.71	69,024,800	13.67
1,000,001 AND ABOVE	33	2.55	433,464,500	85.84
TOTAL	**1,293**	**100.00**	**505,000,000**	**100.00**

TWENTY LARGEST SHAREHOLDERS

	NAME	NO. OF SHARES	%
1	ACE SENSE HOLDINGS LIMITED	108,000,000	21.39
2	ORIENTAL EAGLE HOLDINGS LIMITED	51,100,000	10.12
3	GIANT YIELD GLOBAL LIMITED	44,700,000	8.85
4	DAWN VITALITY INTERNATIONAL LIMITED	42,522,000	8.42
5	INVENTIVE RESULT ENTERPRISES LIMITED	40,975,000	8.11
6	MORGAN STANLEY ASIA (S) SECURITIES PTE LTD	32,554,000	6.45
7	CHINA XLX FERTILISER LTD	19,600,000	3.88
8	UOB KAY HIAN PRIVATE LIMITED	17,185,000	3.40
9	HUANG BAOJIA	8,935,800	1.77
10	SKYVEN GROWTH OPPORTUNITIES FUND PTE LTD	8,460,000	1.68
11	MAYBANK KIM ENG SECURITIES PTE. LTD.	5,852,700	1.16
12	SINGAPORE NOMINEES PRIVATE LIMITED	5,076,000	1.01
13	PHILLIP SECURITIES PTE LTD	4,072,000	0.81
14	LIM POH CHOON	4,056,000	0.80
15	BAO CHEN	3,978,000	0.79
16	GO POWER INVESTMENTS LIMITED	3,900,000	0.77
17	LIU DAN	2,721,000	0.54
18	HONG LEONG FINANCE NOMINEES PTE LTD	2,662,500	0.53
19	OCBC SECURITIES PRIVATE LIMITED	2,414,100	0.48
20	LAU CHUN LEUNG	2,400,000	0.48
	TOTAL	**411,164,100**	**81.44**

STATISTICS OF SHAREHOLDINGS

AS AT 15 MARCH 2016

SUBSTANTIAL SHAREHOLDERS

	Direct Interest		Deemed Interest	
	No. of Shares	%	No. of Shares	%
Liang Gong Zeng[(2)]	–	–	44,700,000	8.85
Dai Feng Yu[(3)]	–	–	40,822,000	8.08
Xie Ming[(4)]	–	–	108,000,000	21.39
Ma Ong Kee[(5)]	–	–	32,554,000	6.45
Li Chun Yang[(6)]	–	–	51,995,000	10.30
Li Bin[(7)]	–	–	40,975,000	8.11
Xie Xing[(8)]	–	–	108,000,000	21.39
Giant Yield Global Limited	44,700,000	8.85	–	–
Dawn Vitality International Limited[(9)]	42,522,000	8.42	–	–
Ace Sense Holdings Limited	108,000,000	21.39	–	–
Oriental Eagle Holdings Limited	51,100,000	10.12	–	–
Inventive Result Enterprises Limited	40,975,000	8.11	–	–

Notes:-

(1) Percentage calculated based on 505,000,000 voting shares of the Company as at 15 March 2016.

(2) Liang Gong Zeng is deemed to be interested in 44,700,000 shares held by Giant Yield Global Limited.

(3) Dai Feng Yu is deemed to be interested in 40,822,000 shares held by Dawn Vitality International Limited.

(4) Xie Ming is deemed to be interested in 108,000,000 shares held by Ace Sense Holdings Limited.

(5) Ma Ong Kee is deemed to be interested in 32,554,000 shares held in a nominee account with Morgan Stanley Asia (S) Securities Pte Ltd.

(6) Li Chun Yang is deemed to be interested in 51,100,000 shares held by Oriental Eagle Holdings Limited and 895,000 shares held in the name of a nominee account.

(7) Li Bin is deemed to be interested in 40,975,000 shares held by Inventive Result Enterprises Limited.

(8) Xie Xing is deemed to be interested in 108,000,000 shares held by Ace Sense Holdings Limited.

(9) Of the 42,522,000 shares, Dawn Vitality International Limited is holding 1,700,000 shares on trust for certain employees who are participants made the Anchun Performance Share Plan 2014.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Anchun International Holdings Ltd. (the "**Company**") will be held at Lower Level, Shenton Room, M Hotel, 81 Anson Road Singapore 079908 on Friday, 29 April 2016 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 Accounts for the financial year ended 31 December 2015 together with the Auditors' Report thereon. **(Resolution 1)**

2. To approve the payment of Directors' fees of S$280,000 for the financial year ending 31 December 2016 (FY2015: 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) Yang Chun Sheng **(Resolution 4)**
   (iii) Xie Ming **(Resolution 5)**
   (ii) Dai Feng Yu **(Resolution 6)**
   (iii) Tan Min-Li **(Resolution 7)**

4. To re-appoint Messrs Ernst & Young LLP as Auditors of the Company and to authorise the Directors to fix their remuneration. **(Resolution 8)**

AS SPECIAL BUSINESS

5. To consider and, if thought fit, to pass the following resolution as Ordinary Resolution, with or without amendments:

   General Share Issue Mandate

   "That pursuant to Section 161 of the Companies Act, Cap. 50 and the listing rules of the Singapore Exchange Securities Trading Limited ("SGX-ST"), authority be and is hereby given to the Directors of the Company to: **(Resolution 9)**

   (a) (i) allot and issue 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

   (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);

NOTICE OF ANNUAL GENERAL MEETING

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) (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) 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) 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 Articles of Association 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]

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

BY ORDER OF THE BOARD

Wee Woon Hong
Company Secretary

Singapore
7 April 2016

NOTICE OF ANNUAL GENERAL MEETING

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 2016. 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 9 proposed in item 5 above, if passed, will empower the Directors of the Company to issue shares 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 not made on a pro-rata basis to shareholders of the Company.

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 the a proxy or proxies must be deposited at the Company's registered office at 81 Anson Road Suite 8.20 Singapore 079908, 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 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.

(v) 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.

(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 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.

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)

Important:

This proxy form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.them.

PROXY FORM
ANNUAL GENERAL MEETING

(Please see notes overleaf before completing this Form)

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			

as my/our proxy/proxies to vote for me/us on my/your behalf at the Annual General Meeting (the "AGM") of the Company to be held at Lower Level, Shenton Room, M-Hotel, 81 Anson Road Singapore 079908, on Friday, 29 April 2016 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' Statements and Audited Accounts for the financial year ended 31 December 2015		
2.	Approval of Directors' fees for the financial year ending 31 December 2016		
3.	Re-appointment of Xie Ding Zhong as a Director		
4.	Re-appointment of Yang Chun Sheng as a Director		
5.	Re-election of Xie Ming as a Director		
6.	Re-election of Dai Feng Yu as Director		
7.	Re-election of Tan Min-Li as a Director		
8.	Re-appointment of Ernst & Young LLP as Auditors and authorise the Directors to fix their remuneration		
9.	Authority to allot and issue shares		

(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 ______________ 2016.

Total Number of Shares held	**No. of Shares**
(a) CDP	
(b) Register of Members	

____

Signature(s) of Shareholder(s)/or
Common Seal of Corporate Shareholder

** Delete accordingly*

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, Cap. 289), you should insert that number of shares. If you have shares registered in your name in the Register of Members, you should insert that number of shares. If you have shares entered against your name in the Depository Register and the Register of Members, 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. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the shares 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 the a proxy or proxies must be deposited at the Company's registered office at 81 Anson Road Suite 8.20 Singapore 079908, not less than 48 hours before the time appointed for the meeting.

5. The instrument appointing a proxy or proxies must be 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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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, 88958632
Facsimile : 0731-88958611