



**ANCHUN INTERNATIONAL  
HOLDINGS LTD.**

# **Exploring New Horizons** **Creating Infinite Opportunities**



**ANNUAL REPORT 2022**

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# CORPORATE PROFILE

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

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

Over the years, we have been awarded fifty (50) patents in PRC, four (4) patents in United States and one (1) patent in Canada and also participated in the formulation of six (6) standards for chemical industry in PRC. Our advanced technologies in engineering and environmental designs, and key equipment and catalyst technology have us awarded two (2) second prize for Scientific and Technological Progress in PRC and more than ten (10) first prize of Scientific and Technological Progress in Provinces of PRC including multiple awards and honours issued by government and respective industries which have make the competitiveness and innovation of Anchun to be advanced than other companies and lead the trend for industries' technology and innovation. Anchun is located at the Changsha National Hi-Tech Industrial Development Zone in Hunan province with a total building area of 95,000 square meters which comprising two (2) Science and Technology parks with total area of 60,000 square meters and has one of the largest equipment and technology manufacturing for ammonia and methanol-related equipment in PRC. Anchun is listed in the Singapore Exchange Mainboard on 25 October 2010.

## OUR CORE COMPETENCE

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

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

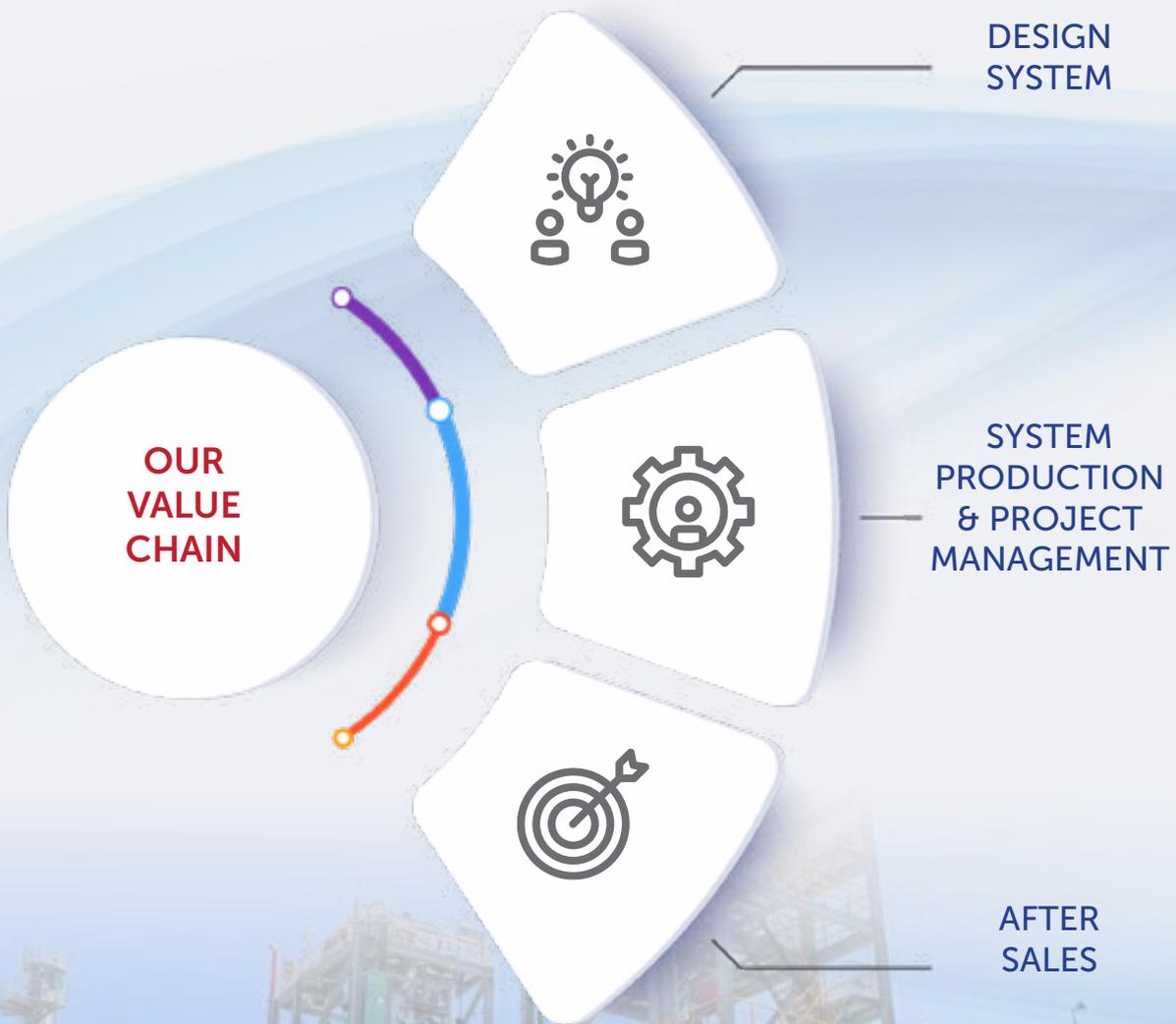
## MARKET OPPORTUNITIES

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

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

# WHAT WE OFFER

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



# WHAT WE OFFER



## CEO'S MESSAGE



**ZHENG ZHI ZHONG**  
CEO & Executive Director

We believe that with the stabilisation of the COVID-19 situation in China and globally, our strong fundamentals, multi-pronged strategies, talent development planning and competitive edge will enable us to navigate through these challenges and deliver long-term value to our stakeholders.

## CEO'S MESSAGE

Dear Shareholders,

On behalf of the Board of Directors, I am pleased to present the Annual Report of Anchun International Holdings Ltd. ("Anchun" or together with its subsidiary, the "Group") for the financial year ended 31 December 2022 ("FY2022").

In FY2022, the Group continued to face intense challenges as China was still plagued by the lingering impact of the evolving Coronavirus Disease 2019 ("COVID-19") situation. The pressures of demands contraction, supply shocks and weakening business outlook. These fuelled the complexity and uncertainty of the overall business environment.

Though confronted by these immense pressures, we stay focused on our core competencies while exploring areas of opportunities, especially in the coal coking industry as well as the emerging green industry, to unlock new potential of growth.

During the year, through aligning our strategies and operational capabilities to adapt to the evolving market conditions, the Group managed to complete more projects successfully and undertake more contracts across all three business segments, thereby delivering a 67.7% surge in our revenue to RMB182.8 million as compared to RMB109.0 million in financial year ended 31 December 2021 ("FY2021") with the Group reporting a turnaround from a net loss of RMB2.0 million in the preceding year to a net profit of RMB30.2 million in FY2022.

Notably, revenue contributed by our Chemical Systems and Components ("CSC") Business jumped by 90% in FY2022 to RMB157.9 million as compared to RMB83.1 million in FY2021, mainly attributed to higher percentage of completion of contracts and increase in number of contracts in progress, especially from our Engineering, Procurement and Construction ("EPC") project. This was achieved through the synergetic efforts of the design, engineering and production teams, to overcome the odds and deliver the great results.

Driven by the higher cash flows from operating activities, we reported stronger cash position in FY2022. We are pleased to share that the Group did not incur any new borrowings and yet achieved higher cash and cash equivalents and short term deposits of RMB175.8 million as at 31 December 2022, a boost of 17.0% or RMB26.1 million as compared to RMB149.7 million as at 31 December 2021. This was a testament to the Group's resilience and solid fundamentals.

### REACHING NEW HORIZONS

During the year under review, we continued to advance steadily while achieving several significant milestones. Our foray into the Thailand market where we provided engineering design and equipment manufacture of our carbon monoxide ("CO") isothermal shift technology has since laid a foundation for our long-term geographical expansion strategy. Our firm foothold within the domestic market also enabled us to secure major contracts, such as two projects involving the manufacture of pressure vessels of 600,000-tonne synthetic ammonia reactors, with the single unit weight of 470.0 tonnes.

We have also made good progress in the green industry as we inked an agreement with Ningxia Yongli New Material Co., Ltd to provide engineering design and manufacture of our patented equipment for environmentally-friendly hydrogen and ammonia solvents using photoelectric technology. This expanded the range of applications for our environmental ammonia technology and enabled us to gain market share in this area.

In FY2022, we also successfully completed and delivered the EPC turnkey project for Hejin Huayuan Gas Co., Ltd which is currently in operations. Another one of our turnkey EPC project with Inner Mongolia Guangju New Materials Co., Ltd is currently progressing smoothly, with the operating and production procedures all in place, winning many positive feedbacks from our customers. It is expected to be fully completed by the first half of 2023.

Through the strong marketing efforts, the Group's order book at 31 December 2022 stood at RMB136.3 million. We will continue to build on the momentum to bring in more new orders.

### INNOVATING TO DELIVER

During the year, we did not lose our focus to constantly innovate. Through concerted efforts, we achieved four patents associated to our development in isothermal shift reaction technology. We were also awarded the ASME U Mark and U2 Mark certification, a mark of the quality standards of our pressure vessels. These breakthroughs demonstrated our commitment to broaden the applications and raise the quality of our services, products and technologies, which will further strengthen our foothold in the petroleum and petrochemical industry.

## CEO'S MESSAGE

On top of that, our ongoing enhancement of the structural design of our internal vessel of CO shift technology continued to see new developments and garnered positive feedbacks from customers, thereby increasing our competitive edge and will strengthen our ability to secure more such orders.

With innovation and sustainability at the core of our business, we have also inculcated this spirit in our marketing and management strategy as well as our customer service, to ensure that we can continue to provide value-added and green technological solutions that can contribute to environmental protection and sustainable growth of our Group.

### CREATING INFINITE OPPORTUNITIES AHEAD

Looking ahead, the economic outlook remains overshadowed by challenges and uncertainties attributable to the Russia-Ukraine war, complex geopolitics, and negative population growth in China, which will lead to supply chain disruptions and upward pressures on prices of raw materials and labour among others.

Despite that, we believe that with the stabilisation of the COVID-19 situation in China and globally, our strong fundamentals, multi-pronged strategies, talent development planning and competitive edge will enable us to navigate through these challenges and deliver long-term value to our stakeholders.

Domestically, the Group's main business segments are closely linked to the petroleum and petrochemical industry. This sector, being one of the key economic pillars of China, is expected to experience greater and stable growth driven by pent-up demand after the easing of the COVID-19 restrictions in China since December 2022.

Beyond the borders, we constantly strive to seek geographical expansion through collaboration with our partners. One was the Thailand project where we worked with Wison Engineering Services Co. Ltd to design and manufacture an isothermal shift reactor for natural gas. Delivery is expected in the first half of 2023. We will continue to explore new potential markets that allow us to expand our capabilities.

In addition, the Group's efforts to diversify into non-fertiliser industries continued in FY2022, contributing RMB165.4 million in revenue, representing 90.5% of total revenue. We will work towards deepening our collaboration with large engineering design

corporations, renowned universities and research institutions to refine our technologies and applications so as to enhance our brand recognition in the petroleum and chemical industry, while focusing to secure more EPC turnkey projects in the modern coking industry.

With the accelerated pace of the energy transformation and shift in the energy consumption structure, green ammonia, green methanol and green hydrogen are set to become increasingly popular. We will continue to build upon our research and development ("R&D") efforts as we explore new areas of uses and applications for our various patented technologies to bring solutions that have increasing relevance in the world today. We will also identify new areas of applications for hydrocarbon catalysts as we seek to increase our market share in the catalyst processing arena.

We believe that our integrated strengths in engineering design, equipment manufacture, catalyst and technological capabilities will continue to drive greater profitability and sustainable growth for the Group.

### PROPOSED DIVIDEND

Our achievements today could not be attained without the strong confidence and trust from our Shareholders. To acknowledge this, the Board would like to propose a final one-tier tax exempt dividend of RMB0.12 per share, subject to Shareholders' approval at the upcoming Annual General Meeting.

### IN APPRECIATION

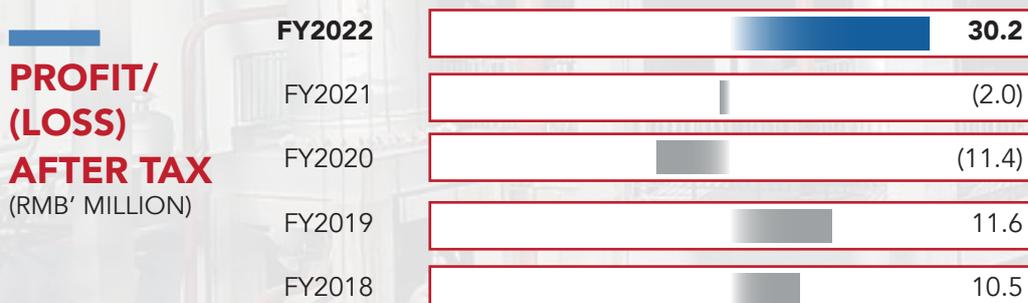
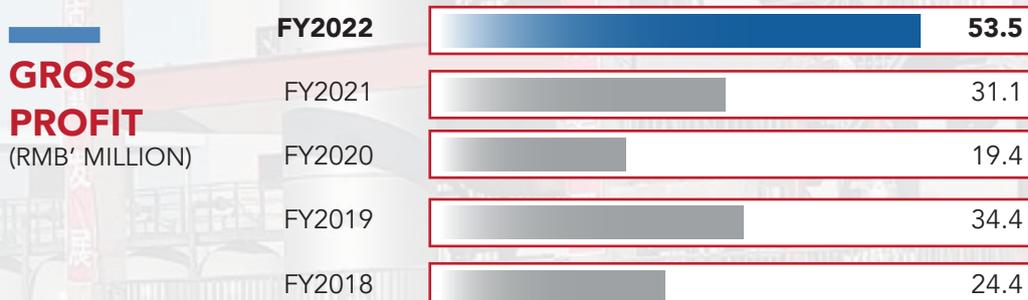
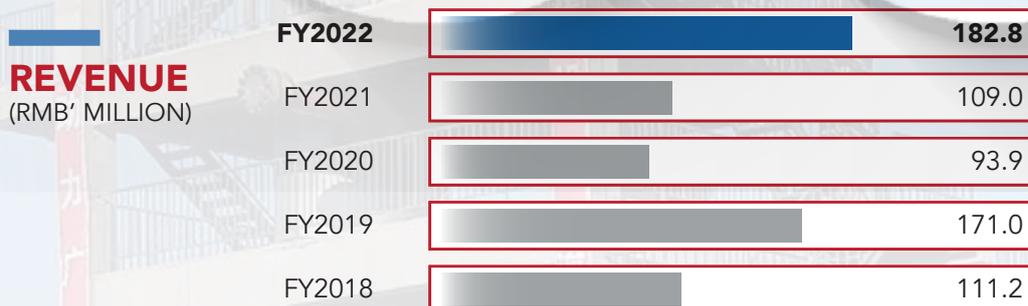
In closing, I would like to take this opportunity to express my heartfelt gratitude to our customers, business associates and dedicated staff for their unwavering support and confidence in us. I would also like to extend my utmost appreciation to all our valued Shareholders for your faith and trust in the Group over the years.

Though the path ahead may be fraught with uncertainties, I believe that with your strong support, we can continue to leverage on the wealth of knowledge and experience of our Board of Directors, as well as the determination and energy of our key management and staff, to weather the storm and scale even greater heights in the upcoming years.

### ZHENG ZHI ZHONG

CEO & Executive Director

# FINANCIAL HIGHLIGHTS



# OPERATIONS AND FINANCIAL REVIEW

## YEAR IN REVIEW

Our financial performance in FY2022 was a testament to the Group's resilience and ability to adapt amidst the challenging operating environment. The negative impact of the COVID-19 pandemic continued to loom with lockdowns in various regions within China as the Chinese government strived to keep infection low. This inevitably led to uncertainties, supply chain disruptions and higher raw material prices.

Despite the challenges faced, we were able to react and adapt swiftly, to continue delivering projects and driving revenue growth to bring us back to the black with a net profit attributable to owners of the Company of RMB30.2 million in FY2022 as compared to a net loss of RMB2.0 million in FY2021.

We posted a significant boost of 67.7% or RMB73.8 million in our revenue, from RMB109.0 million in FY2021 to RMB182.8 million in FY2022. The increase was mainly contributed by the increase of revenue from our CSC business and Catalyst business.

## REVENUE FROM CATALYST BUSINESS

Revenue from our Catalyst Business increased by RMB0.2 million or 1.7% from RMB11.9 million in FY2021 to RMB12.1 million in FY2022 as a result of increase in order volume from the catalyst processing business.

## REVENUE FROM ENGINEERING SERVICES

Conversely, revenue from our Engineering Services dipped by RMB1.2 million or 8.6% from RMB14.0 million in FY2021 to RMB12.8 million in FY2022 mainly due to lower percentage of completion for service contracts.

## REVENUE FROM CSC BUSINESS

However, the Group was able to drive sales from our CSC Business, resulting in a surge in revenue of RMB74.8 million or 90.0% from RMB83.1 million in FY2021 to RMB157.9 million in FY2022. Higher percentage of completion for CSC contracts and increase in number of new contracts undertaken in FY2022 contributed significantly to this revenue growth.

## GROSS PROFIT

Driven by the above, our overall gross profit also increased by RMB22.4 million or 72.0% from RMB31.1 million in FY2021 to RMB53.5 million in FY2022 with gross profit margin for FY2022 staying consistent with FY2021 at 29.0%.

Looking deeper, gross profit for our Catalyst business decreased by RMB1.3 million from RMB5.0 million in FY2021 to RMB3.7 million in FY2022 mainly due to lower margin from the sales of patented hydrocarbon catalysts in FY2022. The gross profit margin decreased from 41.9% in FY2021 to 30.3% in FY2022 mainly due to lower margin from the sale of patented hydrocarbon catalysts in FY2022.

For the Engineering Design business, gross profit dropped from RMB8.3 million in FY2021 to RMB6.6 million in FY2022.

The gross profit margin decreased from 58.8% in FY2021 to 51.5% in FY2022 mainly attributable to lower percentage of completion for Engineering Services contracts and decrease in number of contracts in progress during the year.

Among the three segments, the CSC business was the main growth engine posting a more than doubled jump in gross profit of RM25.4 million from RMB17.8 million in FY2021 to RMB43.2 million in FY2022. This was mainly due to higher percentage of completion for CSC contracts, higher margin contribution from EPC projects and the decrease in allowance for inventory obsolescence amounting to RMB3.8 million. In terms of percentage, the gross profit margin increased by 5.9% from 21.5% in FY2021 to 27.4% in FY2022.

## OTHER INCOME & OPERATING EXPENSES

During the year under review, finance and other income increased by RMB3.5 million or 48.6% from RMB7.2 million in FY2021 to RMB10.7 million in FY2022. The increase was mainly driven by the boost in interest income on bank balances and deposits of RMB2.5 million, government grants of RMB0.3 million, net foreign exchange gain of RMB0.4 million and other income of RMB0.3 million.

Marketing and distribution expenses decreased by RMB0.3 million or 4.5% from RMB6.6 million in FY2021 to RMB6.3 million in FY2022. The decrease was mainly attributable to decrease of travelling expenses of RMB0.2 million and decrease of transportation expenses of RMB0.1 million.

Similarly, administrative expenses decreased by RMB1.7 million or 7.8% from RMB21.7 million in FY2021 to RMB20.0 million in FY2022. Though there was an increase in the salaries, bonuses and fees as well as staff welfare expenses, these were offset by lower unallocated manufacturing overheads allocated of RMB3.2 million, lower factory repair and maintenance of RMB0.9 million and reduced property lease fees of RMB0.2 million.

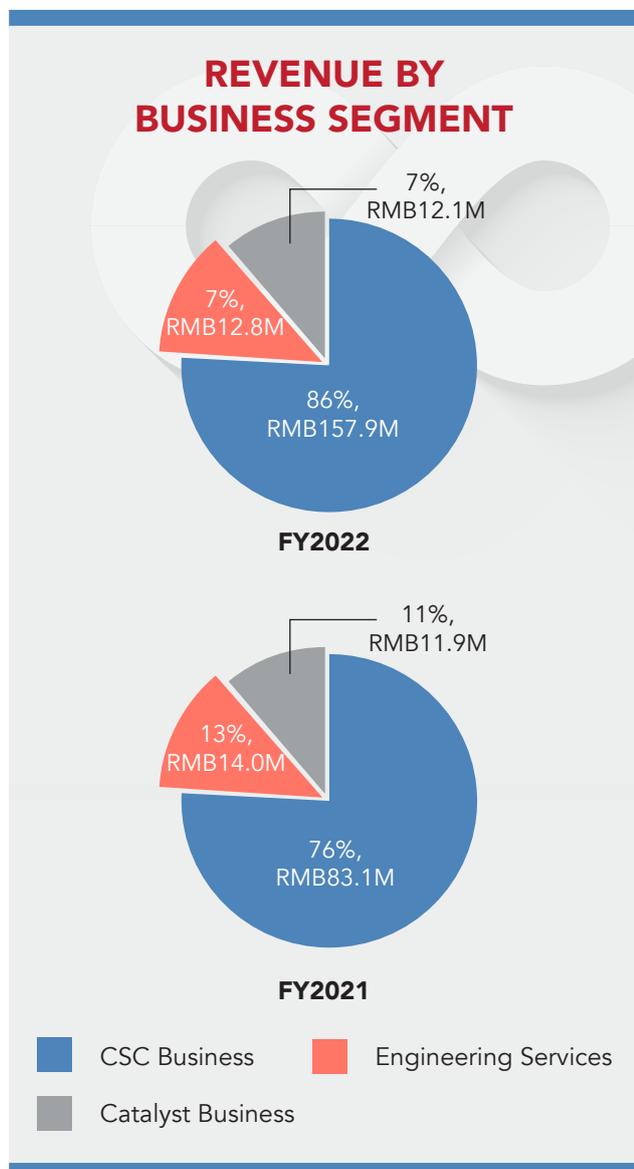
Research expenses was also lowered by RMB6.2 million or 47.0% from RMB13.2 million in FY2021 to RMB7.0 million in FY2022. This was mainly attributable to lower expenses incurred on new structural design for internal vessel of CO shift reactor improvement efforts.

In tandem with our improved financial performance, income tax expenses increased by RMB0.6 million from income tax credit of RMB0.3 million in FY2021 to income tax expenses of RMB0.2 million in FY2022 mainly due to income tax refund of RMB1.1 million in previous year, the provision of withholding income tax for dividend of RMB0.4 million and the profits reported by the Group's subsidiary of RMB0.9 million in FY2022.

## FINANCIAL POSITION

The Group's non-current assets which comprised property, plant and equipment, investment property,

## OPERATIONS AND FINANCIAL REVIEW



intangible assets, right of use asset, deferred tax assets and prepayments decreased by RMB8.9 million or 12.8% from RMB69.5 million as at 31 December 2021 to RMB60.6 million as at 31 December 2022.

Property, plant and equipment decreased by RMB7.2 million or 13.9% from RMB51.9 million as at 31 December 2021 to RMB44.7 million as at 31 December 2022, mainly due to depreciation charges of RMB8.1 million. The decrease was partially offset by additions during the year.

In contrast, current assets increased by RMB14.8 million or 4.4% from RMB333.8 million as at 31 December 2021 to RMB348.6 million as at 31 December 2022. The increase was mainly due to the increase in inventories of RMB0.2 million from the increase in goods-in-transit and raw materials purchased for CSC business contract orders; the increase in trade and other receivables

of RMB7.1 million from the increase of contractual milestone billings; the increase in contract assets of RMB1.3 million from the increase in number of on-going contracts during the year and a higher percentage of completion on these contracts, for which contractual milestone billings have not been reached. This was partially offset by the decrease in bills receivable of RMB15.6 million due to settlement of outstanding bills receivable and amounts being transferred to cash and bank equivalents; the decrease in prepayments of RMB4.2 million mainly due to decrease in payment made to the vendors for raw materials purchase as well as the increase in cash and bank equivalents and short term deposits of RMB26.0 million due to increase of short term deposits of RMB40.0 million, cash generated from operating activities of RMB28.3 million, partially offset by net cash used in investing activities of RMB41.6 million and cash used in financing activities of RMB0.8 million.

The Group's current liabilities fell by RMB23.5 million or 18.2% from RMB129.4 million as at 31 December 2021 to RMB105.9 million as at 31 December 2022. The fall was mainly due to decrease in contract liabilities of RMB34.2 million from less advance received from customers at year end and contract liabilities recognised as revenue as the Group performed under the contract according to the Group's revenue recognition policy. This was partially offset by increase in trade and other payables of RMB8.4 million from the increase of VAT payables for a subsidiary, increase in other liabilities of RMB3.9 million due to increase in provision of staff bonuses.

### CASH FLOW

During the year under review, our improved sales and more project deliveries further strengthened our cash position. Cash and cash equivalents and short term deposits increased by RMB26.0 million in FY2022, which was mainly attributed by increase in short term deposits of RMB40.0 million, cash generated from operating activities of RMB28.3 million, partially offset by net cash used in investing activities of RMB41.6 million and cash used in financing activities of RMB0.8 million.

### ORDER BOOK

As of 31 December 2022, the Group's order book was approximately RMB136.3 million as compared to RMB223.6 million on 31 December 2021, out of which RMB114.5 million (31 December 2021: RMB182.8 million) is from non-fertiliser industries. With 90.5% of total revenue from non-fertiliser industries recognised in FY2022, we believe that our efforts and progress towards research and development ("R&D") for areas in non-fertiliser industries are commendable.

Moving forward, we are confident that the Group's core competencies and technological capabilities will enable us to scale even greater heights. With increasing awareness and evolution in the energy consumption structure, environmental solutions such as green solvents will gradually be brought to the limelight. We will strive to expand the applications for our various patented technologies to deliver greater value for the community and achieve sustainable growth.

## BOARD OF DIRECTORS

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



**XIE MING**

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

Executive Director and  
Chief Executive Officer  
Appointed on  
1 June 2014



**ZHENG  
ZHI ZHONG**

Zheng Zhi Zhong is our Executive Director and Chief Executive Officer ("CEO") and was last re-elected as a Director on 19 June 2020. He is responsible to execute the strategic business directions set by the Board, oversee the daily operations and business development of the Group, manage and lead the project management department. He was re-designated from Executive Director and Chief Operating Officer to Executive Director and CEO on 1 June 2018. He is currently the Legal Representative of the PRC subsidiary of the company, Hunan Anchun Advanced Technology Co., Ltd ("Hunan Anchun"). He has more than 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. He started his career with Hunan Anchun in 1993 as a Process Technology Programmer. Leveraging on his computer science knowledge, he worked closely with chemical engineers to develop the first generation computation software for Anchun's key technologies. His main contribution includes the process design and programming of "IIIJ D Type Adiabatic Inner-cooling Split-flow Internals of Ammonia Synthesis Reactor" and "Process and Application of Syn-gas Purification AlcoholHydrocarbon Technology", which won the National Scientific and Technological Progress Award (2nd-highest honours). Zheng Zhi Zhong is a certified Senior Engineer. He assumed the roles of IT Manager, Project Manager, Assistant General Manager, Deputy Manager and Executive manager in the past 28 years with Hunan Anchun. He also holds some social posts, including Standing Director of China Nitrogen Fertilizer Industry Association, Standing Director of Hunan Association for Science and Technology, Standing Director of Hunan Petroleum Association and Vice President of Hunan Petroleum and Chemical Industry Association. He holds a Bachelor's Degree in Computer Science and Technology from Shenyang Industrial University.

## BOARD OF DIRECTORS

Executive Director

Appointed on  
9 September 2010



**DAI  
FENG YU**

Dai Feng Yu is our Executive Director and was last re-elected on 26 April 2021. She is responsible for overall research and development (“R&D”) including provision of basic supporting technologies, initiating new R&D projects and management of the company’s proprietary intellectual property rights. She has more than 31 years of experience in the chemical industry. Between 1988 and 1993, she was a R&D staff in Changsha Chromic Salts Factory responsible for catalysts quality improvement and new product development. Between 1993 and 1998, she was head of the laboratory of Anchun Energy Saving and was responsible for the research and development of catalysts as well as the introduction of catalysts to the market. In 1998, when operations of Anchun Energy Saving ceased and Hunan Anchun was established, she remained The Head of the Laboratory of Hunan Anchun and was subsequently promoted to Deputy General Manager to be in charge of the overall R&D matters and management of Hunan Anchun’s proprietary intellectual property rights in 2002. She holds a Bachelor’s Degree in Industrial Catalyst from East China University of Science and Technology (formerly known as the East China Institute of Chemical Technology). She was qualified as a registered senior engineer in 2001. She is also an expert database member of the National Energy Conservation Center and a standing director of the China Chemical Industry Environmental Protection Association. The significant awards that Dai Feng Yu has won include the 2003 National Scientific and Technological Progress Award (2nd-highest honours) by the State Council in 2004, the Excellent Engineering Consultancy Award (2nd- highest honours) by the China Petroleum and Chemical Engineering Survey and Design Association in 2006 ,the Outstanding Individual of Hunan Province contributed to scientific and technological progress by the Economic Committee of Hunan Province in 2008, and the 2016 China Nitrogen Fertilizer Industry Technology Progress Award (First-prize) by China Nitrogen Fertilizer Industry Association.

Non-Executive Director

Appointed on  
2 November 2009



**XIE  
DING ZHONG**

Xie Ding Zhong is our Founder, Non-Executive Director, and member of the Nominating Committee, and was last re-elected as a Director on 25 April 2022. He was re-designated from Non-Executive Chairman to Non-Executive Director on 1 June 2018. He has accumulated more than 40 years of experience in the chemical industry. Between 1961 and 1974, Xie Ding Zhong was a lecturer in the chemical engineering faculty of Hunan University. From 1975 to 1976, he was a technician in Dongting Nitrogen Fertiliser Factory. Between 1976 and 1993, he was the chief engineer in Fertiliser Industry Company of Hunan Province, where he took charge of the production, R&D and system design of the small-sized nitrogen fertiliser manufacturers and provided solutions to technological problems as well as promoted technical innovation in Hunan Province. Between 1993 and 1998, he was the legal representative and general manager cum general engineer of Anchun Energy Saving in charge of the overall operations and management. In 1998, when operations of Anchun Energy Saving ceased, he set up Hunan Anchun with our founding management team and then employees to carry on the business, and he has since then been the legal representative and general manager cum general engineer responsible for directing the strategic directions and growth of Hunan Anchun. Xie Ding Zhong graduated with a Bachelor’s degree in Chemical Engineering from Hunan University in 1961. In November 1999, he was qualified as a registered senior engineer (research fellow), which is the highest rank of engineers in the PRC. He 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.

## BOARD OF DIRECTORS

Lead Independent Director

Appointed on  
9 September 2010



**LEE  
GEE AIK**

Lee Gee Aik is our Lead Independent Director, Chairman of the Audit Committee, and member of the Nominating Committee. He was last re-elected on 26 April 2021. He is currently the Chief Financial Controller of Alpharock Family Office Pte. Ltd., a multi-family office. He has over 40 years of extensive and varied experience in accounting, audit and tax with both KPMG Singapore and KPMG USA Executive Office and public accounting practice. He also had controllership and financial management role in the hospitality industry with a hotel chain from 1993 to 1998. He is a Fellow of the Association of Chartered Certified Accountants, United Kingdom, and the Institute of Certified Public Accountants of Singapore. He also holds a Master of Business Administration from Henley Management College, United Kingdom. He is currently an Independent Director of SHS Holdings Limited and Uni-Asia Group Limited and Non-Executive and Non-Independent Director of Astaka Holdings Limited.

Independent Director

Appointed on  
9 September 2010



**TAN  
MIN-LI**

Tan Min-Li is our Independent Director, Chairman of the Remuneration Committee and member of the Nominating Committee & Audit Committee, and was last re-elected as a Director on 26 April 2021. She is currently a partner at CNPLaw LLP (former known as Colin Ng & Partners LLP), a firm of advocates and solicitors in Singapore, and has over 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 CNPLaw LLP. Her principal areas of practice are in corporate and financial services with particular emphasis on corporate finance and mergers and acquisitions in Singapore and the region. Prior to joining CNPLaw LLP in 2003, she was a partner with KhattarWong, a firm of advocates and solicitors in Singapore, and had also held other positions at other law firms since graduation. She graduated with a Bachelor of Laws (Honours) from the National University of Singapore and a Master of Laws from University College London, University of London, and was admitted as an Advocate and Solicitor of the Supreme Court of Singapore in 1992. She currently also serves as Independent Director of Union Steel Holdings Limited and Ocean Sky International Limited.

## BOARD OF DIRECTORS

Independent Director  
Appointed on  
1 March 2014



Andrew Bek is our Independent Director, and member of the Audit Committee, and was last re-elected on 19 June 2020. Andrew Bek started his career in Arthur Andersen & Co and was there from 1988 to 1997. He later joined a manufacturing company from 1997 to 1998 overseeing the accounts and finance department. He was with Ernst & Young from Jan 1999 to May 2007. He was an Investment Director at OneEquity SG Private Limited from July 2007 to Jan 2020.

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

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

Independent Director  
Appointed on  
1 January 2019



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

## KEY EXECUTIVES



He Zu Bing is our Chief Financial Officer and was appointed to our Group on 20 March 2019. He is responsible for our Group overall finance and accounting functions. He has over 16 years of finance management experience. He worked as the Cost Accountant, General Ledger Accountant, Purchaser Member of Production Group and Deputy Financial Controller in Hunan Anchun since July 2010. He worked as the Accounting Manager in Hunan Guoda Investment Co., Ltd for more than 4 years since 2006. He has experience in enterprise finance management, accounting, tax, investment and finance management and internal control. He Zu Bing holds a China Certified Public Accountant certificate, and also possess the intermediate Accountants Certificate.



Li Juan is our Financial Controller and was appointed to our Group on 16 May 2017. She is responsible for our Group overall finance management. She has over 11 years of finance experience. She worked as the General Ledger Supervisor in corporations for more than 3 years since 2014. She has experience in accounting, tax, financing management and internal control. Li Juan holds a China Certified Public Accountant certificate, and also US Certified Management Accountant certificate.

## KEY EXECUTIVES



Technology Director

**ZHONG  
XU GUANG**

Zhong Xuguang is Technology Director, responsible for technology development and innovation. Zhong Xuguang has 17 years of experience in chemical and related industries. After graduation in 2006, he had been engaged in the inspection and design of pressure vessels. In 2009, He joined Hunan Anchun as a design engineer. Since then, he has been engaged in product design, product research and development, technology management and human resources management.

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



Manufacture Director

**XIE  
FANG HUA**

Xie Fanghua is Manufacture Director, responsible for equipment manufacture and quality control department. Xie Fanghua has more than 20 years of experience in chemical equipment industry. Between 1994 and 1996, she was a product design engineer in Hunan Yiyang City Chemical Machinery Factory. Thereafter, she was head of the product design department of Hunan ILIDA Industrial Co.,Ltd responsible for the design of large boilers and pressure vessels in petroleum refining and chemical industry between 1997 and 2009. She joined in Hunan Anchun in 2009, and successively served as Deputy Minister of Quality Control Department, Deputy Manager of Equipment Manufacture Factory, Manager of Equipment Manufacture Factory and General Manager Assistant responsible for the quality control, design and manufacture of chemical equipment products.

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

# SUSTAINABILITY REPORT

## 1. BOARD STATEMENT

We are pleased to present our annual Sustainability Report of Anchun International Holdings Limited and together with its subsidiary, Hunan Anchun Advanced Technology Co., Ltd. (collectively known as "Group") for our financial year ended 31 December 2022 ("FY2022").

This report is prepared in compliance with the requirements of Singapore Exchange Securities Trading Limited Listing Rules 711A and 711B and with reference to the Global Reporting Initiative ("GRI") Standards 2021. GRI Standards is globally recognised standards which provides a comprehensive framework for measuring, monitoring, and reporting on our key economic, environmental, social and governance ("EESG") related initiatives carried throughout a 12-month period from 1 January to 31 December 2022.

Sustainability is a part of the Group's wider strategy to create long-term value for all its stakeholders. As such, the key material EESG factors for the Group have been identified and cautiously reviewed by the management. We have relied on internal data monitoring and verification to ensure accuracy of data and information. An internal review of the sustainability reporting process was performed by an independent third party. The Board of Directors of the Group (the "Board") oversees the management and monitoring of these factors and takes them into consideration in the determination of the Group's strategic sustainability direction and policies.

We plan to continue our sustainability efforts in our operations and strive to issue a climate report aligned with the Task Force on Climate-Related Financial Disclosures ("TCFD") recommendations in the following years as we increase our understanding of the climate-related risks and opportunities and climate reporting. Our sustainability report is a testament of our efforts to manage sustainability issues and conduct business responsibly. To that end, we also acknowledge the importance of external assurance on a sustainability report and plan to seek assistance in the future.

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

31 March 2023



# SUSTAINABILITY REPORT

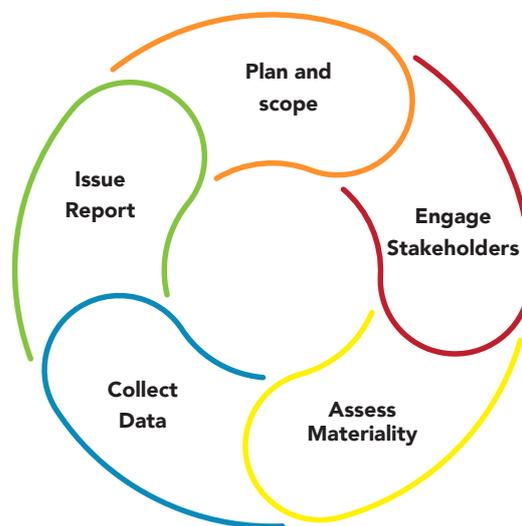
## 2. SUSTAINABILITY APPROACH

### STAKEHOLDERS ENGAGEMENT

An important starting point in our sustainability journey is to identify our stakeholders and material factors relevant to our business. The interests and requirements of key stakeholders are also considered when formulating corporate strategies. These key stakeholders include but are not limited to shareholders, employees, customers, supplies, contractors, and authorities.

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

### Our Sustainability methodology



STAKEHOLDERS	ENGAGEMENT PLATFORMS	FREQUENCY OF ENGAGEMENT	KEY CONCERNS RAISED
<b>Employees and Trade Unions</b>	Townhall sessions	Annually	Compensation including annual increments
	Open dialogues among teams Intranet portal	Monthly Ad-hoc	Health and safety Training
<b>Customers and consumers</b>	Hotline	Ad-hoc	Product safety
	Email queries	Ad-hoc	Health and safety
	Customer visit	Quarterly	Customer service
	Onsite audit	Annually	
	Customer survey	Annually	
<b>Suppliers and service providers</b>	Face-to-face meetings	Weekly	Positive relationship
	Annual review and feedback sessions	Annually	Contract, credit and payment terms
<b>Investors/Shareholders</b>	Group Annual Report	Annually	Business growth and opportunities
	Annual General Meeting	Annually	Business performance
	Corporate announcements and financial results announcements	Semi-annually	
	Informal discussion	Ad-hoc	
<b>Local communities</b>	Face-to-face meetings	Ad-hoc	Impact to community
	Various social events	Quarterly	
<b>Government and regulators</b>	Face-to-face meetings	Ad-hoc	Compliance to regulations
	Regular reports	Quarterly	
	Participation in discussions	Quarterly	
<b>Trade associations</b>	Engagements through business partnerships	Quarterly	Contribute and support the developments of industries
	Leading working groups in industry associations	Annually	

# SUSTAINABILITY REPORT

## MATERIALITY ASSESSMENT

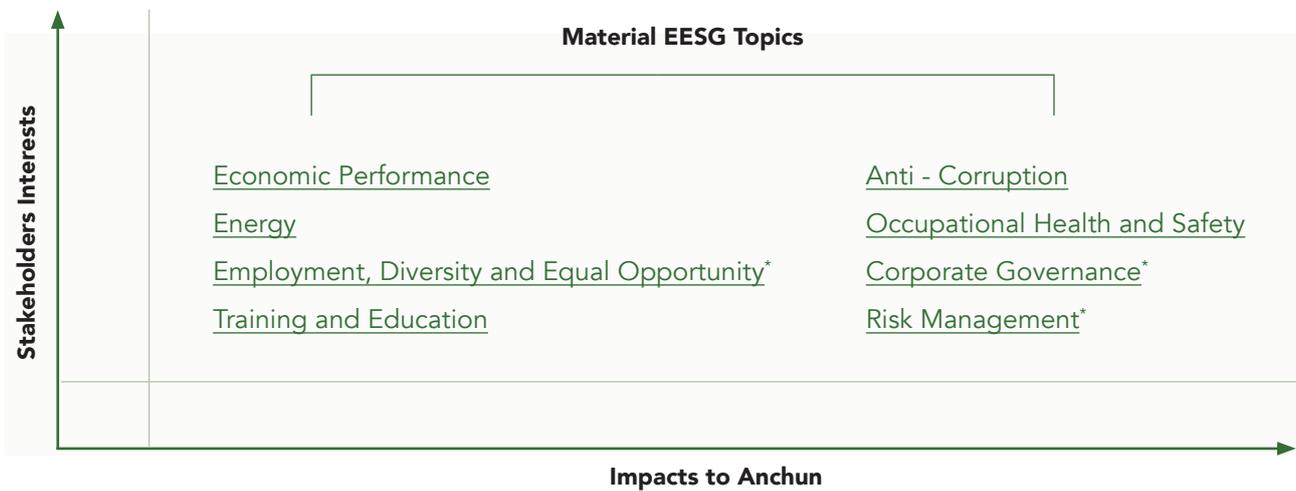
Our sustainability process begins with the identification of material factors. After these factors are identified, material factors are rated to see which ones are most pervasive in the group. After further evaluation and analysis, the selected factors will become our prioritised material factors. The result of this process is a list of material factors disclosed in the Sustainability Report, processes of which is as shown below:



The Group has conducted a materiality assessment in FY2022. We engaged different stakeholders and sought feedback from stakeholders to identify these topics. Such materiality review will be conducted every year, incorporating inputs gathered from stakeholders’ engagement.

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

### Anchun’s materiality analysis 2022



The material topics listed above and discussed in this report are considered most relevant. The topics are prioritised in four quadrants, but not prioritised internally in each quadrant. Topics marked (\*) are defined by Anchun in addition to the GRI defined topics. We have chosen to merge and rename certain topics, compared to the GRI Standards, to make the titles more relevant to Anchun’s operations and thus more intuitive to our stakeholders.

## 3. ECONOMIC

### ECONOMIC PERFORMANCE

The Group is committed to grow our customers and exceed our customers’ expectations and providing them with competitive edge products by enhancing operational efficiency by incorporating effective use of technology, develop performance measures, communicate outcomes and results and implement necessary changes to provide fast and high-quality services at a competitive transactional cost.

# SUSTAINABILITY REPORT

For detailed financial results, please refer to the following sections in our Annual Report:

- Financial Highlights, page 7
- Operations & Financial Review, pages 8 and 9
- Financial Statements, pages 77 to 138.

## ANTI-CORRUPTION

### *Fair Operating Practice*

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

The Group does not tolerate corruption in any form and ensure that we uphold fair operating practices. We communicated this externally with our customers and suppliers and internally with our employees.

We have established an anti-corruption policy. We prohibit corruption in all forms, including extortion and bribery. As set out in our whistleblowing policy, all complaints shall be reported to the Audit Committee Chairman and Company Secretary of the Company either in person via email to the provided address or via an email to designated officer that is only accessible by the Audit Committee Chairman. We have met the target we set last year and similar to FY2020 and FY2021, there were no reported incidents of corruption during FY2022.

**FY2023 Target:** To maintain zero incidents of corruption.

## 4. ENVIRONMENTAL

### ENERGY

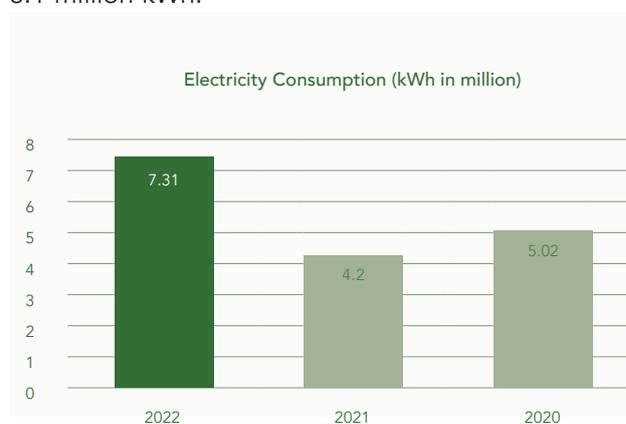
The Group is fully aware of its responsibilities for nurturing the environment and reducing negative environmental impacts at our worksites and the environment where we operate. We monitor our energy consumption at our workplaces to ensure that we use our resources economically, meaningfully, and responsibly.

The total electricity consumption in FY2022 was 7.31 million kWh, lower than electricity consumption of 7.99 million we set as the target last year. The decrease in our electricity consumption was mainly due to the lower-than-expected revenue of self-made products of Chemical Systems and Components ("CSC") business segment.

The measures we took to reduce electricity consumption in FY2022 was as follow:

- We replaced the workshop lighting system of 138 metal halide lamps (400W/unit) with LED lamps (200W/unit), saving 0.1 million kWh.
- We retrofitted the reactor of the catalyst pre-reduction plant, with an estimated energy saving of 0.75 million kWh.

**FY2023 Target:** Based on our projected production in FY2023, our target energy consumption is 8.1 million kWh.



## 5. SOCIAL

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

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

We take early action to prevent and mitigate negative Human Rights impacts. Please refer to our Diversity and Equal Opportunity section on pages 20 for compliance with labour and employment laws and our commitment to non-discriminative employee treatment.

# SUSTAINABILITY REPORT

## OCCUPATIONAL HEALTH AND SAFETY

Our employees' safety and health at the workplace is one of our top priorities, and our ultimate goal is to have a zero-accident workplace. We are committed to managing and reducing safety and health risks through effective risk management. We are also ISO 14001 'Environment Management System' and OHSAS 18001 'Occupational Health and Safety Audit & Certificate' certified.

We place great emphasis on managing the ongoing risk of COVID-19 outbreak within our facilities in FY2022. Where relevant, we put in place safety measures in our operations like social distancing, mask-wearing, temperature checking, disinfecting and cleaning our facilities regularly, SARS-Cov-2 (COVID-19) Nucleic Acid Test, distribute condolence money and conduct online meetings to adapt to new work normalcies.

In FY2022, there were five reported incidents with zero fatalities. We only partially meet our target last year. Out of five incidents, two include equipment operations incidents and three minor injuries (FY2021: nine minor injuries, FY2020: nil).

Measures that are taken to prevent incidents recurrence:

1. Invite the relevant parties of the accident to discuss and analyse the accident, take preventive measures and deal with the accident liability, and report to the whole company.
2. Conduct "Safe Production Month" educational series of activities in June annually by inviting experts to give lectures on safety production, organising safety production educational videos screenings for employees, providing safety production trainings, and circulating banners and posters of safety production for employee awareness.
3. Before the start of work, the production department organises meetings on safety and production tasks.
4. Strengthen safety inspections and eliminate potential safety hazards.
5. Proactively investigate hidden potential and implement and monitor timely rectification.
6. All new employees must undergo safety training to familiarise themselves with the operating environment, safety risks, and controls.
7. Strive to achieve the company's annual safety production goals by combining 6S work with a regular safety inspection, i.e., implement safety production, carry out safety education and improve the safety literacy of employees, listen carefully to the safety needs of employees, and enhance a safe environment for our employees.

**FY2023 Target:** We will continue to focus on workplace safety and maintain zero equipment accidents, major injuries and fatalities. We also aim for less than two cases of equipment operations accidents and aim for not more than three cases of minor injuries.

## EMPLOYMENT, DIVERSITY AND EQUAL OPPORTUNITY

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

### *Board Diversity*

At present, our Board is composed of individuals with varied backgrounds. We have representation from different genders (three female and five male directors), ages and backgrounds. The diverse Board members also bring in different skills and professional experiences. Our diversity of perspectives allows us to make decisions that are reflective of the needs and opinions of a wide range of stakeholders.

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

In FY2022, the labour union of the Group organised a variety of activities, such as providing assistance to employees in difficulty, distributing fruits and gifts during various festivals and purchased Changsha Employee Medical Mutual Insurance for all our employees.

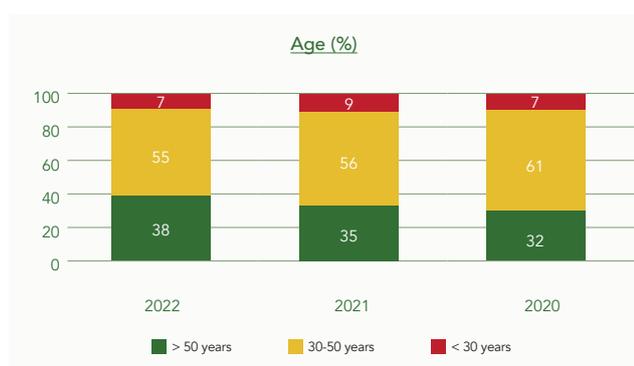
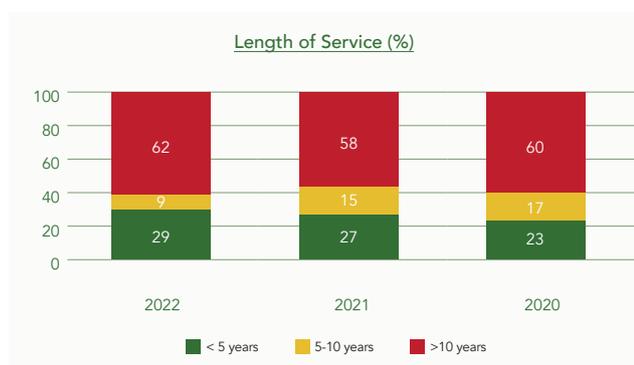
Similar to the past, we have achieved our target and there was no reported discrimination in the Group in FY2022 (FY2021 & FY2020: Nil).

**FY2023 Target:** To maintain zero complaints on discrimination.

# SUSTAINABILITY REPORT

Below shows the Group's staff composition chart in FY2022. Our headcount increased slightly to 278 in FY2022 as compared to 273 in FY2021 (FY2020: 270). Due to the nature of work, our employees are predominately male staff. In this particular aspect, the Group does not favour male over female job applicants.

Employee Distribution



## TRAINING AND EDUCATION

In FY2022, our materiality assessment shows that training and education is material to our business. We are committed to providing training and education to our employees. We understand that the success of our organisation relies on having a well-trained and educated team of professionals.

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

Although the list is not exhaustive, the following categories of training programmes were conducted in FY2022:

- Safety Management
- Production Management
- Organisational Culture
- New Staff Orientation
- Professionalism
- Financial Management

We achieved 717 total training hours in FY2022 with average of 17 hours for female and 20 average training hours for male employees.

FY2023: To maintain the same level of average training hours per employee next year.

## Local Communities

The Group embraces the philosophy of giving back to the community by encouraging proactive involvement in the Group's various corporate social responsibility initiatives and environmental conservation programs. Contributing time and resources, we are committed to aid the development and improvement of the society in which we live and work.

### Membership Associations

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

- Director Unit of China Petroleum & Chemical Engineering Survey and Design Association
- Standing Member of China Nitrogen Fertilizer Industry Association
- Standing Member of China Chemical Industry Environmental Protection Association
- Director Unit of China Petroleum Chemical Industry Federation
- Standing Member of Hunan Society of Chemical and Chemical Engineering
- Director Unit of Hunan Survey and Design Association
- Vice President Unit of Hunan Petroleum Chemical

# SUSTAINABILITY REPORT

- Industry Association
- Member Unit of Chemical Catalyst Division Technical Committee of National Standardization Technical Committee of Chemical
- Standing Member of Hunan Petroleum Society
- Member Unit of Hunan Association of Special Equipment Inspection
- Vice President Unit of Changsha Special Equipment Safety Management Association
- Member Unit of Changsha Work Safety Association
- Member Unit of China Chemical Industry Equipment Association

## 6. GOVERNANCE

### CORPORATE GOVERNANCE

The Board and the Management of the Group are committed to the leading practices in corporate governance to ensure sustainability of the Group's operations. We believe that our constant drive for corporate excellence will allow us to establish a more transparent, accountable, and equitable system, thereby increasing the value of the Group and its value to our shareholders. Please refer to pages 26 to 66 in Annual Report for detailed information of the Group's Corporate Governance Report.

The Group was not subject to any substantiated complaints or incidences of corruption, bribery, anti-competitive behaviour, data loss or privacy breaches from FY2020 to FY2022, thus also achieving the target we set last year. There were no incidences of material penalties in relation to the sale of banned products, non-compliance with marketing and labelling regulations, Product Health and Safety, Occupational Health and Safety or environmental laws and regulations. We abide by the listing rules as stated in SGX Rulebooks on Code of Corporate Governance and believe in the honesty, integrity and vigilance of our management and employees.

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

Environmental policy is set by the National People's Congress and managed by the Ministry of Environmental Protection ("MEP") of the People's Republic of China. Under MEP, the Department of Policies, Laws and Regulations is in charge of

establishing and strengthening environmental laws, administrative policies and economical regulations. It is also responsible for the development of national environmental protection policy and macro strategy.

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

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

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

We have achieved the target we set last year. There was no incidence of non-compliance with laws and regulations resulting in significant fines or sanctions in FY2022 (FY2021 & FY2020: Nil).

**FY2023 Target:** To maintain zero non-compliance with applicable laws and regulations while upholding the Code of Corporate Governance.

### RISK MANAGEMENT

The Board is committed to ensuring that the Group has an effective and practical enterprise risk management framework in place to safeguard shareholders' interests, and the sustainability of the Group as well as provide a basis to make informed decisions having regard to the risk exposure and risk appetite of the Group. For detailed disclosure on our risk management, please refer to page 49.

**FY2023 Target:** To conduct annual review on our risk management framework and internal control systems.

# SUSTAINABILITY REPORT

## 7. GRI CONTENT INDEX

GRI STANDARD	DISCLOSURE	LOCATION	
<b>GRI 2: GENERAL DISCLOSURES 2021</b>	2-1	Organizational details	Page 3
	2-2	Entities included in the organization's sustainability reporting	Page 16
	2-3	Reporting period, frequency and contact point	Page 16
	2-4	Restatements of information	None
	2-5	External assurance	Page 16
	2-6	Activities, value chain and other business relationships	Page 2-3
	2-7	Employees	Page 20-21
	2-9	Governance structure and composition	Page 34
	2-10	Nomination and selection of the highest governance body	Page 40
	2-11	Chair of the highest governance body	Page 37-38
	2-12	Role of the highest governance body in overseeing the management of impacts	Page 16
	2-13	Delegation of responsibility for managing impacts	Page 16
	2-14	Role of the highest governance body in sustainability reporting	Page 16
	2-15	Conflicts of interest	Page 26
	2-16	Communication of critical concerns	Page 17
	2-22	Statement on sustainable development strategy	Page 16
	2-23	Policy commitments	Page 19
	2-24	Embedding policy commitments	Page 19
	2-25	Processes to remediate negative impacts	Page 54
	2-26	Mechanisms for seeking advice and raising concerns	Page 54-55
	2-27	Compliance with laws and regulations	Page 22
	2-28	Membership associations	Page 21
	2-29	Approach to stakeholder engagement	Page 17
	2-30	Collective bargaining agreements	Page 20

# SUSTAINABILITY REPORT

GRI STANDARD	DISCLOSURE	LOCATION	
<b>GRI 3: MATERIAL TOPICS 2021</b>	3-1	Process to determine material topics	Page 18
	3-2	List of material topics	Page 18
	3-3	Management of material topics	Page 18
<b>GRI 201: ECONOMIC PERFORMANCE 2016</b>	201-1	Direct economic value generated and distributed	Page 18-19
<b>GRI 205: ANTI-CORRUPTION 2016</b>	205-1	Operations assessed for risks related to corruption	Page 19
<b>GRI 302: ENERGY 2016</b>	302-1	Energy consumption within the organization	Page 19
<b>GRI 403: OCCUPATIONAL HEALTH AND SAFETY 2018</b>	403-1	Occupational health and safety management system	Page 20
	403-2	Hazard identification, risk assessment, and incident investigation	Page 20
	403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	Page 20
	403-9	Work-related injuries	Page 20
<b>GRI 404: TRAINING AND EDUCATION 2016</b>	404-1	Average hours of training per year per employee	Page 21
	404-2	Programs for upgrading employee skills and transition assistance programs	Page 21
<b>GRI 405: DIVERSITY AND EQUAL OPPORTUNITY 2016</b>	405-1	Diversity of governance bodies and employees	Page 20

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# REPORT OF CORPORATE GOVERNANCE

The Board of Directors (“Board”) of Anchun International Holdings Ltd. (the “Company”) and together with its subsidiary (the “Group”) is committed to maintain high standards of corporate governance by adopting and complying, where possible, with the Principles and Provisions of the Code of Corporate Governance 2018 (the “Code”). Good corporate governance provides the framework for an ethical and accountable corporate environment, which will protect the interests of the Company’s shareholders (“Shareholders”), promote investors’ confidence and maximise long-term value of the Shareholders.

This report describes the Company’s corporate governance processes and activities in conjunction with the Listing Manual of Singapore Exchange Securities Trading Limited (“Listing Manual”) requirements that issuers describe its corporate governance practices that were in place during the financial year ended 31 December 2022 (“FY2022”) with specific reference made to the principles and provisions of the Code. The Company is also guided by the voluntary Practice Guidance which was issued to complement the Code, and which sets out best practice standards for companies. Where there are any deviations from the Code, the Board considered alternative practices adopted by the Group are sufficient to meet the underlying objectives of the Code. Appropriate explanations have been provided in the relevant sections when there are deviations.

## BOARD MATTERS

### The Board’s Conduct of its Affairs

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

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

Provision 1.1

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

- i) provide entrepreneurial leadership, set strategic aims and ensure that the necessary financial and human resources are in place for the Group to meet its objectives;
- ii) establish a framework of prudent and effective controls which enables the identification, assessment and management of risks, including safeguarding of Shareholders’ interests and the Group’s assets;
- iii) review management performance;
- iv) identify the key stakeholder groups and recognise that their perceptions affect the Group’s reputation;
- v) set the Group’s values and standards (including a code of conduct and ethical standards), set appropriate tone-from-the-top and desired organisational culture, ensure proper accountability within the Company and ensure that obligations to Shareholders and other stakeholders are understood and met;
- vi) consider sustainability issues (including environmental and social factors) as part of its strategic formulation; and

## REPORT OF CORPORATE GOVERNANCE

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

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

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

### Continuous Training for Directors and Orientation for Incoming Directors

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

Provision 1.2

For new first-time Director who does not have prior experience of a director of a public listed company in Singapore, in addition to the induction as detailed above, he or she will be required to attend the mandatory training within one (1) year from his/her appointment as prescribed in the Listing Manual.

During FY2022, no new Director was appointed.

The Directors are also kept abreast of developments which are relevant to the Group, which have important bearing on the Group and the Directors' obligations to the Group, from time to time. Relevant updates or new releases issued by the Singapore Exchange Securities Trading Limited ("SGX-ST") and the Accounting and Corporate Regulatory Authority ("ACRA") which are relevant to the Directors or new articles/reports (if any) including analyst reports which are relevant to the Group are circulated to all the directors from time to time. The Group's external auditors also provide periodic briefing to the Audit Committee ("AC") on changes or amendments to the accounting standards and their impact on the financial statements, if any.

## REPORT OF CORPORATE GOVERNANCE

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

With effect from 1 January 2022, all Directors are required to undergo training on sustainability matters as prescribed by the SGX-ST. In connection thereto, all Directors of the Company have attended the said training during FY2022 in fulfilment of the said requirement: -

<b>Training</b>	<b>Name of Directors</b>	<b>Date of Attendance</b>
Sustainability E-Training for Directors organised by Institute of Singapore Chartered Accountants and SAC Capital Private Limited	Ms. Dai Feng Yu	15 July 2022
	Professor He Ming Yang	18 July 2022
	Mr. Zheng Zhi Zhong	25 July 2022
	Ms. Xie Ming	20 October 2022
	Mr. Xie Ding Zhong	21 October 2022
	Mr. Lee Gee Aik	2 December 2022
	Mr. Andrew Bek	15 December 2022
Listed Entity Directors Programme for Environmental, Social and Governance Essentials Core Module organised by Singapore Institute of Directors	Mr. Lee Gee Aik	2 August 2022
	Ms. Tan Min-Li	7 September 2022

### Matters Requiring Board Approval

The Board is entrusted with the responsibility for the overall management of the business and corporate affairs of the Group.

Provision 1.3

The Group has adopted internal guidelines setting out matters reserved for the Board's approval. Within these guidelines, the Board approves transactions that exceed certain thresholds. Material matters which specifically require the Board's decision or approval are clearly communicated to the management in writing. They include the following corporate matters: -

- i) Announcements to be released via SGXNet, including half-yearly and full year financial announcements;
- ii) Authorisation of material acquisitions, divestments, joint ventures or investments;
- iii) Share issuances or changes in the capital of the Company;
- iv) Interested person transaction (as defined under Chapter 9 of the Listing Manual);
- v) Change in business direction;

# REPORT OF CORPORATE GOVERNANCE

- vi) declaration of interim dividends, proposal of final dividends or other returns to Shareholders;
- vii) any matters relating the Company's Annual General Meeting ("AGM"), Board and Board Committee; and
- viii) any other matters as prescribed under the relevant legislations and regulations, as well as the provision of the Company's Constitution.

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

## Delegation of Authority to Board Committees

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

Provision 1.4

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

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

## Meetings of Board and Board Committees

Board and Board committee meetings are scheduled well in advance of each year in consultation with the Directors. There are four scheduled Board meetings each year. Ad-hoc meetings are convened as and when they are deemed necessary to address significant transactions and issues that may arise in between the scheduled meetings. These meetings are scheduled in advance to facilitate the individual Director's planning in view of their ongoing commitments.

Provision 1.5

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

# REPORT OF CORPORATE GOVERNANCE

The attendance of Directors at meetings of the Board and Board Committees meetings during FY2022 is tabulated below:

Name	Designation	Number of meetings attended / Number of meetings held			
		Board	AC	NC	RC
<b>Current Directors</b>					
Ms. Xie Ming	Non-Independent Non-Executive Chairman	4/4	–	–	1/1
Mr. Zheng Zhi Zhong	Executive Director and Chief Executive Officer	4/4	–	–	–
Ms. Dai Feng Yu	Executive Director	4/4	–	–	–
Mr. Xie Ding Zhong	Non-Independent Non-Executive Director	4/4	–	1/1	–
Mr. Lee Gee Aik	Lead Independent Director	4/4	4/4	1/1	–
Ms. Tan Min-Li	Independent Director	4/4	4/4	1/1	1/1
Mr. Andrew Bek	Independent Director	4/4	4/4	–	–
Professor He Ming Yang	Independent Director	4/4	–	1/1	1/1

In addition, all the Directors of the Company had attended the last Annual General Meeting held by way of electronic means on Monday, 25 April 2022 at 9:30 a.m. (Singapore time).

## Access to Information

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

Provision 1.6

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

# REPORT OF CORPORATE GOVERNANCE

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

The Company Secretary attends all Board meetings and ensures that all Board procedures are followed. The Company Secretary, together with other management staff of the Company, also ensures that the Company complies with the applicable statutory and regulatory rules.

## *Separate and Independent access to Management and Company Secretary*

The Directors have separate and independent access to the Company's Management and the Company Secretary at all times. Should the Directors, whether as a group or individually, need independent professional advice in furtherance of their duties, the Company will appoint a professional advisor, subject to approval by the Chairman, to render the advice. The cost of such independent professional advice will be borne by the Company.

Provision 1.7

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

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

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

## **Board Composition and Balance**

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

### *Independence of Directors*

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

Provision 2.1

## REPORT OF CORPORATE GOVERNANCE

The NC deliberates annually to determine the independence of a director, taking into consideration the Listing Manual, as well as whether there is any circumstance or relationship that might impact the Director's independence or perception of independence. In determining whether a director is independent, the NC has adopted the definition in the Code of what constitutes an Independent Director as well as other relevant circumstances and facts. Each Independent Director is required annually to complete an independence checklist and to declare whether they consider themselves independent – even if they have any of the relationships which are deemed to be non-independent based on the standards of independence in the Code. Such declarations assist the NC in its determination of the Directors' independence.

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

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

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

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

As of 31 December 2022, three (3) Independent Directors, namely Ms. Tan Min-Li, Mr. Lee Gee Aik and Mr. Andrew Bek have served on the Board beyond 9 years from the date of their initial appointment.

In view of the above, the other Directors have been asked to particularly review and assess the independence of Ms. Tan Min-Li, Mr. Lee Gee Aik and Mr. Andrew Bek (collectively known as "Affected Directors").

After due consideration and with the recommendation of the NC, the Board continues to regard Mr. Lee Gee Aik, Ms. Tan Min-Li and Mr. Andrew Bek as independent, notwithstanding the length of tenure of their service, after taking into consideration, inter alia, the guidelines for independence as provided for under the Code, the absence of potential conflicts of interest for the Independent Directors which may arise through, inter alia, a shareholding interest in the Company and/or business dealings directly or indirectly with the Group, and as they have demonstrated independence in character and

## REPORT OF CORPORATE GOVERNANCE

judgment, through, inter alia, their contributions to Board discussions and deliberations and ability and preparedness to exercise independent business judgment and/or decisions with the view to the best interests of the Company, without undue reliance, influence or consideration of the Group's interested parties such as the Chairman, the other non-independent Directors, controlling shareholders and/or their associates.

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

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

The Board notes that, with effect from 11 January 2023, the independent director who have served more than nine (9) years from the date of his or her appointment either to step down or re-designated as Non-Independent Director before the Annual General Meeting for the financial year ending 31 December 2023 to be held in year 2024 which to comply with the Rule 210(5)(d)(iv) together with the Transitional Practice Note 4 of the Listing Manual. The NC is fully aware on such requirements and will source suitable new Board candidates which shall be recommended and referred from other sources, existing Board members or engaging the services of search consultants to identify prospective Board candidates. For more details of the "*Selection, Appointment and re-appointment of Directors*", kindly refer to Provision 4.3. The Company will continuously review and take the necessary steps to comply with such requirements and relevant announcements will be published, where appropriate.

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

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

Provision 2.2  
Provision 2.3

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

# REPORT OF CORPORATE GOVERNANCE

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

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

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

## Board Composition, Size and Diversity

The Board comprises the following members: -

Provision 2.4

### **Executive Directors**

Mr. Zheng Zhi Zhong  
Ms. Dai Feng Yu

### **Non-Independent and Non-Executive Directors**

Ms. Xie Ming (Chairman)  
Mr. Xie Ding Zhong

### **Independent Directors**

Mr. Lee Gee Aik  
Ms. Tan Min-Li  
Mr. Andrew Bek  
Professor He Ming Yang

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

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

## REPORT OF CORPORATE GOVERNANCE

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

According to the existing Board composition, the NC reviewed the existing attributes and competencies of the Board and is satisfied that the Directors as a group have the appropriate mix of expertise to lead and govern the Group effectively. The diversity of the directors' expertise and experience allow for the useful exchange of ideas and views providing a balance of views at Board and Board Committee meetings. The Board currently comprises three female (37.5%) and five male directors (62.5%) who, as a whole have relevant competence, in accounting, finance, legal or corporate governance, business management, relevant industry knowledge or experience, strategic planning and customer-based experience. The Board provides diversity of expertise, invaluable experiences and knowledge in areas such as accounting, finance, legal or corporate governance, business management and relevant industry knowledge. This diversity facilitates constructive debate on the business activities of the Company and enables Management to benefit from a diverse and objective set of perspectives on issues that are brought before the Board.

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

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

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

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

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

## REPORT OF CORPORATE GOVERNANCE

The Company has established the Board Diversity Policy to ensure the diversity of the Board members and balance of skills. A diverse Board will include and make good use of differences in the skills, industry knowledge and professional experience, cultural and education background and other qualities of the Directors and does not discriminate on the ground of race, age, gender or religious belief. These differences will be taken into account in determining the optimum composition of the Board and when possible, should be balanced appropriately. The Board's policy in identifying directors is primarily to have an appropriate mix and diversity of members with complementary skills, core competencies and experience that could contribute positively to the Group. In reviewing the Board composition and succession planning, the NC considers the benefits of all aspects, including but not limited to age, gender, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service, and other factors that may consider relevant and applicable from time to time.

The Board takes the following steps to maintain or enhance the efficacy of its composition: -

- (a) annual review by the NC to assess if the existing attributes and core competencies of the Board are complementary and enhance the efficacy of the Board; and
- (b) annual evaluation by the Directors of the skill sets the other Directors possess, with a view to understand the potential gaps in the areas of expertise and competencies of the Board.

The NC will consider the results of these exercises in its recommendation for the appointment of new directors and/or the re-appointment of incumbent directors. The NC will also continuously review the composition of the Board so that it will have the necessary competency to be effective. The NC will further consider other aspects of diversity such as professional and commercial experience, gender, age and other relevant qualities.

The NC will continue to review the terms of the Board Diversity Policy, where appropriate, to ensure the effectiveness and will recommend appropriate revisions or improvements to the Board for consideration and approval.

### Meetings without the presence of Management

The Independent Directors meet at least once a year or on a need-be basis without the presence of the Management to discuss matters such as the Group's financial performance, corporate governance initiatives, board processes, succession planning as well as leadership development and the remuneration of the Executive Directors as well as to review any other matters that must be raised privately.

Provision 2.5

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

# REPORT OF CORPORATE GOVERNANCE

## Chairman and Chief Executive Officer

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

### *Different roles of the Chairman and Chief Executive Officer*

The Chairman and the Chief Executive Officer ("CEO") are separate persons. Currently, Ms. Xie Ming is Non-Independent Non-Executive Chairman of the Board, while Mr. Zheng Zhi Zhong is Executive Director cum CEO. The Chairman and the CEO are not related, and the roles of the Chairman and CEO are kept separate to ensure an appropriate balance of power, greater capacity of independent Board decision making and increase accountability.

Provision 3.1

The Chairman's duties and responsibilities include: -

- i) leading the Board to ensure its effectiveness on all aspects of its role;
- ii) setting the agenda and ensure that adequate time is available for discussion of all agenda items, in particular strategic issues;
- iii) promoting a culture of openness and debate at the Board;
- iv) ensuring that the Directors receive complete, adequate and timely information;
- v) ensuring effective communication with Shareholders;
- vi) encouraging constructive relations within the Board and between the Board and the management;
- vii) facilitating the effective contribution of Non-Executive Directors;
- viii) encouraging constructive relations between Executive Directors and Non-Executive Directors; and
- ix) promoting high standards of corporate governance.

The CEO's duties and responsibilities include: -

- i) improving, developing, extending, maintaining, advising and promoting the Group's businesses to protect and further the reputation, interest and success of the Company and the Group;
- ii) undertaking such duties and exercising such powers in relation to the Group and their businesses as the Board shall from time to time properly assign to or vest in him in his capacity as the CEO and all other matters incidental to the same; and
- iii) overseeing, formulating and implementing corporate strategies and directions for the affairs of the Group.

# REPORT OF CORPORATE GOVERNANCE

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

## *Roles and Responsibilities of the Chairman and the CEO*

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

Provision 3.2

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

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

## *Lead Independent Director*

To ensure good corporate governance practice and that there is no concentration of power and authority, the Company has appointed Mr. Lee Gee Aik as the Lead Independent Director as well as the Chairman of the AC on 9 September 2010.

Provision 3.3

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

## **Board Membership**

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

## *Composition and Terms of Reference of NC*

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

Provision 4.1  
and 4.2

## REPORT OF CORPORATE GOVERNANCE

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

- a) Professor He Ming Yang (Chairman)
- b) Ms. Tan Min-Li
- c) Mr. Lee Gee Aik
- d) Mr. Xie Ding Zhong

The Lead Independent Director is a member of the NC.

The principal functions of the NC, regulated by written TOR and undertaken by the NC during FY2022, are as follows: -

- i) to review board succession plans for Directors;
- ii) to develop a process for evaluation of the performance of the Board, the Board Committees and the Directors;
- iii) to review, assess and make a recommendation to the Board on all Board selection, appointments and re-appointments, taking into consideration the composition and progressive renewal of the Board and each Director's competencies, contributions and performance;
- iv) to review and determine on an annual basis whether or not a director is independent, guided by the guidelines contained in the Code regarding independence;
- v) to decide the assessment process and implement a set of objective performance criteria to be applied from year to year for evaluation of the Board's performance;
- vi) to carry out an annual review of the effectiveness of the Board as a whole; the Board Committees and the contribution of each individual Director, including Independent Directors;
- vii) To review the structure, size and composition (including the skills, knowledge and experience) of the Board to ensure the appropriate Board diversity, balance and size and making recommendations to the Board with regard to any changes; and
- viii) to determine the appropriate training and professional development programs for the Board.

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

# REPORT OF CORPORATE GOVERNANCE

## Selection, Appointment and re-appointment of Directors

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

Provision 4.3

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

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

In considering the appointment of any new Director, the NC ensures that the new Director is aligned with Group's strategic directions and possesses the necessary skills, knowledge and experience that could facilitate the Board in making sound and well-considered decisions. The selection criterion includes integrity, diversity of competencies, expertise, industry experience and financial literacy.

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

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

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

## Process of Re-appointment of Directors

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

# REPORT OF CORPORATE GOVERNANCE

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

<b>Name of Directors</b>	<b>Date of first appointment</b>	<b>Date of last re-election</b>
Mr. Zheng Zhi Zhong	1 June 2014	19 June 2020
Mr. Andrew Bek	1 March 2014 <sup>(Note 1)</sup>	19 June 2020
Ms. Dai Feng Yu	9 September 2010	26 April 2021
Ms. Tan Min-Li	9 September 2010	26 April 2021
Mr. Lee Gee Aik	9 September 2010	26 April 2021
Ms. Xie Ming	2 November 2009	25 April 2022
Professor He Ming Yang	1 January 2019	25 April 2022
Mr. Xie Ding Zhong	2 November 2009	25 April 2022

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

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

The NC has recommended, with the concurrence of the Board, that the following Directors who are retiring by rotation pursuant to Article 89 of the Company's Constitution be re-elected as Directors of the Company: -

- i) Mr. Andrew Bek;
- ii) Mr. Zheng Zhi Zhong; and
- iii) Ms. Dai Feng Yu

Mr. Andrew Bek, will, upon re-election as Director, remain as the Independent Director and a member of the AC. He will be considered independent for the purposes of Rule 704(8) of the Listing Manual.

Mr. Zheng Zhi Zhong will, upon re-election as Director, remain as the Executive Director cum CEO, while Ms. Dai Feng Yu will, upon re-election as Director, remain as Executive Director.

Mr. Andrew Bek, Mr. Zheng Zhi Zhong and Ms. Dai Feng Yu had abstained from participating in the discussion and recommendation on their respective nominations.

## Succession Planning for Key Management Personnel ("KMP")

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

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

# REPORT OF CORPORATE GOVERNANCE

## NC to determine Director's independence

The NC deliberates annually to determine the independence of a director bearing in mind the salient factors set out in the Code as well as all other relevant circumstances and facts. No member of the NC participates in the deliberation in respect of his own status as an Independent Director. Each retiring Independent Director has confirmed that he does not have any relationship with his fellow Directors nor with the Company and its substantial shareholders.

Provision 4.4

## Commitments of Directors sitting on multiple Board

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

Provision 4.5

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

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

## **Board Performance**

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

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

Provision 5.1  
and 5.2

The NC has adopted a formal process to annually assess the performance and effectiveness of the Board and its committees, as well as to evaluate the contribution of each Director to the effectiveness of the Board. The NC has adopted an assessment checklist, which includes various quantitative and qualitative evaluation factors, and disseminates the same to each Director for completion. The assessment comprises self-assessment, Board assessment and peer evaluations. The Board and the NC believe

## REPORT OF CORPORATE GOVERNANCE

that the financial indicators are mainly used to measure the Executive Directors' and the Management's performance and hence are less applicable to the Independent Directors and Non-Executive Directors. All Directors are required to complete and send the evaluation forms to the Company Secretary for collation. The summary of the assessment results was presented to the NC for review and discussion.

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

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

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

The replacement of a director, when it occurs, does not necessarily reflect the Director's performance, but may be driven by the need to align the Board with the changing needs of the Group's business and operations.

The NC has reviewed the overall performance of the Board, Board Committees and each Director for FY2022 and is satisfied that the Board as a whole and Board Committees have met the performance evaluation criteria and objectives and each Director has contributed effectively and demonstrated commitment to his respective role, including commitment of time for the Board and Board Committee meetings and any other duties in FY2022.

All NC members have abstained from the voting or review process of any matters in connection with the assessment of his/her performance or re-appointment as a Director of the Company.

During the FY2022, the Company did not engage any external facilitator for Board and Director assessment.

# REPORT OF CORPORATE GOVERNANCE

## REMUNERATION MATTERS

### Procedures for Developing Remuneration Policies

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

#### *Composition and Terms of Reference of Remuneration Committee*

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

Provision 6.1,  
6.2 and 6.3

The principal functions of the RC, regulated by written TOR and undertaken by the RC during FY2022, include the following:

- (i) reviewing and recommending to the Board a general framework of remuneration for the Executive Directors and KMP, covering all aspects of remuneration, including but not limited to fees, salaries, allowances and bonuses;
- (ii) reviewing and determining specific remuneration packages for each Executive Director and KMP so as to link rewards to corporate and individual performance so as to align them with the interests of Shareholders and promote the long-term success of the Group; and
- (iii) reviewing all aspects of remuneration, including but not limited to Directors' fees, salaries, allowances, bonuses, options and benefits-in-kind.

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

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

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

# REPORT OF CORPORATE GOVERNANCE

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

## RC's Access to Advice on Remuneration Consultants

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

Provision 6.4

The RC and the Board were of the view that the Company does not need to engage remuneration consultants as the remuneration for Executive Directors and the key management personnel are based on their respective existing service agreements. There being no necessity, the RC did not seek the service of an external remuneration consultant in FY2022.

## Level and Mix of Remuneration

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

## Remuneration Structure of Executive Directors and Key Management Personnel

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

Provision 7.1

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

- (a) their responsibilities and skills;
- (b) expertise and years of experience;
- (c) performance-related incentives based on the revenue and profitability of the Group at certain threshold.

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

## REPORT OF CORPORATE GOVERNANCE

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

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

### Remuneration Structure of Independent Directors and Non-Executive Directors

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

Provision 7.2

The Non-Executive Directors (including the Independent Directors) are paid a base fee. An additional fee is also paid to Non-Executive Directors for serving on any of the Board Committees.

In reviewing the recommendation for Independent Directors' and Non-Executive Directors' fees for FY2022, the RC had continued to adopt a framework of base fees for serving on Board and Board Committees, as well as fees for chairing as member or chairman of the Board Committees. The fees take into consideration the level of contribution of each Board member, including, the effort and amount of time that each Board member may be required to devote to their role and the increasingly onerous responsibilities of the Directors. No Director is involved in deciding his/her own remuneration. The payment of Directors' fees is subject to approval of the shareholders at each AGM. The Independent Directors have not been over-compensated to the extent that their independence is compromised.

### Retention of Directors and KMPs

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

Provision 7.3

# REPORT OF CORPORATE GOVERNANCE

## Disclosure on Remuneration

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

### *Remuneration of Directors and Key Management Personnel*

A breakdown, showing the level and mix of each individual Director's remuneration paid in FY2022 is as follows: -

Provision 8.1  
and 8.3

<b>Name of Director</b>	<b>Fee<sup>#</sup></b>	<b>Salary</b>	<b>Bonus</b>	<b>Benefits</b>	<b>Total</b>
<b>Below S\$250,000</b>	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>
Ms. Xie Ming	100	–	–	–	100
Mr. Zheng Zhi Zhong	–	45	55	–	100
Ms. Dai Feng Yu	–	49	51	–	100
Mr. Xie Ding Zhong	100	–	–	–	100
Mr. Lee Gee Aik	100	–	–	–	100
Ms. Tan Min-Li	100	–	–	–	100
Mr. Andrew Bek	100	–	–	–	100
Professor He Ming Yang	100	–	–	–	100

<sup>#</sup> Directors' fees amounted to S\$346,000 for FY2022 has been approved by the Shareholders at the AGM held on 25 April 2022 ("2021 AGM").

A breakdown, showing the level and mix of top key executives in FY2022 is as follows: -

<b>Name of Key Management Personnel<sup>#</sup></b>	<b>Salary</b>	<b>Bonus</b>	<b>Benefits</b>	<b>Total</b>
<b>Below S\$250,000</b>	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>
Mr. He Zu Bing	45	54	1	100
Ms. Li Juan	44	54	2	100

Note:

<sup>#</sup> During the financial year under review, there were only two key management personnel.

In line with the succession plans of the Company, the Company had approved the promotion of Mr Zhong XuGuang as Technology Director and Ms Xie FangHua as Manufacture Director in the subsidiary of the Company, Hunan Anchun Advanced Technology Co., Ltd with effect from 28 February 2023. Kindly refer to the public announcement made via SGXNet on 28 February 2023 for more information.

The aggregate total remuneration paid to or accrued to KMP (who are not Directors or CEO) amounted to S\$149,231.

## REPORT OF CORPORATE GOVERNANCE

The remuneration of each individual Director and key executive is not fully disclosed as the Company believes that disclosure may be prejudicial to its business interests given the highly competitive environment it is operating in. The RC has reviewed the practice of the industry in weighing the advantages and disadvantages of such disclosure. As a Company with a small and tightly knit team, such disclosure may adversely affect the cohesion and spirit of teamwork prevailing amongst the employees of the Group and also retaining talent at the Board and top management level. Non-disclosures maintain confidentiality of remuneration, prevent poaching and also prevent internal comparison and maintain morale.

Notwithstanding that the Company did not disclose the exact remuneration of Directors and KMP (who are not Director or CEO of the Company) for FY2022, the Board is of the view that the Company has provided sufficient transparency on the Company's remuneration policies, level and mix of remuneration, the procedure for setting remuneration and the relationships between remuneration, performance and value creation. Other than this, the Company has complied with the rest of the disclosure requirements under Provision 8.1 of the Code.

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

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

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

During the FY2022 under review, there was no termination, retirement or post-employment benefits to any Director or KMP.

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

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

Provision 8.2

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

# REPORT OF CORPORATE GOVERNANCE

## ACCOUNTABILITY AND AUDIT

### Risk Management and Internal Controls

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

#### Risk Management System

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

Provision 9.1

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

#### Assistance from Internal Auditors

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

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

(a) Size

Peking Certified Public Accountants LLP was founded in 1992 with the approval of the Ministry of Finance (China), and registered at the State Administration of Industry and Commerce with a capital contribution of RMB19.0 million and Mr. Hu Baihe as the principal partner.

As of December 31, 2022, Peking Certified Public Accountants LLP has 1,329 employees who are professionals in finance, accounting, audit, tax, IT, management consulting, including 382 certified public accountants (CPA), 8 senior CPAs, 14 CPA industry leaders.

# REPORT OF CORPORATE GOVERNANCE

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

## (b) Track Record

In FY2021, Peking Certified Public Accountants LLP reported revenue of RMB407.43 million and ranked 33 in business revenue published by CICPA. In FY2021, the number of audit clients they have serviced is as follows: -

<b>Audit clients</b>	<b>Number</b>
Audit annual reports of listed companies	30
Internal audit	35
Others <sup>#</sup>	4,315

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

## (c) Engagement Partner

Mr Zhang Guang Qing is the Company's internal audit engagement partner. He holds a China Certified Public Accountant certificate. His strong audit working experience of over 28 years is one of the factors the Group has taken into consideration in its selection of IA service provider.

## (d) The Oversight Professional Bodies

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

## (e) Internal audit standard

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

## REPORT OF CORPORATE GOVERNANCE

(f) Served similar clients

In FY2021, the number of internal audit clients of listed companies of similar size and scale as the Company is as follows: -

<b>Internal Audit clients of listed companies</b>	<b>Number</b>
Listed Clients of China Main Board Market	13
Listed Clients of China SME (Small and Medium Enterprise) Board Market	12

Based on the internal controls established and maintained by the Group, work performed by External and Internal Auditors and the reviews by the Management and the various Board Committees, the AC and the Board are of the opinion, that the Group's internal controls, addressing financial, operational, compliance and information technology controls, and risk management systems are adequate and effective as at 31 December 2022.

The Board is responsible for ensuring that Management maintains a sound system of internal controls to safeguard Shareholders' investments and the Group's assets. For FY2022, based on (i) the Group's framework of management controls, (ii) the internal control policies and procedures established and maintained by the Group and (iii) regular audits and reviews performed by the Internal and External Auditors, the Board, with the concurrence of the AC, is of the opinion that the systems of internal controls and risk management within the Group are adequate and effective as at 31 December 2022 to address financial, operational, compliance risks and information technology risks which the Group considers relevant and material to its operations.

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

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

Assurance from CEO, Chief Financial Officer and Financial Controller

For the financial year under review, the Board has received the written assurance from the CEO, Chief Financial Officer and Financial Controller that the financial records have been properly maintained and the financial statements of the Group for FY2022 give a true and fair view of the Company's operations and finances.

Provision 9.2

The Board has also received assurance from the CEO and KMP responsible for risk management and internal control systems that, as at 31 December 2022, the Group's risk management and internal controls system in place are adequate and effective to address the financial, operational, compliance and information technology risks in the context of the current scope of the Group's business operations.

# REPORT OF CORPORATE GOVERNANCE

## Audit Committee

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

#### Composition and Terms of Reference of Audit Committee

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

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

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

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

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

- i) review the audit plan and discuss with the External Auditors, their evaluation of the system of internal controls, their audit report, their management letter and the management's response;
- ii) review the internal audit plan and discuss with the Internal Auditors, their evaluation of the adequacy and effectiveness of the Company's internal controls;
- iii) review the half yearly results and full year results before submission of the same to the Board for approval (including the significant financial reporting issues and judgements so as to ensure the integrity of the financial statements and any announcements relating to the Group's financial performance);
- iv) conduct an annual review of the effectiveness and adequacy of the internal controls and procedures with the External Auditors, Internal Auditors and the Management;
- v) meet with External and Internal Auditors without the presence of the Management at least annually and review the co-operation given by the Company's officers to External and Internal Auditors;
- vi) review the Group's key risk areas, as identified by the External and Internal Auditors in the course of their audits;
- vii) review the effectiveness, adequacy, scope and results of the external audit, and where External Auditors provide non audit services, review the nature, extent and cost of such services and the independence and objectivity of the External Auditors;

## REPORT OF CORPORATE GOVERNANCE

- viii) review the terms of engagement, appointment or re-appointment of the External and Internal Auditors and matters relating to their resignation or dismissal;
- ix) review interested person transactions falling within the scope of Chapter 9 of the Listing Manual, if any; and
- x) any potential conflicts of interest.

In FY2022, the AC was kept abreast by the External Auditors of changes to accounting standards and issues which have a direct impact on financial statements. In the review of the Financial Statements for FY2022, the AC has discussed with Management the accounting practices adopted for the financial year, including accounting policies, accounting estimates and financial statements disclosures have been adopted. The AC has also reviewed the judgements made by Management and with the External Auditors which might affect the integrity of the financial statements.

Provided below is a high-level overview of the matters which were identified as the Key Audit Matters ("KAMs") in the Independent Auditor's Report on the consolidated financial statements of the Group for FY2022. These KAMs were discussed with the Management and External Auditors and in the review carried out by the AC: -

Key Audit Matters	How the AC reviewed and responded to the KAMs
<p><b>Impairment of trade receivables and contract assets</b>  Refer to pages 73 in the Independent Auditor's Report of this Annual Report</p>	<p>The AC discussed with the Management the approach taken to determine the impairment for trade receivables and contract assets at 31 December 2022. The AC also reviewed the reasonableness of the basis of impairment and factors that influenced management's judgement.</p> <p>Impairment of trade receivables and contract assets was also an area of focus for the External Auditors. The External Auditors has included this item as a key audit matter in its audit report for FY2022.</p>
<p><b>Revenue from chemical systems and components ("CSC") business and chemical engineering and technology ("CET") engineering services</b>  Refer to pages 73 and 74 in the Independent Auditor's Report of this Annual Report</p>	<p>The AC discussed with the Management the approach and methodology used to determine cost estimates and budgets used in their application to measure the progress towards completion of contract, for CSC revenue recognised over time. The AC also discussed and reviewed with the External Auditors on the adequacy for provision for onerous contracts at 31 December 2022.</p> <p>Revenue recognition from CSC business and CET engineering services was also an area of focus for the External Auditors. The External Auditors has included this item as a key audit matter in its auditors' report for FY2022.</p>

## REPORT OF CORPORATE GOVERNANCE

Following the above review and discussion, the AC recommended to the Board to approve the FY2022 Financial Statements.

The AC review annually the non-audit services provided by external auditors and determines whether the provision of such services affects their independence. During FY2022, the external auditors of the Group did not provide any non-audit services to the Group. The breakdown of fees (audit and non-audit fees) paid to auditors are set out in Note 8 of the Consolidated Audited Financial Statement of the Group for FY2022. Ernst & Young LLP and its member firms are the auditors of the Company and its subsidiary. The Board and AC are of the view that Company is in compliance with Rules 712 and 715 of the Listing Manual in relation to its External Auditors.

Having reviewed the nature and extent of non-audit services rendered by the external auditors to the Company for FY2022, the AC is of the opinion that the nature and extent of such services will not prejudice the independence and objectivity of the external auditors. The AC had therefore recommended to the Board that the auditors, Ernst & Young LLP, be nominated for re-appointment as auditors at the forthcoming AGM of the Company.

The auditors, Ernst & Young LLP, have indicated their willingness to accept re-appointment.

In recommending the re-appointment of the auditors, the AC considered and reviewed various factors including the adequacy of resources, the experience of the auditing firm and the audit engagement partner, the firm's other audit engagements, the number and experience of supervisory and professional staff to be assigned to the audit, the size and complexity of the Group and its businesses and operations. Following its review, the AC has recommended the re-appointment of Ernst & Young LLP as external auditors at the forthcoming AGM of the Company.

### Whistle Blowing Policy

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

As there is any amendment or modification of the WP Policy regardless in whole or in part, at any time without assigning any reason whatsoever, it is subject to the approval of the Board of Directors. The latest WP Policy has been enhanced and adopted by the Board during its meeting held on 5 August 2022.

## REPORT OF CORPORATE GOVERNANCE

The Company publicly discloses through its website, and clearly communicates with employees, the existence of the WP Policy which is in compliance with Rule 1207(18B) as elaborated below: -

- a) The Company has procedures for raising such concerns to the AC Chairman and has an independent function comprising the AC Chairman and AC members to investigate whistleblowing reports made in good faith;
- b) The Company has clear channels through which staff and other persons may, in confidence, raise their concerns about possible improprieties, fraudulent activities or malpractices within the Company in a responsible and effective manner;
- c) The Company has arrangements and processes to facilitate independent investigation of such concerns and for appropriate follow-up action;
- d) The Company has confidentiality clauses that protect identification of the whistleblower and ensures that the identity of the whistle-blower is kept confidential;
- e) The Company is committed to ensuring the protection of the whistleblower against any detrimental and unfair treatment.

During FY2022, no whistle-blowing reports were received and reported to the AC Chairman or the Company Secretary or the designated officer via the channel set out in the WP Policy.

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

### Relationship with External or Internal Auditors

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

Provision 10.3

### Internal Audit Function

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

Provision 10.4

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

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

# REPORT OF CORPORATE GOVERNANCE

Peking Certified Public Accountants LLP is a member of Chinese Institute of Certified Public Accountants. The internal audit work carried out is guided by the International Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors.

The Internal Auditors had submitted a report to AC on their work conducted for FY2022. Management is working to ensure that timely and proper implementation of improvement measures are closely monitored and a follow-up review will be carried out by the internal auditors at a later.

The Internal Auditors plan their internal work schedules in consultation with, but independent of Management. The audit plan is submitted to the AC for approval prior to the commencement of the internal audit work. The AC has reviewed the report of the internal audit conducted in FY2021 and is satisfied that the internal audit function is adequate and effective.

## *Meeting with External and Internal Auditors*

AC meets separately with the External Auditors and Internal Auditors via teleconference without the presence of Management to discuss their findings and provide opportunity for the External Auditors and Internal Auditors to bring to its attention any significant matters encountered during the course of their audit.

Provision 10.5

## SHAREHOLDER RIGHTS AND ENGAGEMENT

### Shareholder Rights and conduct of general meetings

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

### *Provision of Information to Shareholders*

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

Provision 11.1

Shareholders of the Company will be given the opportunity to communicate their views and encouraged to ask the Directors and the Management questions regarding matters affecting the Company. The rights of Shareholders, including the details of the rules governing voting procedures at general meetings, are contained in the Company's Constitution and are also set out in applicable laws including the Act.

## REPORT OF CORPORATE GOVERNANCE

Notices of all general meetings will be announced on SGXNet. The Company will comply with its Constitution, the Act and the Listing Manual in respect of the requisite notice periods for convening general meetings. The notice of an AGM is accompanied by the Company's annual report. Any notice of an extraordinary general meeting will also be accompanied by a circular or letter to Shareholders, providing sufficient detail on the proposals to be considered at the meeting.

Shareholders have the opportunity to participate effectively in and vote at general meetings of Shareholders. They will be informed of the rules, including voting procedures that govern the general meetings. The Company allows corporations which provide nominee or custodial services to appoint more than two proxies so that Shareholders who hold Shares through such corporations can attend and participate in general meetings as proxies.

At general meetings of the Company, Shareholders are also given the opportunity to communicate their views and ask the Directors and Management questions regarding matters affecting the Company. The External Auditor and the Management are also available at the AGM to respond to, and to assist the Directors in responding to Shareholders' queries.

Shareholders are encouraged and invited to submit their questions for the AGM within 7 days upon receiving the notice of the AGM, by electronic means. Responses/answers to the questions received from the Shareholders will be released to the SGXNet not less than 48 hours prior to the closing date and time for the lodgment of the proxy forms.

The Annual Report, notice of AGM and proxy form ("AGM documents") will only be available to Shareholders through electronic means via publication on the company's website and on the SGX-ST website at the URL <https://www.sgx.com/securities/company-announcements/>. Printed copies of the AGM documents will not be sent to Shareholders.

### Proxies

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

In view of the COVID-19 pandemic, the Company's AGMs were convened and held during year 2022 ("2022 AGM") by electronic means pursuant to COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020 ("Order"). Alternative arrangements relating to attendance via electronic means (including arrangements by which the meeting can be electronically accessed via live audio-visual webcast or live audio-only stream), submission of questions, addressing of substantial and relevant questions and voting by appointing the chairman of the meeting as proxy in advance of the AGM, were put in place for 2022 AGM.

During 2022 AGM, the Shareholders who were not able to attend the 2022 AGM, have also appointed Chairman of the Meeting to attend, speak and vote on their behalf.

# REPORT OF CORPORATE GOVERNANCE

## Separate resolutions

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

Provision 11.2

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

During 2022 AGM, there is no resolutions were “bundled” tabled to the Shareholders of the Company for approval.

## Attendees at General Meetings

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

Provision 11.3

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

## Voting in Absentia

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

Provision 11.4

## Minutes of General Meetings

Under Provision 11.5 of the Code, the Company should publish the minutes of general meetings of Shareholders on SGXNet and/or its corporate website as soon as practicable and such minutes shall record substantial and relevant comments or queries from Shareholders relating to the agenda of the general meeting, and responses from the Board and management. The Company has adopted this practice since its AGM for the FY2019. The minutes of general meetings of the Company will be published on SGXNet and/or its corporate website at <http://www.anchun.com/investor-relations/> as soon as practicable, for the information of the Shareholders.

Provision 11.5

# REPORT OF CORPORATE GOVERNANCE

## Dividend Policy

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

Nevertheless, the Board has recommended a final tax exempt (one-tier) dividend final dividend of RMB0.12 per share for FY2022 and subject to Shareholders' approval at the forthcoming AGM to be held in April 2023 by way of electronic means.

## Engagement with Shareholders

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

## Communication with Shareholders

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 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. Provision 12.1

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

The below section describes the Company usual practice for the conduct of general meetings prior to the onset of the COVID-19 pandemic in early 2020: -

- The Company encourages and values Shareholders' participation at its general meetings. At the general meetings, Shareholders are given the opportunity to air their views and ask Directors or Management questions regarding the Company and the Group. The Directors meet or speak with Shareholders regularly, primarily through general meetings of Shareholders, to gather their views and address concerns.
- The Company puts all resolutions at general meetings to a vote by poll and announces the results by showing the number of votes cast for and against each resolution and the respective percentages.
- The Company appoints an independent external party as scrutineer for the poll voting process. Prior to the commencement of a general meeting, the scrutineer would review the proxies as part of the proxy verification process. The outcome of the general meeting (including detailed results of the poll vote for each resolution) is promptly disclosed on SGXNet within the same day after the conclusion of that meeting.

## REPORT OF CORPORATE GOVERNANCE

In view of COVID-19 situation, the Company has conducted its AGM by electronic means on 25 April 2022 ("2020 AGM") pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020 which was gazetted on 13 April 2020 including amended, varied or supplemented from time to time (the "Order"). Shareholders were invited to participate in the virtual 2022 AGM by (a) observing and/or listening to the AGM proceedings via live audio-visual webcast or live audio-only stream; (b) submitting questions in advance of the 2022 AGM; and (c) appointing the Chairman of the Meeting as proxy to attend, speak and vote on their behalf at the 2022 AGM.

For 2022 AGM, the Company had responded the Shareholders' substantial questions and announced the Company's responses to those questions from Shareholders via SGX-Net on 20 April 2022. The Company has also published the minutes of the AGM proceedings, including responses to questions raised by Shareholders in advance of 2022 AGM at its corporate webpage at <http://www.anchun.com/investor-relations/> and SGXNet.

The forthcoming AGM will be held by way of electronic means pursuant to the Order and according to the Regulator's Column dated 23 May 2022, general meetings which are conducted virtually on or after 1 October 2022 will need to provide both (i) real-time electronic voting, and (ii) real-time electronic communication.

In view of the above, the Shareholders who are not able to attend the forthcoming AGM in person, will be able to participate in the AGM proceedings by accessing a live webcast or live audio feed. Shareholders who wish to exercise their right to vote on any or all of the resolutions at the general meeting may vote "live" via electronic means at the AGM or by appointing proxy(ies) or the Chairman of the AGM to vote on their behalf at the AGM by submitting the duly completed and signed proxy forms to designated email address and mailing address.

Shareholders may submit their questions relating to the agenda of the AGM in advance prior to the AGM to designated email address and mailing address or submit text-based questions during the AGM. The Board shall endeavor to address relevant and substantial questions received before and prior to, at the AGM. Please refer to the Notice of AGM dated 11 April 2023 for more detailed information.

An independent scrutineer will be appointed to validate the proxy forms submitted by the Shareholders and the votes of all such valid proxies were counted and verified. The voting results of all votes cast for or against each resolution will be screened at the meeting with respective percentages and these details will be announced during the AGM and also through SGXNet after the AGM on the same date. The Company Secretary prepares the minutes of general meeting, which incorporate substantial and relevant comments or queries from Shareholders and responses from the Board and Management. These minutes will also be publicly available at SGX-ST's website and the Company's website within one (1) month after the date of the AGM.

# REPORT OF CORPORATE GOVERNANCE

## *Investor Relations Policy*

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

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

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

Shareholders may also provide any feedback they may have about the Company to the Company's email at [info@anchun.com](mailto:info@anchun.com).

## MANAGING STAKEHOLDERS' RELATIONSHIPS

### Engagement with stakeholders

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

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

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

Nevertheless, the company has announced the price-sensitive information is publicly released and is announced promptly and within the mandatory period as required and its Sustainability Report 2022 announced together with this Annual Report.

In FY2022, the Group has reported its sustainability performance in accordance with the SGX Sustainability Report Guide, with reference to the Global Reporting Initiative (GRI) reporting framework. The group plans to continue its sustainability efforts in its operations and strive to issue a climate report aligned with the Task Force on Climate-Related Financial Disclosures ("TCFD") recommendations in the following years as it increase its understanding of the climate-related risks and opportunities and climate reporting. The Group's sustainability report has disclosed the material economic, environmental, social and governance ("EESG") factors that will continually be reviewed and used to formulate and improve the Group's sustainability strategy, its stewardship and reporting. Detailed information is set out in this Annual Report at pages 16 to 24.

# REPORT OF CORPORATE GOVERNANCE

## Corporate Website

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

## **Dealing in Securities**

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

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

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

## **Interested Person Transactions**

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

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

Details of the interested person transactions entered into by the Group for FY2022 as required to be disclosed pursuant to Rule 1207(17) of the Listing Manual are set out below: -

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

# REPORT OF CORPORATE GOVERNANCE

## Material Contracts and Loans

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

## Update on usage of IPO Proceeds

As at 31 December 2022, the net proceeds from Group's initial public offering had been utilised in accordance with the intended purposes as follows: -

Usage of IPO proceeds	Amount allocated (RMB'000)	Amount utilised (RMB'000)	Balance (RMB'000)
(A) Expand our production facilities and capacities	84,238	25,469	58,769
(B) Enhance our R&D capabilities and widen our range of innovative and cost-effective solutions	15,479	15,479	-
(C) Working capital purposes	33,772	33,772	-
<b>Total</b>	<b>133,489</b>	<b>74,720</b>	<b>58,769</b>

The breakdown of working capital utilization is as follows: -

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

# REPORT OF CORPORATE GOVERNANCE

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

Mr. Andrew Bek, Mr. Zheng Zhi Zhong and Ms. Dai Feng Yu, are the Directors seeking re-election at the forthcoming AGM of the Company - (collectively, the "Retiring Directors" and each a "Retiring Director").

The Company has complied with Rule 720(6) of the Listing Manual as the information relating to the retiring Directors who are submitting themselves for re-election, including their appointment dates, directorships held in other listed companies presently and in the past five (5) years, as well as their principal commitments, are set out below: -

Name of Directors	Andrew Bek	Zheng Zhi Zhong	Dai Feng Yu
Date of Appointment	1 March 2014	1 June 2014	9 September 2010
Date of last re-appointment (if applicable)	19 June 2020	19 June 2020	26 April 2021
Age	56 years old	55 years old	57 years old
Country of principal residence	Singapore	People's Republic of China	People's Republic of China
The Board's comment on this appointment (including rationale, selection criteria, and the search and nomination process)	The Board has considered among others, the recommendation of the Nominating Committee and has reviewed and considered the contribution, performance, attendance preparedness, participation and suitability of Andrew Bek for re-election as Director of the Company and concluded that Andrew Bek possesses the experience, expertise, knowledge and skills to contribute towards the core competencies of the Board.	The Board has considered among others, the recommendation of the Nominating Committee and has reviewed and considered the contribution, performance, attendance preparedness, participation and suitability of Zheng Zhi Zhong for re-election as Director of the Company and concluded that Zheng Zhi Zhong possesses the experience, expertise, knowledge and skills to contribute towards the core competencies of the Board.	The Board has considered among others, the recommendation of the Nominating Committee and has reviewed and considered the contribution, performance, attendance preparedness, participation and suitability of Dai Feng Yu for re-election as Director of the Company and concluded that Dai Feng Yu possesses the experience, expertise, knowledge and skills to contribute towards the core competencies of the Board.
Whether appointment is executive, and if so, the area of responsibility	Independent and Non-Executive	Executive Director cum Chief Executive Officer – the area of responsibility is set out in Zheng Zhi Zhong's profile write up at page 10 of this Annual Report.	Executive Director – the area of responsibility is set out in Dai Feng Yu's profile write up at page 11 of this Annual Report.

## REPORT OF CORPORATE GOVERNANCE

<b>Name of Directors</b>	<b>Andrew Bek</b>	<b>Zheng Zhi Zhong</b>	<b>Dai Feng Yu</b>
Job title (e.g. Lead ID, AC Chairman, AC Member etc.)	Independent Director cum member of Audit Committee	Executive Director cum Chief Executive Officer	Executive Director
Professional qualifications	As set out in Andrew Bek's profile write-up at page 13 of this Annual Report.	As set out in Zheng Zhi Zhong's profile write-up at page 10 of this Annual Report.	As set out in Dai Feng Yu's profile write-up at page 11 of this Annual Report.
Working experience and occupation(s) during the past 10 years	As set out in Andrew Bek's profile write-up at page 13 of this Annual Report.	As set out in Zheng Zhi Zhong's profile write-up at page 10 of this Annual Report.	As set out in Dai Feng Yu's profile write-up at page 11 of this Annual Report.
Shareholding interest in the listed issuer and its subsidiaries	Direct interest of 1,600,000 Shares	Deemed interest of 4,882,000 ordinary shares held by Oriental Eagle Holdings Limited in the Company	Deemed interest of 3,944,500 ordinary shares held by Dawn Vitality International Limited in the Company
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/ or substantial shareholder of the listed issuer or of any of its principal subsidiaries	None	None	None
Conflict of interest (including any competing business)	None	None	None
Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to the listed issuer	Yes	Yes	Yes

## REPORT OF CORPORATE GOVERNANCE

Name of Directors	Andrew Bek	Zheng Zhi Zhong	Dai Feng Yu
Other principal commitments including directorships	<p>Past (for the last 5 years)</p> <p>(a) Able Gallery Limited</p> <p>Present</p> <p>(a) HGH Holdings Ltd. (b) One Asia Capital Pte. Ltd. (c) OneMotor Car Accessories &amp; Service Centre Sdn. Bhd. (d) AtasAdvisory Pte. Ltd. (e) Kwan Wong Tang &amp; Hong (f) Edmin Private Limited</p>	<p>Past (for the last 5 years)</p> <p>(a) Nil</p> <p>Present</p> <p>(a) Nil</p>	<p>Past (for last 5 years)</p> <p>(a) Nil</p> <p>Present</p> <p>(a) Nil</p>
Information required under items (a) to (k) of Appendix 7.4.1 of the Listing Manual	There is no change to the responses previously disclosed by Mr Andrew Bek under items (a) to (k) of Appendix 7.4.1 of the Mainboard Listing Manual which were "No" except the items (j)(i) and (iv). The Appendix 7.4.1 information was announced on 27 May 2020.	There is no change to the responses previously disclosed by Mr. Zheng Zhi Zhong under items (a) to (k) of Appendix 7.4.1 of the Mainboard Listing Manual which were "No". The Appendix 7.4.1 information was announced on 27 May 2020.	There is no change to the responses previously disclosed by Mr. Zheng Zhi Zhong under items (a) to (k) of Appendix 7.4.1 of the Mainboard Listing Manual which were "No". The Appendix 7.4.1 information was announced on 8 April 2021.

# 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 2022.

## 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 2022 and the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the year ended on that date; and
- (b) at the date of this statement there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

## Directors

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

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

## Arrangements to enable directors to acquire shares and debentures

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

## DIRECTORS' STATEMENT

### Directors' interests in shares or debentures

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

Name of directors	Direct interest		Deemed interest	
	At the beginning of financial year	At the end of financial year	At the beginning of financial year	At the end of financial year
<b>The Company</b>				
<i>(Ordinary shares of the Company)</i>				
Xie Ding Zhong	120,000	120,000	–	–
Dai Feng Yu	–	–	3,974,500	3,944,500
Xie Ming	–	–	10,800,000	10,800,000
Andrew Bek	1,600,000	1,600,000	–	–
Zheng Zhi Zhong	–	–	–	4,882,000

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

By virtue of Section 7 of the Companies Act, Zheng Zhi Zhong is deemed to have an interest in 4,882,000 shares of the Company through Oriental Eagle Holdings Limited.

Dawn Vitality International Limited holds 4,114,500 (2021: 4,144,500) shares, of which 170,000 shares are held on trust for certain employees under Anchun Performance Share Plan 2014.

There was no change in any of the above-mentioned interests in the Company between the end of the financial year and 21 January 2023.

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

# DIRECTORS' STATEMENT

## Share options and share awards

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

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

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

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

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

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

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

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

As at 31 December 2022, the Company held 3,309,100 treasury shares pursuant to the exercise of its share buyback mandate obtained from shareholders. There were no treasury shares and EBT shares granted under Anchun PSP.

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

# DIRECTORS' STATEMENT

## Audit Committee

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

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

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

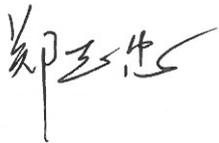
- The audit plan and discuss with the External Auditors, their evaluation of the system of internal controls, their audit report, their management letter and the management's response;
- The internal audit plan and discuss with the Internal Auditors, their evaluation of the adequacy and effectiveness of the internal controls before submission of the results of such review to the Board for approval;
- The financial statements and half year results announcements before submission of the same to the Board for approval, focusing in particular, on changes in accounting policies and practices, major risk areas, significant adjustments resulting from the audit, the going concern statement, compliance with accounting standards as well as compliance with any stock exchange and statutory/regulatory requirements;
- The internal control and procedures and ensure co-ordination between the External and Internal Auditors and the Management, reviewing the assistance given by the Management to the External and Internal Auditors, and discuss problems and concerns, if any, arising from the interim and final audits, and any matters which the External or Internal Auditors may wish to discuss (in the absence of the Management where necessary);
- The Group's key risk areas, as identified by the External and Internal Auditors in the course of the audits;
- The independence and objectivity of the External Auditors;
- The terms of engagement, appointment or re-appointment of the External and Internal Auditors and matters relating to their resignation or dismissal;
- Interested person transactions falling within the scope of Chapter 9 of the SGX-ST Listing Manual; and
- Any potential conflicts of interest.

# DIRECTORS' STATEMENT

## Auditor

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

On behalf of the board of directors:



Zheng Zhi Zhong  
Director



Dai Feng Yu  
Director

31 March 2023

# INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF ANCHUN INTERNATIONAL HOLDINGS LTD.

## Report on the Audit of the Financial Statements

### Opinion

We have audited the financial statements of Anchun International Holdings Ltd. (the "Company") and its subsidiary (collectively, the "Group"), which comprise the balance sheets of the Group and the Company as at 31 December 2022, statements of changes in equity of the Group and the Company and the consolidated statement of comprehensive income and consolidated cash flow statement of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group, the balance sheet and the statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Companies Act 1967 (the "Act") and Singapore Financial Reporting Standards (International) ("SFRS(I)") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2022 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and changes in equity of the Company for the year ended on that date.

### Basis for Opinion

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

### Key Audit Matters

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

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

# INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF ANCHUN INTERNATIONAL HOLDINGS LTD.

## Key Audit Matters (cont'd)

### ***Impairment of trade receivables and contract assets***

The Group's trade receivable and contract assets were significant as these represent 24% of the total assets in the consolidated balance sheet. The gross carrying amount of trade receivables and contract assets amounted to RMB136.5 million as at 31 December 2022, against which an allowance for expected credit losses ("ECL") of RMB34.9 million was made. The Group uses a provision matrix to calculate ECL for trade receivables and contract assets, which is determined based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and economic environment. These assessments inherently involved management judgement including the impact of COVID-19 may have on the debtors' businesses during the year. Accordingly, we determined this as a key audit matter.

We evaluated the Group's processes and controls relating to the monitoring of trade receivables and contract assets including the review of credit risks of customers. In addition, our audit procedures included, amongst others, requesting trade receivable confirmations for selected trade debtors and checking to receipts from customers subsequent to the year end. For material contract assets balances, we reviewed progress of major contracts, as well as its billing milestones. We discussed with management on the recoverability of trade receivables and contract assets and inquired management if there are any known customers which are potentially more impacted by the COVID-19 pandemic year, which may then affect their ability to repay their debts.

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

The Group's disclosures on the trade receivables, contract assets and the related risks such as credit risk and liquidity risk are in Note 21 and 31 to the consolidated financial statements. We assessed the adequacy of the disclosures.

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

The Group recognises revenue from sale of chemical equipment under the CSC business and from rendering of design services under CET engineering services over time by reference to the Group's progress towards completing these contracts. The measure of the progress is determined based the proportion of contract costs incurred to date to the estimated total contract costs for each contract. The determination of total contract costs and costs to complete require significant management judgements and estimates, which may have an impact on the amounts of revenue and profits recognised during the year. The COVID-19 pandemic related business disruptions have also increased the estimation uncertainty relating to budgeted time and cost required to complete ongoing projects. Accordingly, we identified this as a key audit matter.

# INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF ANCHUN INTERNATIONAL HOLDINGS LTD.

## Key Audit Matters (cont'd)

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

Our audit procedures include understanding and evaluating the design and operating effectiveness of internal controls with respect to the Group's project management, the project cost estimation and budgeting process, and accounting for revenue from these contracts. We reviewed the robustness of management's budgeting process by comparing the budgeted costs to actual costs incurred for major contracts completed during the year. For significant on-going contracts as at 31 December 2022, we reviewed the project files and discussed with management the progress of the contracts to determine if there are any adverse changes such as delays, penalties or overruns that could have a material impact on the estimation of contract costs. We evaluated management's underlying assumptions made in estimating total costs to complete by comparing to actual costs incurred for past similar projects. For revisions made to budgeted costs, we discussed with project personnel and management on the rationale for such changes and checked the revision of the budgeted costs to supporting documentation. We also reviewed management's assessment and estimation of the additional time and costs needed to complete the ongoing projects due to business disruptions related to the supply chain and COVID-19 pandemic, by taking into consideration past performance of the Group's projects and current market condition.

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

In addition, we evaluated the Group's procedures and processes for recognising revenue from contracts with customers. We reviewed contractual terms and conditions for major contracts with customers. We also assessed the adequacy of the disclosures in respect of revenue in Note 4 and 28 to the financial statements.

## Other Information

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

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

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

# INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF ANCHUN INTERNATIONAL HOLDINGS LTD.

## Responsibilities of Management and Directors for the Financial Statements

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

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

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

## Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

# INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF ANCHUN INTERNATIONAL HOLDINGS LTD.

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

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

## **Report on Other Legal and Regulatory Requirements**

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

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

Ernst & Young LLP  
Public Accountants and  
Chartered Accountants

Singapore  
31 March 2023

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

(Amounts expressed in Renminbi)

	Note	Group	
		2022 RMB'000	2021 RMB'000
<b>Revenue</b>	4	<b>182,766</b>	109,042
Cost of sales		<b>(129,289)</b>	(77,954)
<b>Gross profit</b>		<b>53,477</b>	31,088
<b>Other items of income</b>			
Finance and other income	5	<b>10,772</b>	7,233
Write-back of impairment losses on financial assets	21	<b>1,404</b>	2,593
<b>Other items of expense</b>			
Impairment loss on contract assets	21	<b>(1,688)</b>	(1,683)
Marketing and distribution expenses		<b>(6,263)</b>	(6,558)
Administrative expenses		<b>(20,021)</b>	(21,759)
Research expenses		<b>(7,029)</b>	(13,223)
Other expenses	6	<b>(179)</b>	(67)
Finance costs	7	<b>(3)</b>	(4)
<b>Profit/(loss) before tax</b>	8	<b>30,470</b>	(2,380)
Income tax (expense)/credit	9	<b>(223)</b>	336
<b>Profit/(loss) for the year, representing total comprehensive income for the year attributable to owners of the Company</b>		<b>30,247</b>	(2,044)
<b>Earning/(loss) per share (RMB cents):</b>			
Basic	10	<b>63.49</b>	(4.25)
Diluted	10	<b>63.49</b>	(4.25)

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

# BALANCE SHEETS

AS AT 31 DECEMBER 2022

(Amounts expressed in Renminbi)

	Note	Group		Company	
		2022 RMB'000	2021 RMB'000	2022 RMB'000	2021 RMB'000
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property, plant and equipment	14	44,740	51,859	–	–
Intangible assets	15	570	664	–	–
Right-of-use assets	16	11,883	12,248	–	–
Investment in a subsidiary	13	–	–	75,631	75,631
Investment properties	18	3,117	3,748	–	–
Prepayments	19	255	45	–	–
Deferred tax assets	17	–	906	–	–
		<b>60,565</b>	69,470	<b>75,631</b>	75,631
<b>Current assets</b>					
Inventories	20	31,757	31,591	–	–
Contract assets	4	82,419	81,105	–	–
Trade and other receivables	21	55,431	63,956	37,860	38,317
Prepayments	19	3,271	7,506	61	59
Short term deposits	22	60,000	20,000	–	–
Cash and cash equivalents	22	115,748	129,678	16,068	10,349
		<b>348,626</b>	333,836	<b>53,989</b>	48,725
<b>Total assets</b>		<b>409,191</b>	403,306	<b>129,620</b>	124,356

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

# BALANCE SHEETS

AS AT 31 DECEMBER 2022

(Amounts expressed in Renminbi)

	Note	Group		Company	
		2022 RMB'000	2021 RMB'000	2022 RMB'000	2021 RMB'000
<b>EQUITY AND LIABILITIES</b>					
<b>Current liabilities</b>					
Trade and other payables	23	40,795	32,431	12,596	12,414
Contract liabilities	4	39,795	74,029	–	–
Other liabilities	24	20,988	17,065	803	695
Lease liability	16	–	–	–	–
Provisions	25	–	–	–	–
Income tax payable		4,310	5,853	–	–
		<b>105,888</b>	129,378	<b>13,399</b>	13,109
<b>Net current assets</b>		<b>242,738</b>	204,458	<b>40,590</b>	35,616
<b>Total liabilities</b>		<b>105,888</b>	129,378	<b>13,399</b>	13,109
<b>Net assets</b>		<b>303,303</b>	273,928	<b>116,221</b>	111,247
<b>Equity attributable to owners of the Company</b>					
Share capital	26(a)	149,278	149,278	149,278	149,278
Treasury/employee benefit trust shares	26(b)	(4,197)	(3,391)	(4,197)	(3,391)
Other reserves	27	128,640	125,817	(10)	(10)
Accumulated profits/(losses)		29,582	2,224	(28,850)	(34,630)
<b>Total equity</b>		<b>303,303</b>	273,928	<b>116,221</b>	111,247
<b>Total equity and liabilities</b>		<b>409,191</b>	403,306	<b>129,620</b>	124,356

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 2022

(Amounts expressed in Renminbi)

	Attributable to owners of the Company				
	Total equity RMB'000	Share capital (Note 26(a)) RMB'000	Treasury/ employee benefit trust shares (Note 26(b)) RMB'000	Other reserves (Note 27) RMB'000	Accumulated profits RMB'000
<b>Group</b>					
<b>Opening balance at 1 January 2022</b>	<b>273,928</b>	<b>149,278</b>	<b>(3,391)</b>	<b>125,817</b>	<b>2,224</b>
Profit for the year, representing total comprehensive income for the year	<b>30,247</b>	-	-	-	<b>30,247</b>
<u>Contributions by and distributions to owners</u>					
Purchase of treasury shares	<b>(806)</b>	-	<b>(806)</b>	-	-
	<b>(806)</b>	-	<b>(806)</b>	-	-
<u>Others</u>					
Transfer to statutory reserve fund – safety production expenditure, net	-	-	-	<b>1,994</b>	<b>(1,994)</b>
Transfer to statutory reserve fund, net	-	-	-	<b>829</b>	<b>(829)</b>
Transfer to staff welfare payable, net	<b>(66)</b>	-	-	-	<b>(66)</b>
	<b>(66)</b>	-	-	<b>2,823</b>	<b>(2,909)</b>
<b>Closing balance at 31 December 2022</b>	<b>303,303</b>	<b>149,278</b>	<b>(4,197)</b>	<b>128,640</b>	<b>29,582</b>
<b>Opening balance at 1 January 2021</b>	276,599	149,278	(3,021)	123,202	7,140
Loss for the year, representing total comprehensive income for the year	(2,044)	-	-	-	(2,044)
<u>Contributions by and distributions to owners</u>					
Grant of equity-settled performance shares	35	-	-	35	-
Treasury and EBT shares reissued pursuant to vesting of performance share plan	20	-	245	(225)	-
Purchase of treasury shares	(615)	-	(615)	-	-
	(560)	-	(370)	(190)	-
<u>Others</u>					
Transfer to statutory reserve fund – safety production expenditure, net	-	-	-	820	(820)
Transfer to statutory reserve fund, net	-	-	-	1,985	(1,985)
Transfer to staff welfare payable, net	(67)	-	-	-	(67)
	(67)	-	-	2,805	(2,872)
<b>Closing balance at 31 December 2021</b>	<b>273,928</b>	<b>149,278</b>	<b>(3,391)</b>	<b>125,817</b>	<b>2,224</b>

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 2022

(Amounts expressed in Renminbi)

	Attributable to owners of the Company				
	Total equity RMB'000	Share capital (Note 26(a)) RMB'000	Treasury/ employee benefit trust shares (Note 26(b)) RMB'000	Other reserves (Note 27) RMB'000	Accumulated losses RMB'000
<b>Company</b>					
<b>Opening balance at 1 January 2022</b>	<b>111,247</b>	<b>149,278</b>	<b>(3,391)</b>	<b>(10)</b>	<b>(34,630)</b>
Profit for the year, representing total comprehensive income for the year	<b>5,780</b>	–	–	–	<b>5,780</b>
<u>Contributions by and distributions to owners</u>					
Purchase of treasury share	<b>(806)</b>	–	<b>(806)</b>	–	–
	<b>(806)</b>	–	<b>(806)</b>	–	–
<b>Closing balance at 31 December 2022</b>	<b>116,221</b>	<b>149,278</b>	<b>(4,197)</b>	<b>(10)</b>	<b>(28,850)</b>
<b>Opening balance at 1 January 2021</b>	114,857	149,278	(3,021)	180	(31,580)
Loss for the year, representing total comprehensive income for the year	(3,050)	–	–	–	(3,050)
<u>Contributions by and distributions to owners</u>					
Grant of equity-settled performance shares	35	–	–	35	–
Treasury and EBT shares reissued pursuant to vesting of performance share plan	20	–	245	(225)	–
Purchase of treasury share	(615)	–	(615)	–	–
	(560)	–	(370)	(190)	–
<b>Closing balance at 31 December 2021</b>	<b>111,247</b>	<b>149,278</b>	<b>(3,391)</b>	<b>(10)</b>	<b>(34,630)</b>

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 2022

(Amounts expressed in Renminbi)

	Note	Group	
		2022 RMB'000	2021 RMB'000
<b>Operating activities</b>			
Profit/(loss) before tax		<b>30,470</b>	(2,380)
<u>Adjustments for:</u>			
Depreciation of property, plant and equipment	14	<b>8,070</b>	8,725
Depreciation of right-of-use assets	16	<b>365</b>	407
Depreciation of investment properties	18	<b>631</b>	581
Amortisation of intangible assets	15	<b>397</b>	344
Write-back of impairment on financial assets	21	<b>(1,404)</b>	(2,593)
Impairment losses on contract assets	21	<b>1,688</b>	1,683
(Write-back of)/allowance for inventory obsolescence	20	<b>(84)</b>	24
Write-back of provision on onerous contracts, net	25	<b>–</b>	(38)
Gain on disposal of property, plant and equipment, net		<b>(115)</b>	(73)
Write-off of property, plant and equipment	14	<b>130</b>	43
Finance costs	7	<b>3</b>	4
Finance income	5	<b>(4,185)</b>	(1,679)
Grant of equity-settled performance shares		<b>–</b>	35
Unrealised exchange (gain)/loss		<b>(253)</b>	203
<b>Operating cash flows before changes in working capital</b>		<b>35,713</b>	5,286
<u>Changes in working capital</u>			
<i>(Increase)/decrease in:</i>			
Inventories		<b>(82)</b>	(3,686)
Trade and other receivables		<b>9,929</b>	(21,174)
Contract assets		<b>(3,002)</b>	6,524
Prepayments		<b>4,240</b>	(4,859)
<i>Increase/(decrease) in:</i>			
Trade and other payables		<b>8,560</b>	3,384
Contract liabilities		<b>(34,234)</b>	53,938
Other liabilities and provision		<b>3,632</b>	1,258
Total changes in working capital		<b>(10,957)</b>	35,385
<b>Cash flows generated from operations</b>		<b>24,756</b>	40,671
Interest received		<b>4,185</b>	1,679
Interest paid		<b>(3)</b>	(4)
Income taxes paid		<b>(637)</b>	(7)
<b>Net cash flows generated from operating activities</b>		<b>28,301</b>	42,339

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 2022

(Amounts expressed in Renminbi)

	Note	Group	
		2022 RMB'000	2021 RMB'000
<b>Investing activities</b>			
Purchase of property, plant and equipment	A	(1,514)	(4,173)
Purchase of intangible assets - software	15	(303)	(112)
Proceeds from disposal of property, plant and equipment		139	97
Placement of fixed deposits		(40,000)	–
<b>Net cash flow used in investing activities</b>		<b>(41,678)</b>	<b>(4,188)</b>
<b>Financing activities</b>			
Purchase of treasury shares	31(c)	(806)	(615)
Repayment of principal portion of lease liability	31(c)	–	(43)
<b>Net cash flows used in financing activities</b>		<b>(806)</b>	<b>(658)</b>
Net (decrease)/increase in cash and cash equivalents		(14,183)	37,493
Cash and cash equivalents at 1 January		129,678	92,368
Effect of exchange rate changes on cash and cash equivalents		253	(183)
<b>Cash and cash equivalents at 31 December</b>	22	<b>115,748</b>	<b>129,678</b>

## A. Purchase of property, plant and equipment

	Group	
	2022 RMB'000	2021 RMB'000
Current year additions to property, plant and equipment (Note 14)	1,105	5,378
Less: Payable to creditors	(415)	(512)
Prepayments made in prior year	(140)	(1,147)
	550	3,719
Add: Payments for prior year purchase	512	314
Prepayments made in current year	452	140
<b>Net cash outflow for purchase of property, plant and equipment</b>	<b>1,514</b>	<b>4,173</b>

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 2022

## 1. Corporate information

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

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

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

## 2. 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 (International) (SFRS(I)).

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

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

### 2.2 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except in the current financial year, the Group has adopted all the new and revised standards which are effective for annual periods beginning on or after 1 January 2022. The adoption of these standards and interpretations did not have any effect on the financial performance or position of the Group and The Company.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

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

### 2.3 Standards issued but not yet effective

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

<i>Description</i>	<i>Effective for annual periods beginning on or after</i>
Amendments to SFRS(I) 1-1 <i>Presentation of Financial Statements: Classification of Liabilities as Current or Non-current</i>	1 January 2023
Amendments to SFRS(I) 1-1 and SFRS(I) <i>Practice Statement 2: Disclosure of Accounting Policies</i>	1 January 2023
Amendments to SFRS(I) 1-8 <i>Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates</i>	1 January 2023
Amendments to SFRS(I) 1-12 <i>Income taxes: Deferred tax related to Assets and Liabilities arising from a Single Transaction</i>	1 January 2023
SFRS(I) 17 <i>Insurance Contracts</i>	1 January 2023
Amendments to SFRS(I) 16 <i>Leases: Lease Liability in a Sale and Leaseback</i>	1 January 2024
Amendments to SFRS(I) 1-1 <i>Presentation of Financial Statements: Non-current Liabilities with Covenants</i>	1 January 2024
Amendments to SFRS(I) 10 <i>Consolidated Financial Statements</i> and SFRS(I) 28 <i>Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	Date to be determined

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

### 2.4 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December 2022. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

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

### 2.4 Basis of consolidation (cont'd)

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income ("OCI") are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resulting gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

Business combinations involving entities under common control are accounted for by applying the pooling of interest method.

Apart from the above, business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of SFRS(I) 9 *Financial Instruments*, is measured at fair value with the changes in fair value recognised in the statement of profit or loss in accordance with SFRS(I) 9. Other contingent consideration that is not within scope of SFRS(I) 9 is measured at fair value at each reporting date with changes in fair value recognised in profit or loss.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

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

### 2.4 Basis of consolidation (cont'd)

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After 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 each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquire are assigned to those units.

Where goodwill has been allocated to a cash-generating unit ("CGU") and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

### 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.

The cost includes the cost of replacing part of the property, plant and equipment and borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying property, plant and equipment. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

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

### 2.6 Property, plant and equipment (cont'd)

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

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

	<u>Years</u>
Buildings	20
Machinery	5 to 15
Office equipment and furniture	5
Motor vehicles	5

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

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

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

### 2.7 Intangible assets

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

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

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

#### **Computer software**

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

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

### 2.8 *Investment properties*

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

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

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

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

### 2.9 *Impairment of non-financial assets*

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount.

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

Impairment losses are recognised in profit or loss.

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

### 2.10 *Subsidiary*

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

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

### 2.11 Financial instruments

#### (a) Financial assets

##### Initial recognition and measurement

Financial assets are recognised when, and only when the entity becomes party to the contractual provisions of the instruments.

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

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

##### Subsequent measurement

##### Investments in debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the contractual cash flow characteristics of the asset. The three measurement categories for classification of debt instruments are amortised cost, fair value through OCI and FVPL. The Company only has debt instruments at amortised cost.

Financial assets that are held for the collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the assets are derecognised or impaired, and through 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.

#### (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.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

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

### 2.11 Financial instruments (cont'd)

#### (b) Financial liabilities (cont'd)

##### 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. On de-recognition, the difference between the carrying amounts and the consideration paid is recognised in profit or loss.

### 2.12 Impairment of financial assets

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss and financial guarantee contracts. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is recognised for credit losses expected over the remaining life of the exposure, irrespective of timing of the default (a lifetime ECL).

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

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

### 2.13 Cash and cash equivalents

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

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

### 2.14 Inventories

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

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

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

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.

### 2.15 Provisions

#### *General*

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

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.

#### *Onerous contracts*

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

### 2.16 Borrowing costs

Borrowing costs 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.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

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

### 2.17 Government grants

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

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

### 2.18 Research costs

Research costs are expensed as incurred.

### 2.19 Employee benefits

#### (a) Defined contribution plans

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

#### PRC

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

#### Singapore

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

#### (b) Equity-settled share-based payment transactions

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

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

### 2.19 Employee benefits (cont'd)

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

##### *Vesting conditions*

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

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

#### (c) Employee leave entitlement

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

### 2.20 Leases

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

#### (a) As lessee

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

##### Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets as follows:

	<u>Years</u>
Office space	2
Land use rights	33

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

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

### 2.20 Leases (cont'd)

#### (a) As lessee (cont'd)

##### Right-of-use assets (cont'd)

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment. The accounting policy for impairment is disclosed in Note 2.9.

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

##### Lease liability

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

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

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

##### Short-term leases and leases of low-value assets

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

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

### 2.20 Leases (cont'd)

#### (b) *As lessor*

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

### 2.21 Revenue

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Revenue is recognised when the Group satisfies a performance obligation by transferring a promised good or service to the customer, which is when the customer obtains control of the good or service. A performance obligation may be satisfied at a point in time or over time. The amount of revenue recognised is the amount allocated to the satisfied performance obligation.

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

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

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

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

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

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

### 2.21 Revenue (cont'd)

#### (b) Sale of chemical equipment ("CSC Business") (cont'd)

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

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

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

#### (c) CET engineering services

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

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

### 2.22 Taxes

#### (a) Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted 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.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

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

### 2.22 Taxes (cont'd)

#### (b) *Deferred tax*

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

Deferred tax liabilities are recognised for all temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of taxable temporary differences associated with investments in subsidiary, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of deductible temporary differences associated with investments in subsidiary, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

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

### 2.22 Taxes (cont'd)

#### (b) Deferred tax (cont'd)

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.

### 2.23 Segmental reporting

For management purposes, the Group is organised into operating segments based on their products and services which are independently managed by respective segment managers responsible for the performance of the respective segments under their charge. The segment manager reports directly to the management of the Company who regularly reviews the segment results in order to allocate the resources to the segments and assess the segment performance. Additional disclosures on each of these segments are shown in Note 28, including the factors used to identify the reportable segments and the measurement basis of segment information.

### 2.24 Contingencies

A contingent liability is:

- (a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or
- (b) a present obligation that arises from past events but not recognised because:
  - (i) It is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
  - (ii) The amount of the obligation cannot be measure with sufficient reliability.

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

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

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

### 2.25 *Share capital and share issuance expenses*

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

### 2.26 *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.

### 2.27 *Current versus non-current classification*

The Group presents assets and liabilities in the balance sheets based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period

The terms of the liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification. The Group classifies all other liabilities as non-current. Deferred tax assets and liabilities are classified as non-current assets and liabilities.

## 3. Significant accounting judgements and estimates

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

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

### 3.1 Judgements made in applying accounting policies

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

### 3.2 Key sources of estimation uncertainty

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

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

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

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

#### (b) Contracts and revenue recognition

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

For the financial year ended 31 December 2022, the Group recorded revenue of RMB170,681,000 (2021: RMB97,158,000) from contracts under CET engineering services and CSC business.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

## 4. Revenue

### (a) Disaggregation of revenue

	Catalyst business		CSC business		CET engineering services		Total revenue	
	2022	2021	2022	2021	2022	2021	2022	2021
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Primary geographical market</b>								
People's Republic of China	<b>12,085</b>	11,884	<b>157,875</b>	83,126	<b>12,806</b>	14,032	<b>182,766</b>	109,042
<b>Major product or service lines</b>								
Catalyst	<b>12,085</b>	11,884	-	-	-	-	<b>12,085</b>	11,884
Chemical equipment	-	-	<b>157,875</b>	83,126	-	-	<b>157,875</b>	83,126
Engineering and design services	-	-	-	-	<b>12,806</b>	14,032	<b>12,806</b>	14,032
	<b>12,085</b>	11,884	<b>157,875</b>	83,126	<b>12,806</b>	14,032	<b>182,766</b>	109,042
<b>Timing of transfer of goods or services</b>								
At a point in time	<b>12,085</b>	11,884	-	-	-	-	<b>12,085</b>	11,884
Over time	-	-	<b>157,875</b>	83,126	<b>12,806</b>	14,032	<b>170,681</b>	97,158
	<b>12,085</b>	11,884	<b>157,875</b>	83,126	<b>12,806</b>	14,032	<b>182,766</b>	109,042

### (b) Judgement and methods used in estimating revenue

Recognition of revenue from sale of chemical equipment over time

For the sale of chemical equipment where the Group satisfies its performance obligations over time, management has determined that a cost-based input method provides a faithful depiction of the Group's performance in transferring control of the chemical equipment to the customers, as it reflects the Group's efforts incurred to date relative to the total inputs expected to be incurred for sale of chemical equipment. The measure of progress is based on the costs incurred to date as a proportion of total costs expected to be incurred up to the complete construction of the chemical equipment.

The estimated total construction and other related costs are based on contracted amounts and, in respect of amounts not contracted for, management relies on past experience and knowledge of the project engineers to make estimates of the amounts to be incurred. In making these estimates, management takes into consideration the historical trends of amounts incurred to construct other similar chemical equipment.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

## 4. Revenue (cont'd)

### (c) Contract assets and contract liabilities

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

	Group	
	31 December	
	2022	2021
	RMB'000	RMB'000
Receivables from contracts with customers (Note 21)	19,225	14,306
Contract assets	82,419	81,105
Contract liabilities	39,795	74,029

During current financial year, the Group has recognised write back of impairment losses of RMB1,404,000 (2021: write back of impairment losses of RMB2,593,000) on receivables.

Contract assets primarily relate to the Group's right to consideration for work completed but not yet billed at reporting date for sale of chemical equipment. Contract assets are transferred to receivables when the rights become unconditional. During the year, the Group has recognised impairment loss on contract assets of RMB1,688,000 (2021: RMB1,683,000).

Contract liabilities primarily relate to the Group's obligation to transfer goods or services to customers for which the Group has received advances received from customers for sale of chemical equipment

Contract liabilities are recognised as revenue as the Group performs under the contract.

(i) Significant changes in contract assets are explained as follows:

	Group	
	2022	2021
	RMB'000	RMB'000
Contract assets reclassified to receivables	58,569	44,754

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

	Group	
	2022	2021
	RMB'000	RMB'000
Revenue recognised that was included in the contract liability balance at the beginning of the year	59,318	17,493

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

## 4. Revenue (cont'd)

### (d) Transaction price allocated to remaining performance obligation

The aggregate amount of transaction price allocated to the unsatisfied (or partially unsatisfied) performance obligations as at 31 December 2022 is RMB135,583,000 (2021: RMB223,594,000). The Group expects to recognise RMB101,238,000 as revenue relating to the transaction price allocated to the unsatisfied (or partially satisfied) performance obligations as at 31 December 2022 in the financial year 2023 and RMB34,345,000 in the financial year 2024.

## 5. Finance and other income

	Group	
	2022	2021
	RMB'000	RMB'000
<u>Finance income</u>		
Interest income on bank balances and deposits	4,185	1,679
<u>Other income</u>		
Government grants <sup>^</sup>	1,485	1,176
Sale of scrap materials and parts	1,479	1,340
Rental income from investment properties (Note 18)	2,059	2,340
Net foreign exchange loss, net	253	(183)
Gain from contract penalty	164	28
Gain on disposal of property, plant and equipment, net	115	73
Write-off of trade payables	344	600
Write-off of contract liabilities	679	139
Others	9	41
	<b>10,772</b>	<b>7,233</b>

<sup>^</sup> During the financial years ended 31 December 2022 and 2021, the Company's subsidiary in the People's Republic of China received cash grants for distinguished enterprise and research and development mainly from Changsha Finance Bureau High-Tech Zone.

## 6. Other expenses

	Group	
	2022	2021
	RMB'000	RMB'000
Write-off of property, plant and equipment (Note 14)	130	43
Others	49	24
	<b>179</b>	<b>67</b>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

## 7. Finance costs

	Group	
	2022	2021
	RMB'000	RMB'000
Bank charges	<b>3</b>	4

## 8. Profit/(loss) before tax

The following items have been included in arriving at profit/(loss) before tax:

	Note	Group	
		2022	2021
		RMB'000	RMB'000
Audit fees			
- Auditors of the Company		<b>466</b>	415
- Member firm of EY Global		<b>451</b>	470
- Other auditors		<b>42</b>	39
Non-audit fees			
- Other auditors		<b>75</b>	75
Write-back of provision on onerous contracts, net	25	-	(38)
Amortisation of intangible assets	15	<b>397</b>	344
(Write-back of)/allowance for inventory obsolescence	20	<b>(84)</b>	24
Expenses relating to short-term leases	16	<b>395</b>	561
Depreciation of property, plant and equipment	14	<b>8,070</b>	8,725
Depreciation of right-of-use assets	16	<b>365</b>	407
Depreciation of investment properties	18	<b>631</b>	581
Employee benefits expense	11	<b>35,189</b>	31,363
Direct operating expenses arising from investment properties	18	<b>1,290</b>	1,330
Inventories recognised as an expense in cost of sales	20	<b>88,864</b>	53,122
(Write-back of impairment)/impairment losses on financial assets, net:			
- Trade receivables	21	<b>(1,404)</b>	(2,593)
- Contract assets	21	<b>1,688</b>	1,683

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

## 9. Income tax expense/(credit)

### Major components of income tax expense/(credit)

The major components of income tax expense/(credit) for the years ended 31 December 2022 and 2021 are:

	Group	
	2022 RMB'000	2021 RMB'000
<b>Current income tax:</b>		
- Over provision in respect of previous years	(1,128)	(336)
- Withholding tax on dividend	445	-
<b>Deferred income tax:</b>		
- Origination of temporary differences	906	-
Income tax expense/(credit) recognised in profit or loss	<b>223</b>	(336)

### Relationship between tax credit and accounting loss

	Group	
	2022 RMB'000	2021 RMB'000
Profit/(loss) before tax	<b>30,470</b>	(2,380)
Tax at the domestic rates applicable to profit in the countries where the Group operates	<b>4,517</b>	(418)
Adjustments:		
- Non-deductible expenses	<b>556</b>	494
- Deferred tax assets not recognised	-	1,390
- Effect of partial tax exemption and tax relief	<b>(955)</b>	(1,466)
- Benefit from previously unrecognised losses	<b>(3,212)</b>	-
- Withholding tax on dividend	<b>445</b>	-
- Over provision in respect of previous years	<b>(1,128)</b>	(336)
Income tax credit recognised in profit or loss	<b>223</b>	(336)

The reconciliation between tax expense/(credit) and the product of accounting loss multiplied by the applicable corporate tax rate for the years ended 31 December 2022 and 2021 is as follows:

#### 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 2022 (2021: 17%).

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

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

### Relationship between tax credit and accounting loss (cont'd)

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

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

## 10. Earnings/(loss) per share

Basic earnings per share are calculated by dividing profit for the year, net of tax, attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial year.

Diluted earnings per share are calculated by dividing profit for the year, net of tax, attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial year plus the weighted average number of ordinary shares that would be issued on the conversion of all dilutive potential ordinary shares into ordinary shares.

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

	Group	
	2022 RMB'000	2021 RMB'000
Profit/(Loss) for the year attributable to owners of the Company used in the computation of basic and diluted loss per share	<b>30,247</b>	(2,044)
Weighted average number of ordinary shares for basic earnings per share computation ('000) #	<b>47,644</b>	48,149
Weighted average number of ordinary shares for diluted earnings per share computation ('000)	<b>47,644</b>	48,149
Basic profit/(loss) per share (RMB cents)	<b>63.49</b>	(4.25)
Diluted profit/(loss) per share (RMB cents)	<b>63.49</b>	(4.25)

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

In 2021, 9,000 EBT shares and 160,000 treasury shares were issued to employees after fulfilling three years' service condition of the awards granted.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

## 11. Employee benefits expense

	Group	
	2022 RMB'000	2021 RMB'000
<b>Employee benefits expense (including directors):</b>		
Salaries and bonuses	<b>29,340</b>	26,046
Welfare expense	<b>1,818</b>	1,410
Contribution to defined contribution plans	<b>4,031</b>	3,872
Performance share expense	–	35
	<b>35,189</b>	31,363

### Employee share awards

#### Performance Share Plan 2014

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

#### Fair value of share awards granted

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

During the financial year, there were no revisions to this estimate of the number of employees who will fulfil the three years’ service condition (2021: no revisions). The movement in performance shares is disclosed in Note 26(b) to the financial statements.

#### Movement of share awards during the financial year

The following table illustrates the number (No.) of, and movements in, share awards during the financial year:

	2022 No. ('000)	2021 No. ('000)
Outstanding at 1 January	–	169
- Vested	–	(169)
Outstanding at 31 December	–	–

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

## 12. Related party transactions

### (a) Sale and purchase of services

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

	Company	
	2022	2021
	RMB'000	RMB'000
Service fee charged to a subsidiary	20	20

### (b) Compensation of key management personnel

	Group	
	2022	2021
	RMB'000	RMB'000
Salaries, bonuses and fees	3,679	2,645
Contribution to defined contribution plans	76	106
Performance share expense	–	35
Total compensation paid to key management personnel	3,755	2,786
Comprises amounts paid to:		
- Directors of the Company	2,982	2,357
- Other key management personnel	773	429
Total compensation paid to key management personnel	3,755	2,786

#### Key management personnel's interest in employee share awards

On 13 September 2018, the Company granted an award comprising 160,000 treasury shares to one of the Company's key management personnel under the Anchun PSP. All treasury shares were issued to the key management personnel after fulfilling the three years' service condition under the grant of the award in 2021.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

## 13. Investment in a subsidiary

	Company	
	2022	2021
	RMB'000	RMB'000
Unquoted equity shares, at cost	75,000	75,000
Anchun PSP	631	631
	<b>75,631</b>	<b>75,631</b>

Details of the subsidiary is as follows:

Name of company	Country of incorporation	Principal activities	Proportion of ownership interest	
			2022	2021
			%	%
<b><i>Held by the Company</i></b>				
Hunan Anchun Advanced Technology Co., Ltd ("Hunan Anchun") <sup>(1)</sup>	PRC	Provision of integrated chemical systems engineering and technology solutions to the petrochemical and chemical industries	100	100

- (1) Audited by Peking Certified Public Accountants (Special General Partnership), Hunan Branch, for PRC statutory reporting purpose. Audited by Ernst & Young Hua Ming LLP Changsha Branch, for consolidation purpose.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

## 14. Property, plant and equipment

Group	Buildings RMB'000	Machinery RMB'000	Office equipment and furniture RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
<b>Cost:</b>						
At 1 January 2021	84,727	105,148	6,300	1,381	–	197,556
Additions	–	4,772	463	–	143	5,378
Disposals	–	(216)	(18)	–	–	(234)
Transfer to investment property (Note 18)	(6,475)	–	–	–	–	(6,475)
Write-off	–	(755)	(97)	–	–	(852)
At 31 December 2021 and 1 January 2022	78,252	108,949	6,648	1,381	143	195,373
Additions	–	673	228	–	204	1,105
Disposals	–	(474)	–	–	–	(474)
Write-off	–	(1,166)	(63)	–	–	(1,229)
At 31 December 2022	<b>78,252</b>	<b>107,982</b>	<b>6,813</b>	<b>1,381</b>	<b>347</b>	<b>194,775</b>
<b>Accumulated depreciation:</b>						
At 1 January 2021	(47,951)	(85,633)	(4,767)	(1,313)	–	(139,664)
Depreciation charge for the year	(3,755)	(4,623)	(347)	–	–	(8,725)
Disposals	–	197	13	–	–	210
Transfer to investment property (Note 18)	3,856	–	–	–	–	3,856
Write-off	–	717	92	–	–	809
At 31 December 2021 and 1 January 2022	(47,850)	(89,342)	(5,009)	(1,313)	–	(143,514)
Depreciation charge for the year	(3,703)	(3,952)	(415)	–	–	(8,070)
Disposals	–	450	–	–	–	450
Write-off	–	1,039	60	–	–	1,099
At 31 December 2022	<b>(51,553)</b>	<b>(91,805)</b>	<b>(5,364)</b>	<b>(1,313)</b>	<b>–</b>	<b>(150,035)</b>
<b>Net carrying amount:</b>						
At 31 December 2021	<b>30,402</b>	<b>19,607</b>	<b>1,639</b>	<b>68</b>	<b>143</b>	<b>51,859</b>
At 31 December 2022	<b>26,699</b>	<b>16,177</b>	<b>1,449</b>	<b>68</b>	<b>347</b>	<b>44,740</b>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

## 15. Intangible assets

	Group	
	2022 RMB'000	2021 RMB'000
<b>Cost</b>		
At 1 January	2,045	2,124
Additions	303	112
Disposal	–	(191)
At 31 December	<b>2,348</b>	2,045
<b>Accumulated amortisation</b>		
At 1 January	<b>(1,381)</b>	(1,228)
Amortisation charge for the year	<b>(397)</b>	(344)
Disposal	–	191
At 31 December	<b>(1,778)</b>	(1,381)
<b>Net carrying amount</b>		
At 31 December	<b>570</b>	664

Intangible assets relate to computer software purchased from vendors and have an average remaining amortisation period of 2 years (2021: 2 years). The amortisation of intangible asset is included in the "Administrative expenses" line item in the consolidated statement of comprehensive income.

## 16. Leases

### Group as a lessee

The Group has land use rights over three plots of state-owned land in the People's Republic of China (PRC) where the Group's PRC manufacturing and storage facilities reside. The land use rights are not transferable.

The Company has lease contract for office space for a tenure of 2 years.

The Group also has certain leases of dormitories with lease term of less than 12 months in which the Group applies the 'short-term lease' recognition exemptions for these leases.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

## 16. Leases (cont'd)

Group as a lessee (cont'd)

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

	<b>Office space RMB'000</b>	<b>Land use rights RMB'000</b>	<b>Total RMB'000</b>
<b>Group</b>			
<b>Cost:</b>			
At 1 January 2021	262	18,271	18,533
Disposal	(262)	–	(262)
At 31 December 2021, 1 January 2022 and 31 December 2022	<b>–</b>	<b>18,271</b>	<b>18,271</b>
<b>Accumulated depreciation:</b>			
At 1 January 2021	(220)	(5,658)	(5,878)
Depreciation charge for the year	(42)	(365)	(407)
Disposal	262	–	262
At 31 December 2021 and 1 January 2022	–	(6,023)	(6,023)
Depreciation charge for the year	–	(365)	(365)
At 31 December 2022	<b>–</b>	<b>(6,388)</b>	<b>(6,388)</b>
<b>Net carrying amount:</b>			
At 31 December 2022	<b>–</b>	<b>11,883</b>	<b>11,883</b>
At 31 December 2021	–	12,248	12,248

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

## 16. Leases (cont'd)

Group as a lessee (cont'd)

(a) *Carrying amounts of right-of-use assets (cont'd)*

	<b>Office space RMB'000</b>
<b>Company</b>	
<b>Cost:</b>	
At 1 January 2021	262
Disposal	(262)
At 31 December 2021, 1 January 2022 and 31 December 2022	-
<b>Accumulated depreciation:</b>	
At 1 January 2021	(220)
Depreciation charge for the year	(42)
Disposal	262
At 31 December 2021, 1 January 2022 and 31 December 2022	-
<b>Net carrying amount:</b>	
At 31 December 2022	-
At 31 December 2021	-

(b) *Carrying amounts of lease liability*

	<b>2022 RMB'000</b>	2021 RMB'000
<b>Group and Company</b>		
At 1 January	-	43
Payments	-	(43)
At 31 December	-	-
<u>Represented as:</u>		
Current	-	-
<b>Total</b>	-	-

The maturing analysis of lease liabilities is disclosed in Note 31(b).

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

## 16. Leases (cont'd)

Group as a lessee (cont'd)

(c) *Amounts recognised in profit or loss*

Group as a lessee (cont'd)

	Group	
	2022	2021
	RMB'000	RMB'000
Depreciation of right-of-use assets	365	407
Expenses relating to short-term leases	395	561
Total amount recognised in statement of comprehensive income	760	968

(d) *Total cash outflows*

The Group had total cash outflows for leases of RMB395,000 in 2022 (2021: RMB604,000).

## 17. Deferred tax

Deferred tax as at 31 December relates to the following:

	Group	
	2022	2021
	RMB'000	RMB'000
<b>Deferred tax assets:</b>		
Unutilised tax losses	-	906

	Group	
	2022	2021
	RMB'000	RMB'000
As of 1 January	906	906
Utilisation of deferred tax assets during the year	(906)	-
As at 31 December	-	906

Unrecognised tax losses

At the end of the reporting period, the Group has unutilised tax losses of Nil (2021: RMB21,413,000) that are available for offset against future taxable profits. These tax losses have been fully utilised in current year and the use of these tax losses is subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation of the respective countries in which the companies operate.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

## 17. Deferred tax (cont'd)

### Unrecognised temporary differences relating to investment in subsidiary

At the end of the reporting period, no further deferred tax liability has been recognised for withholding tax that would be payable on the remaining undistributed earnings of the PRC subsidiary as the Group has determined that undistributed earnings of its PRC subsidiary will not be distributed in the foreseeable future for working capital utilisation purpose. Such temporary difference for which no deferred tax liability has been recognised aggregates RMB67,165,000 (2021: RMB36,687,000) and the deferred tax liability is estimated at RMB3,358,000 (2021: RMB1,834,000).

## 18. Investment properties

	Group	
	2022 RMB'000	2021 RMB'000
<b>Balance sheet:</b>		
<b>Cost</b>		
At 1 January	17,026	10,551
Transfer from property, plant and equipment (Note 14)	–	6,475
At 31 December	<b>17,026</b>	17,026
<b>Accumulated depreciation</b>		
At 1 January	(13,278)	(8,841)
Transfer from property, plant and equipment (Note 14)	–	(3,856)
Depreciation charge for the year	(631)	(581)
At 31 December	<b>(13,909)</b>	(13,278)
<b>Net carrying amount</b>		
At 31 December	<b>3,117</b>	3,748
<b>Fair value</b>	<b>22,117</b>	19,762
<b>Consolidated statement of comprehensive income</b>		
Rental income from investment properties:		
- Minimum lease payments	<b>2,059</b>	2,340
<b>Direct operating expenses (including repairs and maintenance) arising from:</b>		
- Rental generating properties	<b>(1,290)</b>	(1,330)

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.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

## 18. Investment properties (cont'd)

### Valuation of investment property

The fair value of investment property in Xiang Kai Shi Hua Tower is determined based on comparable market transactions that consider the sales of similar properties that have been transacted in the open market.

The fair value of investment properties in Lufeng Road and Lusong Road are determined based on discounted cash flows method. Details of valuation techniques and inputs are disclosed in Note 30 to the financial statements.

The investment properties held by the Group as at 31 December 2022 are as follows:

Description and location	Existing Use	Tenure of land	Unexpired lease term
10 <sup>th</sup> floor, Xiang Kai Shi Hua Tower, Changsha, PRC	Offices	Leasehold, 50 years lease from 2 August 1999	27 years (2021: 28 years)
No. 65, Lufeng Road, Hi-Tech Industrial Development Zone, Changsha, PRC	Manufacturing	Leasehold, 50 years lease from 16 August 2002	30 years (2021: 31 years)
No. 539, Lusong Road, Hi-Tech Industrial Development Zone, Changsha, PRC	Manufacturing	Leasehold, 50 years lease from 28 February 2007	34 years (2021: 35 years)

## 19. Prepayments

	Group		Company	
	2022 RMB'000	2021 RMB'000	2022 RMB'000	2021 RMB'000
<b>Non-current</b>				
Prepayments relating to purchase of property, plant and equipment	255	45	–	–
<b>Current</b>				
Prepayments to trade suppliers	2,861	7,334	–	–
Prepaid operating expenses	410	172	61	59
	<b>3,271</b>	<b>7,506</b>	<b>61</b>	<b>59</b>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

## 20. Inventories

	Group	
	2022 RMB'000	2021 RMB'000
<b>Balance sheet:</b>		
Raw materials (at cost)	<b>22,589</b>	24,183
Work-in-progress (at cost or net realisable value)	<b>2,547</b>	1,916
Finished goods (at cost or net realisable value)	<b>6,619</b>	5,492
Goods in transit	<b>2</b>	–
	<b>31,757</b>	31,591
<b>Consolidated statement of comprehensive income:</b>		
Inventories recognised as an expense in cost of sales	<b>88,864</b>	53,122
(Write-back of)/allowance for inventory obsolescence	<b>(84)</b>	24

## 21. Trade and other receivables

	Group		Company	
	2022 RMB'000	2021 RMB'000	2022 RMB'000	2021 RMB'000
Trade receivables	<b>19,225</b>	14,306	–	–
Bill receivables	<b>32,265</b>	47,871	–	–
VAT/GST receivables	<b>4</b>	6	<b>4</b>	6
Amount due from a subsidiary (non-trade)	–	–	<b>37,856</b>	38,311
Other receivables	<b>3,937</b>	1,773	–	–
Total trade and other receivables	<b>55,431</b>	63,956	<b>37,860</b>	38,317
Add:				
Contract assets (Note 4)	<b>82,419</b>	81,105	–	–
Cash and cash equivalents (Note 22)	<b>175,748</b>	149,678	<b>16,068</b>	10,349
Less:				
VAT/GST receivables	<b>(4)</b>	(6)	<b>(4)</b>	(6)
Total financial assets carried at amortised cost	<b>313,594</b>	294,733	<b>53,924</b>	48,660

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

## 21. Trade and other receivables (cont'd)

### Trade receivables

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

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

	Group	
	2022	2021
	RMB'000	RMB'000
Singapore dollar	4	6

### Bill receivables

Bill receivables are interest-free and have maturity periods of less than 360 days' term.

### Amount due from a subsidiary

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

### ***Expected credit losses***

The movement in allowance for expected credit losses of trade receivables and contract assets computed based on lifetime ECL are as follow:

	Group			
	Trade receivables	Contract assets	Trade receivables	Contract assets
	2022	2022	2021	2021
	RMB'000	RMB'000	RMB'000	RMB'000
Movement in the allowance accounts:				
At 1 January	26,349	8,658	29,278	6,975
(Reversal)/charge for the year	(1,404)	1,688	(2,593)	1,683
Written-off	(429)	-	(336)	-
At 31 December	<b>24,516</b>	<b>10,346</b>	26,349	8,658

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

## 22. Cash and bank balances

	Group		Company	
	2022 RMB'000	2021 RMB'000	2022 RMB'000	2021 RMB'000
Cash at banks and on hand	<b>157,733</b>	120,321	<b>2,857</b>	3,251
Short-term deposits	<b>18,015</b>	29,357	<b>13,211</b>	7,098
Total	<b>175,748</b>	149,678	<b>16,068</b>	10,349
Less: Short-term deposits (Maturity >3 months)	<b>(60,000)</b>	(20,000)	-	-
Cash and cash equivalents	<b>115,748</b>	129,678	<b>16,068</b>	10,349

### ***Cash at banks***

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

### ***Short-term deposits***

Short-term deposits are made for varying periods between one to more than three months (2021: one to more than three months) and earn interests at the respective short-term deposit rates.

The weighted average effective interest rates as at 31 December 2022 for the Group and the Company were 2.1% (2021: 1.9%) and 1.7% (2021: 1.6%) respectively.

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

	Group and Company	
	2022 RMB'000	2021 RMB'000
Singapore dollar	<b>2,857</b>	3,251

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

## 23. Trade and other payables

	Group		Company	
	2022 RMB'000	2021 RMB'000	2022 RMB'000	2021 RMB'000
Trade payables	<b>21,170</b>	18,711	–	–
Amount due to a subsidiary (non-trade)	–	–	<b>12,596</b>	12,414
Other taxes payable	<b>1,995</b>	1,378	–	–
VAT payable	<b>10,073</b>	5,134	–	–
Other payables	<b>7,557</b>	7,208	–	–
	<b>40,795</b>	32,431	<b>12,596</b>	12,414
Add:				
Other liabilities (Note 24)	<b>20,988</b>	17,065	<b>803</b>	695
Less:				
Other taxes payable	<b>(1,995)</b>	(1,378)	–	–
VAT payable	<b>(10,073)</b>	(5,134)	–	–
Total financial liabilities carried at amortised cost	<b>49,715</b>	42,984	<b>13,399</b>	13,109

### Trade payables

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

### Bill payables

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

### Amount due to subsidiary (non-trade)

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

### Other payables

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

All trade and other payables balances are denominated in RMB.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

## 24. Other liabilities

	Group		Company	
	2022	2021	2022	2021
	RMB'000	RMB'000	RMB'000	RMB'000
Accrued salaries and bonuses	9,982	7,732	446	407
Accrued operating expenses	2,146	1,433	357	288
Accrued welfare expenses	8,860	7,900	–	–
	<b>20,988</b>	<b>17,065</b>	<b>803</b>	<b>695</b>

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

	Group and Company	
	2022	2021
	RMB'000	RMB'000
Singapore dollar	803	695

## 25. Provisions

	2022	2021
	RMB'000	RMB'000
<b>Group and Company</b>		
At 1 January	–	38
Write-back of provision for onerous contract	–	(38)
At 31 December	–	–

Provision for onerous contract is made when the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. Movement in provision for onerous contract is included in the "Cost of sales" line item in the consolidated statement of comprehensive income.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

## 26. Share capital and treasury/employee benefit trust shares

### (a) Share capital

	Group and Company			
	2022	2022	2021	2021
	No. of shares	RMB'000	No. of shares	RMB'000
<b>Issued and fully paid ordinary shares</b>				
At 1 January and 31 December	<b>50,500,000</b>	<b>149,278</b>	50,500,000	149,278

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

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

### (b) Treasury/employee benefit trust shares

	Group and Company			
	2022	2022	2021	2021
	No. of shares	RMB'000	No. of shares	RMB'000
At 1 January	<b>(2,809,100)</b>	<b>(3,391)</b>	(2,318,100)	(3,021)
Acquired during the year	<b>(500,000)</b>	<b>(806)</b>	(500,000)	(615)
Treasury and EBT shares reissued pursuant to vesting of PSP	-	-	9,000	245
At 31 December	<b>(3,309,100)</b>	<b>(4,197)</b>	(2,809,100)	(3,391)

#### **Treasury shares acquired during the year**

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

The Company acquired 500,000 (2021: 500,000) shares in the Company through purchases on the Singapore Exchange Securities Trading Limited ("SGX-ST") during the financial year. The total amount paid to acquire the shares was RMB806,000 (2021: RMB615,000) and this was presented as a component within shareholders' equity.

There are no shares issued under the Anchun PSP during the financial year ended 31 December 2022 and 2021.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

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

### (b) Treasury/employee benefit trust shares (cont'd)

#### *EBT shares reissued during the year*

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

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

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

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

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

There are no EBT shares granted under the Anchun PSP during the financial year ended 31 December 2022.

## 27. Other reserves

	Group		Company	
	2022 RMB'000	2021 RMB'000	2022 RMB'000	2021 RMB'000
(a) Statutory reserve fund	44,822	42,828	–	–
(b) Statutory reserve fund - safety production expenditure	7,103	6,274	–	–
(c) Contribution from shareholder	1,725	1,725	–	–
(d) Merger reserve	75,000	75,000	–	–
(e) Loss on reissuance of EBT shares	(10)	(10)	(10)	(10)
	<b>128,640</b>	125,817	<b>(10)</b>	(10)

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

## 27. Other reserves (cont'd)

### (a) Statutory reserve fund

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

	Group	
	2022	2021
	RMB'000	RMB'000
At 1 January	42,828	40,843
Transferred from accumulated profits	1,994	1,985
At 31 December	<b>44,822</b>	42,828

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

In accordance with the Regulation on Safety Production Expenditures applicable to the subsidiary in the PRC, the subsidiary is required to make appropriation ranging from 0.1% to 2% of the revenue generated to a Statutory Reserve Fund – safety production expenditure. The safety production expenditure is recognised in the profit or loss when it is incurred.

	Group	
	2022	2021
	RMB'000	RMB'000
At 1 January	6,274	5,454
Transferred from accumulated profits/(utilisation during the year), net	829	820
At 31 December	<b>7,103</b>	6,274

### (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.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

## 27. Other reserves (cont'd)

### (e) *Loss on reissuance of EBT shares*

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

## 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 systems and components ("CSC") Business*

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

### (iii) *Chemical engineering and technology ("CET") Engineering Services*

This segment involves providing chemical systems engineering and technology design services for the production of ammonia and methanol related products such as agriculture fertilisers and biodiesel which are mainly used in the agriculture and energy industries.

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

## 28. Segment information (cont'd)

	<b>Catalyst Business</b>	<b>CSC Business</b>	<b>CET Engineering Services</b>	<b>Total</b>
	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>
<b>Group</b>				
<b>2022</b>				
<b>Revenue</b>				
External customers	12,085	157,875	12,806	182,766
Total revenue	<b>12,085</b>	<b>157,875</b>	<b>12,806</b>	<b>182,766</b>
<b>Results:</b>				
Segment gross profit	3,662	43,217	6,598	53,477
Finance income				4,185
Other income				6,587
Write-back of impairment losses on financial assets				1,404
Impairment loss on contract assets				(1,688)
Marketing and distribution expenses				(6,263)
Administrative expenses				(20,021)
Research expenses				(7,029)
Other expenses				(179)
Finance costs				(3)
Profit before tax				<b>30,470</b>
<b>Other material non-cash items</b>				
Depreciation and amortisation				(9,463)
Gain on disposal of property, plant and equipment, net				115
Write-off of property, plant and equipment				(130)
Write back of allowance for inventory obsolescence				84

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

## 28. Segment information (cont'd)

Group	Catalyst Business RMB'000	CSC Business RMB'000	CET Engineering Services RMB'000	Total RMB'000
<b>2021</b>				
<b>Revenue</b>				
External customers	11,884	83,126	14,032	109,042
Total revenue	<u>11,884</u>	<u>83,126</u>	<u>14,032</u>	<u>109,042</u>
<b>Results:</b>				
Segment gross profit	4,984	17,847	8,257	31,088
Finance income				1,679
Other income				5,554
Write-back of impairment losses on financial assets				2,593
Impairment loss on contract assets				(1,683)
Marketing and distribution expenses				(6,558)
Administrative expenses				(21,759)
Research expenses				(13,223)
Other expenses				(67)
Finance costs				(4)
Loss before tax				<u>(2,380)</u>
<b>Other material non-cash items</b>				
Write-back of provision on onerous contracts, net				38
Depreciation and amortisation				(10,057)
Gain on disposal of property, plant and equipment, net				73
Write-off of property, plant and equipment				(43)
Allowance for inventory obsolescence				<u>(24)</u>

### 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 2022, revenue from two (2021: two) major customers amount to RMB52,689,000 (2021: RMB28,365,000), arising from sales by the CSC and CET Business segment (2021: CSC and CET Business segment).

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

## 29. Commitments

### (a) Operating lease commitments – as lessor

The Group has entered into commercial property leases on its investment properties. The non-cancellable leases have remaining lease terms of between one to four years (2021: one to five years). Certain leases include a clause to enable upward revision of the rental charge on an annual basis on prevailing market conditions.

Rental income recognised by the Group during the year is RMB2,059,000 (2021: RMB2,340,000).

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

	Group	
	2022	2021
	RMB'000	RMB'000
Not later than 1 year	3,156	2,621
Later than 1 year but not later than 5 years	4,720	6,509
	<b>7,876</b>	<b>9,130</b>

## 30. Fair value of assets and liabilities

### (a) Fair value hierarchy

The Group categorises fair value measurements using a fair value hierarchy that is dependent on the valuation inputs used as follows:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date;
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3 – Unobservable inputs for the asset or liability.

Fair value measurements that use inputs of different hierarchy levels are categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

## 30. Fair value of assets and liabilities (cont'd)

### (b) *Assets not measured at fair value, for which fair value is disclosed*

The following table shows an analysis of the Group's assets not measured at fair value, for which fair value is disclosed:

	Note	Group RMB'000	
		Fair value measurements at the end of the reporting period using	
		Significant unobservable inputs (Level 3)	Carrying amount
<b>2022</b>			
<b>Investment properties</b>	18		
- Xiang Kai Shi Hua Tower		9,494	–
- Lufeng Road, Hi-Tech Industrial Development Zone		9,736	1,675
- Lusong Road, Hi-Tech Industrial Development Zone		2,887	1,442
<b>2021</b>			
<b>Investment properties</b>	18		
- Xiang Kai Shi Hua Tower		10,106	–
- Lufeng Road, Hi-Tech Industrial Development Zone		6,829	2,162
- Lusong Road, Hi-Tech Industrial Development Zone		2,827	1,586

#### Determination of fair value

##### *Level 3 fair value measurements*

The fair value of investment property in Xiang Kai Shi Hua Tower as disclosed in the table above is determined based on comparable market transactions that consider the sales of similar properties that have been transacted in the open market.

Using the discounted cash flow method, fair value of investment properties in Lufeng Road and Lusong Road are estimated using assumptions regarding the benefits and liabilities of ownership over the asset's life. This method involves the projection of a series of cash flows on an investment property. To this projected cash flow series, a market-derived discount rate is applied to establish the present value of the income stream associated with the asset.

The duration of the cash flows and the specific timing of inflows and outflows are determined by events such as rent reviews and lease renewal. The appropriate duration is typically driven by market behaviour that is a characteristic of the class of real property. Periodic cash flow is estimated as gross cash flow less maintenance cost and other operating and management expenses. The series of periodic net operating cash flow is then discounted. Generally, a change in the assumption made for the estimated rental value is accompanied by a directionally similar change in the rent growth per annum, and an opposite change in the long term vacancy rate and discount rate.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

## 30. Fair value of assets and liabilities (cont'd)

**(c) Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value**

*Trade and other receivables (Note 21), cash and cash equivalents (Note 22), trade and other payables (Note 23), other liabilities (Note 24) and provisions (Note 25)*

Management has determined that the carrying amounts of these financial assets and liabilities are reasonable approximation of their fair values due to their short-term nature or they approximate their fair value based on the market incremental rates for similar types of financial instruments at the end of the year.

## 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, credit risk and foreign currency risk. The board of directors reviews and agrees policies and procedures for the management of these risks. The Audit Committee provides independent oversight to the effectiveness of the risk management process. It is and has been throughout the current and previous financial years, the Group's policy that no trading in derivatives shall be undertaken. The Group does not apply hedge accounting.

There has been no change to the Group's and the Company's exposure to these financial risks or the manner in which it manages and measures the risks.

The following sections provide details regarding the Group's and the Company's exposure to the above-mentioned risks and the objectives, policies, and processes for the management of these risks.

**(a) Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates. The Group's and the Company's exposure to interest rate risk arises primarily from its floating rate cash at bank balances and deposits. The Group's and the Company's policy is to obtain the most favourable interest rates available.

*Sensitivity analysis for interest rate risk*

At the end of the reporting period, if RMB and SGD interest rates had been 100 basis points higher/lower with all other variables held constant, the Group's profit/(loss) before tax would have been RMB1,757,000 (2021: RMB1,497,000) higher/lower, arising mainly as a result of higher/lower interest income on floating rate cash at bank balances. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment.

**(b) Liquidity risk**

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

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

### (b) Liquidity risk (cont'd)

Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of the Group's and the Company's financial assets and liabilities at the balance sheet date based on contractual undiscounted repayments obligations.

2022	1 year or less RMB'000	1 to 5 years RMB'000	Total RMB'000
<b>Group</b>			
<b>Financial assets</b>			
Trade and other receivables (excluding sales tax receivables)	55,427	–	55,427
Cash and cash equivalents	115,749	–	115,749
Short term deposits	60,000	–	60,000
Total undiscounted financial assets	231,176	–	231,176
<b>Financial liabilities</b>			
Trade and other payables (excluding sales tax payables)	28,727	–	28,727
Other liabilities	20,988	–	20,988
Total undiscounted financial liabilities	49,715	–	49,715
Total net undiscounted financial assets	181,461	–	181,461
<b>2021</b>			
<b>Group</b>			
<b>Financial assets</b>			
Trade and other receivables (excluding sales tax receivables)	63,950	–	63,950
Cash and cash equivalents	129,678	–	129,678
Short term deposits	20,000	–	20,000
Total undiscounted financial assets	213,628	–	213,628
<b>Financial liabilities</b>			
Trade and other payables (excluding sales tax payables)	25,919	–	25,919
Other liabilities	17,065	–	17,065
Total undiscounted financial liabilities	42,984	–	42,984
Total net undiscounted financial assets	170,644	–	170,644

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

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

### (b) Liquidity risk (cont'd)

Analysis of financial instruments by remaining contractual maturities (cont'd)

2022	1 year or less RMB'000	1 to 5 years RMB'000	Total RMB'000
<b>Company</b>			
<b>Financial assets</b>			
Trade and other receivables (excluding sales tax receivables)	37,856	–	37,856
Cash and cash equivalents	16,068	–	16,068
Total undiscounted financial assets	53,924	–	53,924
<b>Financial liabilities</b>			
Trade and other payables	12,596	–	12,596
Other liabilities	803	–	803
Total undiscounted financial liabilities	13,399	–	13,399
Total net undiscounted financial assets	40,525	–	40,525
2021	1 year or less RMB'000	1 to 5 years RMB'000	Total RMB'000
<b>Company</b>			
<b>Financial assets</b>			
Trade and other receivables (excluding sales tax receivables)	38,311	–	38,311
Cash and cash equivalents	10,349	–	10,349
Total undiscounted financial assets	48,660	–	48,660
<b>Financial liabilities</b>			
Trade and other payables	12,414	–	12,414
Other liabilities	695	–	695
Total undiscounted financial liabilities	13,109	–	13,109
Total net undiscounted financial assets	35,551	–	35,551

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

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

### (c) Changes in liabilities arising from financing activities

2022	1 January RMB'000	Cash flows RMB'000	Non-cash changes		31 December RMB'000
			Vesting of performance share plan RMB'000	Translation difference RMB'000	
Treasury shares	(3,391)	(806)	–	–	(4,197)
Total liabilities under financing activities	(3,391)	(806)	–	–	(4,197)

2021	1 January RMB'000	Cash flows RMB'000	Non-cash changes		31 December RMB'000
			Vesting of performance share plan RMB'000	Translation difference RMB'000	
Treasury shares	(3,021)	(615)	245	–	(3,391)
Lease liability	43	(43)	–	–	–
Total liabilities under financing activities	(2,978)	(658)	245	–	(3,391)

### (d) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's and the Company's exposure to credit risk arises primarily from trade and other receivables. For other financial assets (including cash and cash equivalents), the Group and the Company minimises credit risk by dealing exclusively with high credit rating counterparties.

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group trades only with recognised and creditworthy third parties. In addition, receivable balances are monitored on an ongoing basis by the Group.

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period.

The Group has determined the default event on a financial asset to be when the counterparty fails to make contractual payments, and when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as at reporting date with the risk of default as at the date of initial recognition.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

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

### (d) Credit risk (cont'd)

The Group considers available reasonable and supportive forwarding-looking information and significant changes in the payment status and behaviour of debtors.

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 180 days past due in making contractual payment.

The Group determined that its financial assets are credit-impaired when:

- There is significant difficulty of the debtors
- A breach of contract, such as a default or past due event
- It is becoming probable that the debtor will enter bankruptcy

Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. Where loans and receivables have been written off, the Group continues to engage enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in profit or loss.

#### Trade receivables and contract assets

The Group provides for lifetime expected credit losses for all trade receivables and contract assets using a provision matrix. The provision rates are determined based on the Group's historical observed default rates analysed in accordance to years past due. The loss allowance as at 31 December 2022 is determined as follows, the expected credit losses below also incorporate forward looking information such as forecast of economic conditions where the gross domestic product will deteriorate over the next year, leading to an increased number of defaults.

Summarised below is the information about the credit risk exposure on the Group's trade receivables and contract assets using provision matrix:

<b>31 December 2022</b>	<b>% of allowance provision</b>	<b>Gross carrying amount RMB'000</b>	<b>Loss allowance provision RMB'000</b>
Contract assets	<b>11</b>	<b>92,765</b>	<b>10,346</b>
Trade receivables:			
Within 1 year	<b>19</b>	<b>20,120</b>	<b>3,920</b>
1 year to 2 years	<b>52</b>	<b>5,385</b>	<b>2,804</b>
2 years to 3 years	<b>83</b>	<b>2,605</b>	<b>2,161</b>
More than 3 years	<b>100</b>	<b>15,631</b>	<b>15,631</b>
Total		<b>136,506</b>	<b>34,862</b>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

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

### (d) Credit risk (cont'd)

Trade receivables and contract assets (cont'd)

<b>31 December 2021</b>	<b>% of allowance provision</b>	<b>Gross carrying amount RMB'000</b>	<b>Loss allowance provision RMB'000</b>
Contract assets	10	89,763	8,658
Trade receivables:			
Within 1 year	18	9,934	1,779
1 year to 2 years	52	7,425	3,849
2 years to 3 years	71	8,957	6,382
More than 3 years	100	14,339	14,339
Total		130,418	35,007

Information regarding loss allowance movement of trade receivables and contract assets are disclosed in Note 21.

#### *Exposure to credit risk*

At the end of the reporting period, the Group's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised on the balance sheets.

#### *Credit risk concentration profile*

At the end of the reporting period, approximately 3% (2021: 1%) of the Group's trade receivables were due from 10 (2021: 10) major customers located in the People's Republic of China.

### (e) Foreign currency risk

The Group has exposure to foreign currency risk as a result of transactions denominated in foreign currencies, arising from the normal conduct of operations. The currency giving rise to this risk is primarily the Singapore Dollar ("SGD").

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

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

### (e) Foreign currency risk (cont'd)

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

	2022 RMB'000	2021 RMB'000
<b>Financial assets</b>		
Cash and cash equivalents	2,857	3,251
Trade and other receivables	4	6
<b>Financial liabilities</b>		
Other liabilities	(803)	(695)
Currency exposure	<b>2,058</b>	<b>2,562</b>

#### Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity of the Group's profit/(loss) before tax to a reasonably possible change in the respective foreign currency against the functional currency of the Group, with all other variables held constant.

	Group (Increase)/decrease Profit/(loss) before tax	
	2022 RMB'000	2021 RMB'000
RMB against SGD		
- strengthened 5% (2021: 5%)	103	128
- weakened 5% (2021: 5%)	(103)	(128)

## 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 2022 and 2021.

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 2022 and 2021.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

## 32. Capital management (cont'd)

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group includes within net debt, trade and other payables and other liabilities, less cash and cash equivalents. Capital consists of equity attributable to owners of the Company less the above-mentioned reserve fund.

	Group	
	2022 RMB'000	2021 RMB'000
Trade and other payables (Note 23)	40,795	32,431
Other liabilities (Note 24)	20,988	17,065
Less:		
Cash and cash equivalents (Note 22)	(115,748)	(129,678)
Short term deposits	(60,000)	(20,000)
Net surplus	(113,965)	(100,182)
Equity attributable to owners of the Company	303,303	273,928
Less:		
Statutory reserve fund (Note 27)	(44,822)	(42,828)
Statutory reserve fund – safety production expenditure (Note 27)	(7,103)	(6,274)
Staff welfare payable	(68)	(67)
Total capital	251,310	224,759
Gearing ratio	NA*	NA*

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

## 33. Distribution made and proposed

	2022 RMB'000
Proposed but not recognised as liability as at 31 December:	
- Dividends on ordinary shares, subject to shareholders' approval at the Annual General Meeting:	
- Final dividend for 2022: RMB0.12 per share	5,663

## 34. Authorisation of financial statements

The consolidated financial statements for the year ended 31 December 2022 were authorised for issue in accordance with a resolution of the directors on 31 March 2023.

# STATISTICS OF SHAREHOLDINGS

AS AT 15 MARCH 2023

Class of Shares	:	Ordinary Share
Number of Issued Shares (excluding Treasury Shares and Subsidiary Holdings)	:	47,190,900
Issued and fully paid-up capital	:	S\$45,449,200
Voting Rights	:	One vote per Ordinary Share ("Share")
Number of Treasury Shares and Percentage	:	3,309,100 (6.55%)
Number of Subsidiary Holdings and Percentage	:	Nil

## PERCENTAGE OF SHAREHOLDING IN PUBLIC'S HANDS

Based on the information available to the Company as at 15 March 2023, approximately 32.45% of the issued ordinary shares (excluding treasury shares) of the Company are held in the hands of the public. Accordingly, the Company has complied with Rule 723 of the Listing Manual of the SGX-ST which requires that at least 10% of the issued Shares (excluding preference shares, convertible equity securities and treasury shares) of the Company in a class that is listed is at all times held in the hands of the public.

## DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 - 99	7	0.73	410	*
100 - 1,000	390	40.88	201,075	0.44
1,001 - 10,000	412	43.19	1,729,655	3.78
10,001 - 1,000,000	136	14.26	10,056,560	21.33
1,000,001 AND ABOVE	9	0.94	35,203,200	74.45
<b>TOTAL</b>	<b>954</b>	<b>100.00</b>	<b>47,190,900</b>	<b>100.00</b>

\* Negligible.

## TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1.	ACE SENSE HOLDINGS LIMITED	10,800,000	22.89
2.	ORIENTAL EAGLE HOLDINGS LIMITED	4,882,000	10.35
3.	DAWN VITALITY INTERNATIONAL LIMITED	4,114,500	8.72
4.	INVENTIVE RESULT ENTERPRISES LIMITED	3,756,300	7.96
5.	GIANT YIELD GLOBAL LIMITED	3,348,100	7.09
6.	MORGAN STANLEY ASIA (SINGAPORE) SECURITIES PTE LTD	3,255,400	6.90
7.	CHINA XLX FERTILISER LTD	1,960,000	4.15
8.	ANDREW BEK	1,600,000	3.39
9.	GOH GUAN SIONG (WU YUANXIANG)	1,486,900	3.15
10.	HUANG BAOJIA	1,000,000	2.12
11.	PHILLIP SECURITIES PTE LTD	705,490	1.49
12.	ENG KOON HOCK	688,000	1.46
13.	MAYBANK SECURITIES PTE. LTD.	460,660	0.98
14.	DBS NOMINEES (PRIVATE) LIMITED	426,490	0.90
15.	LIM POH CHOON	405,600	0.86
16.	GO POWER INVESTMENTS LIMITED	390,000	0.83
17.	ABN AMRO CLEARING BANK N.V.	342,300	0.73
18.	BAO CHEN	330,000	0.70
19.	OCBC NOMINEES SINGAPORE PRIVATE LIMITED	284,700	0.60
20.	LAU CHUN LEUNG	224,000	0.47
	<b>TOTAL</b>	<b>40,460,440</b>	<b>85.74</b>

# STATISTICS OF SHAREHOLDINGS

AS AT 15 MARCH 2023

## SUBSTANTIAL SHAREHOLDERS AS AT 15 MARCH 2023

(As recorded in the Register of Substantial Shareholders)

NO.	NAME	DIRECT INTERESTS		DEEMED INTERESTS	
		NO. OF SHARES HELD	% <sup>(1)</sup>	NO. OF SHARES HELD	% <sup>(1)</sup>
1.	Xie Ming <sup>(2)</sup>	–	–	10,800,000	22.89
2.	Xie Xing <sup>(3)</sup>	–	–	10,800,000	22.89
3.	Zheng Zhi Zhong <sup>(4)</sup>	–	–	4,882,000	10.35
4.	Liang Gong Zeng <sup>(5)</sup>	–	–	3,348,100	7.09
5.	Dai Feng Yu <sup>(6)</sup>	–	–	3,944,500	8.36
6.	He Zu Bing <sup>(7)</sup>	–	–	3,756,300	7.96
7.	Ma Ong Kee <sup>(8)</sup>	–	–	3,255,400	6.90
8.	Ace Sense Holdings Limited	10,800,000	22.89	–	–
9.	Oriental Eagle Holdings Limited	4,882,000	10.35	–	–
10.	Giant Yield Global Limited	3,348,100	7.09	–	–
11.	Dawn Vitality International Limited <sup>(9)</sup>	4,114,500	8.72	–	–
12.	Inventive Result Enterprises Limited	3,756,300	7.96	–	–

### Notes: -

- (1) Percentage calculated based on 47,190,900 voting shares (excluding treasury shares and subsidiary holdings) of the Company as at 15 March 2023.
- (2) Xie Ming is deemed to have an interest in 10,800,000 Shares held by Ace Sense Holdings Limited.
- (3) Xie Xing is deemed to have an interest in 10,800,000 Shares held by Ace Sense Holdings Limited.
- (4) Zheng Zhi Zhong is deemed to have an interest in 4,882,000 Shares held by Oriental Eagle Holdings Limited.
- (5) Liang Gong Zeng is deemed to have an interest in 3,348,100 Shares held by Giant Yield Global Limited.
- (6) Dai Feng Yu is deemed to have an interest in 3,944,500 Shares held by Dawn Vitality International Limited, excluding 170,000 Shares held on trust for certain employees of the Group under Anchun Performance Share Plan 2014.
- (7) He Zu Bing is deemed to have an interest in 3,756,300 Shares held by Inventive Result Enterprises Limited.
- (8) Ma Ong Kee is deemed to have an interest in 3,255,400 Shares held by a nominee account.
- (9) Of the 4,114,500 shares that Dawn Vitality International Limited holds, 170,000 shares are held on trust for certain employees who are the participants of the Anchun Performance Share Plan 2014.

# NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the Annual General Meeting ("**AGM**") of Anchun International Holdings Ltd. will be held by way of electronic means on Wednesday, 26 April 2023 at 9:30 a.m. (Singapore time) for the following purposes:

## AS ORDINARY BUSINESS

- |   | <u>Ordinary<br/>Resolution No.</u> |
|---|------------------------------------|
| 1. To receive and consider the Directors' Statement and the Audited Financial Statements of the Company for the financial year ended 31 December 2022 together with the Auditors' Report thereon.                                     | <b>(Resolution 1)</b>              |
| 2. To declare and pay a tax exempt (one-tier) first and final dividend of Renminbi Twelve Cents (RMB\$0.12) per ordinary share for the financial year ended 31 December 2022 as recommended by the Board of Directors of the Company. | <b>(Resolution 2)</b>              |
| 3. To re-elect the following Directors, each of whom will retire by rotation in accordance with the Article 89 of the Constitution of the Company and who, being eligible, offer themselves for re-election:                          |                                    |
| 3.1 Andrew Bek  | <b>(Resolution 3)</b>              |
| 3.2 Zheng Zhi Zhong   | <b>(Resolution 4)</b>              |
| 3.3 Dai Feng Yu   | <b>(Resolution 5)</b>              |
| 4. To approve the payment of Directors' fees of up to S\$346,000 for the financial year ending 31 December 2023 (2022: S\$346,000).   | <b>(Resolution 6)</b>              |
| 5. To re-appoint Messrs Ernst & Young LLP as Auditors of the Company and to authorise the Directors of the Company to fix their remuneration.   | <b>(Resolution 7)</b>              |
| 6. To transact any other ordinary business which may be properly transacted at an AGM.  |                                    |

## AS SPECIAL BUSINESS

- |  |                       |
|--|-----------------------|
| 7. To consider and, if thought fit, to pass the following resolutions as Ordinary Resolutions, with or without modifications:  |                       |
| 7.1 <b><u>Authority to allot and issue shares</u></b>  | <b>(Resolution 8)</b> |
| <p>"That pursuant to Section 161 of the Companies Act 1967 of Singapore (the "<b>Companies Act</b>") and Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited ("<b>SGX-ST</b>"), authority be and is hereby given to the Directors of the Company to:</p> |                       |
| <p>(a) (i) allot and issue new ordinary shares in the capital of the Company (the "<b>Shares</b>"), whether by way of rights, bonus or otherwise; and/or</p>   |                       |

## NOTICE OF ANNUAL GENERAL MEETING

- (ii) make or grant offers, agreements or options (collectively, "**Instruments**") that might or would require Shares to be issued during the continuance of such authority or thereafter, including but not limited to the creation and issue (as well as adjustments to) warrants, debentures or other instruments convertible into Shares,

at any time and upon such terms and conditions and for such purposes and to such persons as the Directors of the Company may, in their absolute discretion, deem fit; and

- (b) issue Shares in pursuance of any Instrument made or granted by the Board while such authority was in force (notwithstanding that such issue of the Shares pursuant to the Instruments may occur after the expiration of the authority contained in this Resolution),

provided that:

- (1) the aggregate number of Shares to be issued pursuant to this Resolution (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed 50% of the total number of issued shares in the capital of the Company (excluding treasury shares and subsidiary holdings) (as calculated in accordance with sub-paragraph (2) below) of which the aggregate number of Shares to be issued other than on a *pro rata* basis to shareholders of the Company (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed 20% of the total number of Shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below);
- (2) (subject to such manner of calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of Shares that may be issued under sub-paragraph (1) above, the total number of Shares (excluding treasury shares and subsidiary holdings) shall be based on the total number of issued Shares (excluding treasury shares and subsidiary holdings) in the capital of the Company at the time of the passing of this Resolution, after adjusting for:
  - (a) new Shares arising from the conversion or exercise of any convertible securities;
  - (b) new Shares arising from exercising share options or vesting of share awards, provided the options or awards were granted in compliance with the Listing Manual of the SGX-ST; and
  - (c) any subsequent bonus issue, consolidation or subdivision of the Shares;

# NOTICE OF ANNUAL GENERAL MEETING

provided such adjustment in sub-paragraphs (2) (a) and (b) above are only to be made in respect of new Shares arising from the convertible securities, share options or share awards which were issued and outstanding or subsisting at the time of the passing of this Resolution;

- (3) in exercising the authority conferred by this Resolution, the Company shall comply with the requirements imposed by the SGX-ST from time to time and the provisions of the Listing Manual of the SGX-ST for the time being in force (in each case, unless such compliance has been waived by the SGX-ST), all applicable legal requirements under the Companies Act and otherwise, and the Constitution of the Company for the time being; and
- (4) unless revoked or varied by the Company in a general meeting, such authority conferred by this Resolution shall continue in force until the conclusion of the next AGM of the Company or the date by which the next AGM of the Company is required by law to be held, whichever is the earlier."

## 7.2 Renewal of Share Purchase Mandate

**(Resolution 9)**

"That:

- (a) for the purposes of the Listing Manual of the SGX-ST and the Companies Act, the Directors of the Company be and are hereby authorised to exercise of all the powers of the Company to purchase or acquire its issued and fully paid-up Shares of the Company at such price(s) as may be determined by the Directors or a committee of Directors that may be constituted for the purposes of effecting purchases or acquisitions of Shares by the Company from time to time up to the Maximum Price (as defined below), whether by way of:
  - (i) an on-market purchase ("**Market Purchase**") transacted on the SGX-ST through the ready market, and which may be transacted through one or more duly licensed stock brokers appointed by the Company for the purpose; and/or
  - (ii) an off-market purchase ("**Off-Market Purchase**") effected otherwise than on the SGX-ST in accordance with an equal access scheme(s), as may be determined or formulated by the Directors as they may consider fit, which scheme(s) shall satisfy all the conditions prescribed by the Companies Act,

and otherwise in accordance with all other laws and regulations, including the Companies Act and the Listing Manual of the SGX-ST as may for the time being, be applicable, be and is hereby authorised and approved generally and unconditionally, ("**Share Purchase Mandate**");

- (b) any Share that is purchased or otherwise acquired by the Company pursuant to the Share Purchase Mandate shall, at the discretion of the Directors, either be cancelled or held in treasury and dealt with in accordance with the Companies Act;

## NOTICE OF ANNUAL GENERAL MEETING

- (c) the Share Purchase Mandate shall, unless varied or revoked by the Company in general meeting, continue in force until its expiry on the earlier of:
- (i) the date on which the next AGM of the Company is or is required by law to be held;
  - (ii) the date on which the purchases or acquisitions of Shares by the Company pursuant to the Share Purchase Mandate are carried out to the full extent mandated; or
  - (iii) the date on which the authority contained in the Share Purchase Mandate is varied or revoked by ordinary resolution of the Company in general meeting;
- (d) in this Resolution:

**“Average Closing Price”** means the average of the Closing Market Prices of the Shares over the last five (5) Market Days on which the Shares are transacted on the SGX-ST immediately preceding the date of the Market Purchase by the Company or, as the case may be, the date of the making of the offer pursuant to the Off-Market Purchase, and deemed to be adjusted, in accordance with the rules of the SGX-ST, for any corporate action that occurs during the relevant five-day period and the day on which the purchases are made;

**“Closing Market Price”** means the last dealt price for a Share transacted through the SGX-ST’s Central Limit Order Book trading system as shown in any publication of the SGX-ST or other sources;

**“Date of the making of the offer”** means the date on which the Company makes an offer for the purchase or acquisition of Shares from holders of Shares, stating therein the relevant terms of the equal access scheme for effecting the Off-Market Purchase;

**“Market Day”** means a day on which the SGX-ST is open for securities trading;

**“Maximum Limit”** means the number of Shares representing ten per cent. (10%) of the total number of issued Shares as at the date of the passing of this Resolution (excluding any Shares which are held as treasury shares and subsidiary holdings as at that date) unless the Company has effected a cancellation of Shares pursuant to a reduction of its issued share capital, in accordance with the applicable provisions of the Companies Act, at any time during the relevant period, in which event the total number of Shares of the Company shall be taken to be the total number of Shares as so altered; and

# NOTICE OF ANNUAL GENERAL MEETING

**“Maximum Price”** in relation to a Share to be purchased or acquired, means the purchase price (excluding related brokerage, commission, applicable goods and services tax, stamp duties, clearance fees and other related expenses) to be paid for the Shares as determined by the Directors, which shall not exceed (i) in the case of a Market Purchase of a Share, one hundred and five per cent. (105%) of the Average Closing Price of the Shares; and (ii) in the case of an Off-Market Purchase of a Share, one hundred and twenty per cent. (120%) of the Average Closing Price of the Shares, in each case, excluding related expenses of the purchase or acquisition;

- (e) the Directors and each of them be authorised, empowered to complete and do and execute all such things and acts as they or he may think necessary or expedient to give effect to this Resolution (including without limitation, to execute all such documents as may be required and to approve any amendments, alterations or modifications to any documents) as they or he shall think fit in the interests of the Company.”

## Notice of Record Date for the Final Dividend

NOTICE IS HEREBY GIVEN that the Share Transfer Books and Register of Members of the Company will be closed on 4 May 2023 for the purpose of determining shareholders’ entitlements to the tax exempt (one-tier) first and final dividend of RMB\$0.12 per ordinary share (“**Final Dividend**”) for the financial year ended 31 December 2022.

Duly completed registerable transfers of ordinary shares of the Company received by the Company’s Share Registrar, Board Corporate & Advisory Services Pte. Ltd. at 1 Harbour Avenue, #14-07 Keppel Bay Tower, Singapore 098632 up to the close of business at 5:00 p.m. on 3 May 2023 will be registered before entitlement to the Final Dividend are determined. Shareholders whose Securities Account with the Central Depository (Pte) Ltd are credited with shares on 5:00 p.m. on 3 May 2023 will be entitled to the Final Dividend.

The Final Dividend, if approved at AGM to be held on 26 April 2023, will be paid on 24 May 2023.

By Order of the Board

Thum Sook Fun  
Company Secretary

Singapore, 11 April 2023

# NOTICE OF ANNUAL GENERAL MEETING

## Explanatory Notes:

### (i) Ordinary Resolution 3, 4 and 5 in relation to the re-election of Directors

Detailed information on Mr. Andrew Bek, Mr. Zheng Zhi Zhong and Ms. Dai Feng Yu (including information as set out in Rule 720(6) of the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST") Listing Manual) who are proposed to be re-elected as Directors of the Company can be found under sections "Board of Directors" and "Key Information on Directors seeking Re-election pursuant to Rule 720(6) of the Listing Manual of the SGX-ST" in the Company's Annual Report for the financial year ended 31 December 2022.

- (a) Mr. Andrew Bek will, upon re-election, continue to serve as an Independent Director of the Company and remain as a Member of Audit Committee.
- (b) Mr. Zheng Zhi Zhong will, upon re-election, continue to serve as an Executive Director of the Company cum Chief Executive Officer.
- (c) Ms. Dai Feng Yu will, upon re-election, continue to serve as an Executive Director of the Company.

### (ii) Ordinary Resolution 6 in relation to the Directors' fees

The Ordinary Resolution 6 is to seek approval for the payment of up to S\$346,000 as directors' fees on a current year basis, that is for the financial year ending 31 December 2023. In the event that the amount proposed is insufficient, approval will be sought at next year's AGM for payments to meet the shortfall.

### (iii) Ordinary Resolution 7 in relation to the re-appointment of auditors

The Ordinary Resolution 7 is to re-appoint Messrs Ernst & Young LLP as the Company's Auditors and to authorise the Directors to fix their remuneration.

The Company has complied with Rule 713 of the Listing Manual of the SGX-ST by ensuring that the audit partner is not in charge of more than 5 consecutive years of audits. The current audit partner, Mr. Andrew Tan Chwee Peng, was appointed since the financial year ended 31 December 2021.

### (iv) Ordinary Resolution 8 in relation to the Share Issue Mandate

The Ordinary Resolution 8 under item 7.1 above, if passed, will empower the Directors of the Company, effective until the conclusion of the next AGM of the Company, or the date by which the next AGM of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares, make or grant Instruments convertible into shares and to issue shares pursuant to such Instruments, up to a number not exceeding, in total, fifty per cent. (50%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company, of which up to twenty per cent. (20%) may be issued other than on a pro-rata basis to shareholders.

### (v) Ordinary Resolution 9 in relation to the Renewal of Share Purchase Mandate

The Ordinary Resolution 9 under item 7.2 above is to empower the Directors to make purchase (whether by way of Market Purchase or Off-Market Purchase on an equal access scheme) from time to time during Relevant Period (as defined in the Letter to Shareholders dated 11 April 2023 of up to 10% of the total number of issued Shares (excluding treasury shares and subsidiary holdings) at prices up to but not exceeding the Maximum Price. The rationale for, the authority and limitation on, the sources of funds to be used for the purchase or acquisition including the amount of financing and the financial effects of the purchase or acquisition of Shares by the Company pursuant to the Share Purchase Mandate are set out in greater detail in the Letter to Shareholders dated 11 April 2023 accompanying this notice of AGM.

## Notes:

- (1) The AGM is being convened, and will be held by electronic means, pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020 (the "Order"). Accordingly, the printed copies of this Notice of AGM will not be sent to shareholders. Instead, this Notice will be sent to the shareholders by electronic means via publication on the Company's website at <http://www.anchun.com/investor-relations/> and announcement on the SGX website at the URL: <https://www.sgx.com/securities/company-announcements/>.
- (2) To minimise physical interactions and COVID-19 transmission risks, shareholder (whether individual or corporate) will **NOT** be able to attend the AGM in person.

Shareholders will be able to attend the proceedings of the AGM through a "live" webcast via their mobile phones, tablets or computers or through a "live" audio feed via telephone. In order to do so, a shareholder (including Central Provident Fund Investment Scheme ("CPF") and Supplementary Retirement Scheme ("SRS Investors")) who wish to attend the "live" webcast or "live" audio feed must pre-register by **9:30 a.m. on Monday, 24 April 2023 ("Registration Deadline")** at the Company's pre-registration website at the URL: <https://septusasia.com/anchun2023agm> for verification of their status as shareholders (or the corporate representatives of such shareholders).

# NOTICE OF ANNUAL GENERAL MEETING

Following authentication of their status as members, authenticated Shareholders will receive email instructions on how to access the webcast and audio feed of the proceedings of the AGM by **9:30 a.m. on Tuesday, 25 April 2023**. Shareholders who do not receive an email by **9:30 a.m. on Tuesday, 25 April 2023** should contact the Company's Share Registrar, Boardroom Corporate & Advisory Services Pte. Ltd. by phone call at +65 6536 5355 during the operating hours from 8:30 a.m. to 5:30 p.m. or contact Mr Liu Siyi at +65 6202 0594 or via email at [liusiyi@anchun.com](mailto:liusiyi@anchun.com) **before 5:30 p.m. on Tuesday, 25 April 2023** for assistance.

Investors who hold shares through relevant intermediaries as defined in Section 181 of the Companies Act 1967, other than CPF and SRS Investors, and wish to participate in the AGM should, in addition to pre-registering, approach their respective agents at least seven working days before the AGM, so that the necessary arrangements can be made by the relevant agents for their participating in the AGM.

- (3) Shareholders who pre-register to attend the AGM may ask questions relating to the resolutions to be tabled at the AGM for approval, "live" at the AGM, by submitting their questions through the live chat function via the platform.

Shareholder may also submit questions related to the resolutions to be tabled at the AGM, in advance of the AGM. Such questions must be received by the Company in the following manner no later than **5:30 p.m. on 19 April 2023 (Wednesday)**: -

- (i) via the pre-registration website at the URL : <https://septusasia.com/anchun2023agm>;
- (ii) by email to [srs.teamd@boardroomlimited.com](mailto:srs.teamd@boardroomlimited.com); or
- (iii) by post to the Company's Share Registrar, Boardroom Corporate & Advisory Services Pte. Ltd. at 1 Harbourfront Avenue, #14-07 Keppel Bay Tower, Singapore 098632.

**To ensure that Shareholders' substantial and relevant questions are received by the Company by the stipulated deadline, Shareholders are strongly encouraged to submit their questions via the pre-registration website and/or via email.**

For verification purpose, when submitting any questions via email or by post, members **MUST** provide the Company with their particulars (*comprising full name (for individual)/company name (for corporate), email address, contact number, NRIC/passport number/company registration number, number of shares held*).

The Company will endeavour to address all substantial and relevant questions received from shareholders at least 48 hours prior to the closing date and time of the lodgement of the proxy forms by publishing the responses to those questions on the SGX website at the URL: <https://www.sgx.com/securities/company-announcements/> and the Company's website prior to the AGM at the URL: <http://www.anchun.com/investor-relations/>. Where substantial and relevant questions submitted by Shareholders are unable to be addressed prior to the AGM, the Company will address them at the AGM.

The minutes of the AGM, including responses to substantial queries from the Shareholders which are addressed during the AGM, shall thereafter be published on SGXNet and the Company's corporate website at the URL: <http://www.anchun.com/investor-relations/> within one (1) month from the date of the AGM.

Investors who hold shares through relevant intermediaries as defined in Section 181 of the Companies Act, including CPF and SRS Investors, can submit their questions in relation to any resolution set out in the Notice of AGM upon pre-registration, however, they must, in addition to pre-registering, approach their respective agents at least seven (7) working days before the AGM, so that the necessary arrangements can be made by the relevant agents for their participation in the AGM.

- (4) A shareholder will not be able to attend the AGM in person. Shareholders who wish to exercise their voting rights at the AGM may:
- (a) (where such shareholders are individuals) vote live via electronic means at the AGM;
  - (b) (where such shareholders are individuals or corporates) appoint a proxy(ies) (other than the Chairman of the AGM) to vote live via electronic means at the AGM on their behalf; or
  - (c) (where such members are individuals or corporates) appoint the Chairman of the AGM as their proxy to vote on their behalf at the AGM. In appointing the Chairman of the AGM as proxy, members (whether individuals or corporates) must give specific instructions as to voting, or abstentions from voting, in the form of proxy, failing which the appointment will be treated as invalid.

# NOTICE OF ANNUAL GENERAL MEETING

## Vote Live at the AGM

Shareholders, who wish to vote live via electronic means at the AGM must first pre-register themselves at the pre-registration website at the URL : <https://septusasia.com/anchun2023agm>.

"Live" voting will be conducted during the AGM. It is important for members and proxies to have their own web-browser enabled devices ready for voting during the AGM. Examples of web-browser enabled devices include mobile smartphones, laptops, tablets or desktop computers with internet capabilities.

Shareholders, or where applicable, their appointed proxy(ies) must access the AGM proceedings via the "live" webcast in order to vote live at the AGM and will not be able to do so via the "live" audio feed of the AGM proceedings. Instructions will be provided at the start of the AGM on how to vote.

- (5) Shareholders who wish to appoint proxies (other than the Chairman of the AGM) to attend the AGM and vote "live" at the AGM on their behalf must do both of the following:
- (a) complete and submit the Proxy Form in accordance with the instructions below; and
  - (b) pre-register the proxy(ies) at the pre-registration website by the Registration Deadline at the Company's pre-registration website at the URL: <https://septusasia.com/anchun2023agm> by **9:30 a.m. on Monday, 24 April 2023**.

As an alternative to "live" voting, members may also vote at the AGM by appointing the Chairman as proxy to vote on their behalf in respect of all the Shares held by them.

A proxy need not be a member of the Company.

- (6) The Proxy Form must be submitted to the Company in the following manner, not less than 48 hours before the time appointed for the AGM by **9:30 a.m. on 24 April 2023 (Monday)** and at any adjournment thereof: -
- (i) If submitted by post, be deposited at the Company's Share Registrar, Boardroom Corporate & Advisory Services Pte. Ltd. at 1 Harbourfront Avenue, #14-07 Keppel Bay Tower, Singapore 098632; or
  - (ii) If submitted electronically, via email to [srs.teamd@boardroomlimited.com](mailto:srs.teamd@boardroomlimited.com).

Shareholder who wishes to submit an instrument of proxy must first download, complete and sign the proxy form, before submitting it by post to the address provided above, or scanning and sending it by email to the email address provided above.

Investors who hold shares through relevant intermediaries as defined in Section 181 of the Companies Act, including CPF and SRS investors, and wish to appoint a proxy or proxies (including the Chairman), should approach their respective agents to submit their votes at least seven (7) working days before the AGM in order to allow sufficient time for their respective relevant intermediaries to in turn submit a proxy form to vote on their behalf by **9:30 a.m. on 24 April 2023 (Monday)**.

The Proxy Form must be signed by the appointor or his attorney duly authorised in writing. Where the Proxy Form is executed by a corporation, it must be either under its common seal or signed on its behalf by a duly authorised officer or attorney. Where the Proxy Form is signed on behalf of the appointor by an attorney, the power of attorney (or other authority) or a duly certified copy thereof must (failing previous registration with the Company) be attached to the Proxy Form, failing which the Proxy Form may be treated as invalid.

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 shareholder whose shares are entered against his/her name in the Depository Register, the Company may reject any instrument of proxy lodged if such shareholder, being the appointor, is not shown to have shares entered against his/her name in the Depository Register 72 hours before the time appointed for holding the meeting, as certified by The Central Depository (Pte) Limited to the Company.

**Shareholders are strongly encouraged to submit completed proxy forms electronically via email.**

- (7) The Annual Report 2022 and the Letter to the Shareholders in relation to the Proposed Renewal of the Share Purchase Mandate have been published on the Company's website at <http://www.anchun.com/investor-relations/> and may be accessed on the SGX website at the URL: <https://www.sgx.com/securities/company-announcements/>.

# NOTICE OF ANNUAL GENERAL MEETING

## **Personal Data Privacy**

Where shareholder of the Company submits an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the AGM and/or any adjournment thereof, shareholder of the Company (i) consents to the collection, use and disclosure of the shareholder's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, proxy lists, minutes and other documents relating to the AGM (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"), (ii) warrants that where the shareholder discloses the personal data of the shareholder's proxy(ies) and/or representative(s) to the Company (or its agents), the shareholder has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, (iii) undertakes that the shareholder will only use the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iv) agrees that the shareholder will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the shareholder's breach of warranty. The shareholder's personal data and the proxy's and/or representative's personal data may be disclosed or transferred by the Company to its subsidiaries, its share registrar and/or other agents or bodies for any of the Purposes and retained for such period as may be necessary for the Company's verification and record purposes.

# ANCHUN INTERNATIONAL HOLDINGS LTD.

(Registration No. 200920277C)

(Incorporated in the Republic of Singapore)

## PROXY FORM – ANNUAL GENERAL MEETING

(for the financial year ended 31 December 2022)

### IMPORTANT:

- The Annual General Meeting (“AGM”) is being convened, and will be held, by electronic means pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020. The Notice will be sent to Shareholders by electronic means via publication on (i) SGX website at <https://www.sgx.com/securities/com-announcements/>; and (ii) the Company’s corporate website at <http://www.anchun.com/investor-relations/>.
- To minimise physical interactions and COVID-19 transmission risks, members will not be able to attend the AGM in person.**
- Alternative arrangements relating to, among others, attendance at the AGM by way of electronic means (including arrangements by which the AGM can be electronically accessed via live audio-visual webcast or live audio-only stream), submission of questions, addressing of substantial and relevant questions at the AGM and live voting at the AGM are set out in the Notice of AGM dated 11 April 2023. The Notice of AGM may be accessed at the Company’s website at <http://www.anchun.com/investor-relations/> and on the SGX website at <https://www.sgx.com/securities/com-announcements/>.
- If a shareholder who wishes to exercise his/her/its voting rights at the AGM, he/she/it may: -
  - (where the shareholder is an individual) vote “live” via electronic means at the AGM; or (where the shareholder is an individual or a corporate) appoint a proxy(ies) (other than Chairman of the AGM\*) to vote “live” at the AGM via electronic means at the AGM on their behalf by completing and submitting Proxy Forms appointing a proxy(ies); or
  - (where the shareholder is an individual or a corporate) appoint the Chairman of the AGM as his/her/its proxy to attend, speak and vote on his/her/its behalf at the AGM. In appointing the Chairman of the AGM as proxy, a shareholder (whether individual or corporate) must give specific instructions as to voting, or abstentions from voting, in the form of proxy, failing which the appointment will be treated as invalid.
- This Proxy Form is not valid for use and shall be ineffective for all intents and purposes if used or purported to be used by CPF and SRS Investors who hold ordinary shares through their CPF/SRS funds. CPF/SRS investors who wish to vote should approach their respective CPF Agent Banks or SRS Operators to submit their votes at least seven (7) working days before the AGM.
- Please read the notes overleaf which contain the instruction on, inter alia, the appointment of proxy to vote on his/her behalf at the AGM.**

I/We\*, \_\_\_\_\_ (Name) NRIC/Company/Passport No.\* \_\_\_\_\_

of \_\_\_\_\_ (Address)

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

Name	Email Address	NRIC/Passport No.	Proportion of Shareholders	
			No. of Shares	%

and/or\*

Name	Email Address	NRIC/Passport No.	Proportion of Shareholders	
			No. of Shares	%

falling whom, the Chairman of the Meeting as my/our\* proxy to attend and to attend, speak and vote for me/us\* on my/your\* behalf at the AGM of the Company to be held by way of electronic means on Wednesday, 26 April 2023 at 9:30 a.m. and at any adjournment thereof. I/We\* direct my/our\* proxy/proxies\* to vote for or against or abstain from voting on the resolutions to be proposed at the AGM as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the AGM and at any adjournment thereof, the proxy/proxies\* may vote or abstain from voting at his/her/their\* discretion, as he/she/they will on any matter arising at the AGM.

No.	Ordinary Resolutions	For	Against	Abstain
<b>AS ORDINARY BUSINESS</b>				
1.	Adoption of Directors’ Statement and the Audited Financial Statements for the financial year ended 31 December 2022 together with the Auditors’ Report thereon			
2.	Declaration of a tax exempt (one-tier) first and final dividend of Renminbi Twelve cents (RMB\$0.12) per ordinary share for the financial year ended 31 December 2022			
3.	Re-election of Andrew Bek as Director			
4.	Re-election of Zheng Zhi Zhong as Director			
5.	Re-election of Dai Feng Yu as Director			
6.	Approval of Directors’ fees for the financial year ending 31 December 2023			
7.	Re-appointment of Messrs. Ernst & Young LLP as Auditors of the Company and to authorise the Directors to fix their remuneration			
<b>AS SPECIAL BUSINESS</b>				
8.	Authority to allot and issue shares			
9.	Renewal of Share Purchase Mandate			

- Please note that the short descriptions given above of the Resolutions to be passed do not in any way whatsoever reflect the intent and purpose of the Resolutions. The short descriptions have been inserted for convenience only. Shareholders are encouraged to refer to the Notice of AGM for the full purpose and intent of the Resolutions to be passed.
- Voting will be conducted by poll. If you wish to exercise all your votes, “For” or “Against”, please indicate your vote “For” or “Against” with a tick (✓) within the “For” or “Against” box provided. Alternatively, please indicate the number of votes “For” or “Against” as appropriate in the resolution. If you wish to “Abstain” from voting, please indicate with a tick (✓) in the “Abstain” box. Alternatively, please indicate the number of shares which you wish to abstain from voting. In the absence of directions for the resolution, the appointment of the Chairman of the Meeting as your proxy for the resolution will be treated as invalid.

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2023

**Total Number of Shares held**

\_\_\_\_\_  
Signature of Shareholder(s)  
or Common Seal of Corporate Shareholder

\*Delete where inapplicable

**Notes:**

- Please insert the total number of shares held by you. If you have shares entered against your name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act 2001 of Singapore), you should insert that number of shares. If you have shares registered in your name in the Register of Members of the Company, you should insert that number of shares. If you have shares entered against your name in the Depository Register and the Register of Members of the Company, you should insert the aggregate number of shares entered against your name in the Depository Register and registered in your name in the Register of Members of the Company. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate held by you.
- To minimise physical interactions and COVID-19 transmission risks, members will not be able to attend the AGM in person. Members will be able to attend the proceedings of the AGM through a "live" webcast via their mobile phones, tablets or computers or through a "live" audio feed via telephone. In order to do so, a shareholder (including Central Provident Fund Investment Scheme ("CPF") and Supplementary Retirement Scheme ("SRS Investors")) who wish to attend the "live" webcast or "live" audio feed must pre-register by **9:30 a.m. on Monday, 24 April 2023** ("Registration Deadline") at the Company's pre-registration website at the URL: <https://septusasia.com/anchun2023agm> for verification of their status as shareholders (or the corporate representatives of such shareholders).
- Investors who hold shares through relevant intermediaries as defined in Section 181 of the Companies Act, other than CPF and SRS Investors, and wish to participate in the AGM should, in addition to pre-registering, approach their respective agents at least seven working days before the AGM, so that the necessary arrangements can be made by the relevant agents for their participating in the AGM.
- Shareholders who pre-register to attend the AGM may ask questions relating to the resolutions to be tabled at the AGM for approval, "live" at the AGM, by submitting their questions through the live chat function via the platform. Shareholder may also submit questions related to the resolutions to be tabled at the AGM, in advance of the AGM. Such questions must be received by the Company in the following manner no later than **5:30 p.m. on 19 April 2023 (Wednesday)**: -
  - via the pre-registration website at the URL : <https://septusasia.com/anchun2023agm>;
  - by email to [srs.teamd@boardroomlimited.com](mailto:srs.teamd@boardroomlimited.com); or
  - by post to the Company's Share Registrar, Boardroom Corporate & Advisory Services Pte. Ltd. at 1 Harbourfront Avenue, #14-07 Keppel Bay Tower, Singapore 098632.For verification purpose, when submitting any questions via email or by post, members **MUST** provide the Company with their particulars (*comprising full name (for individual)/company name (for corporate), email address, contact number, NRIC/passport number/company registration number, number of shares held*). The Company will endeavour to address all substantial and relevant questions received from shareholders at least 48 hours prior to the closing date and time of the lodgement of the proxy forms by publishing the responses to those questions on the SGX website at the URL: <https://www.sgx.com/securities/company-announcements/> and the Company's website prior to the AGM at the URL: <http://www.anchun.com/investor-relations/>. Where substantial and relevant questions submitted by Shareholders are unable to be addressed prior to the AGM, the Company will address them at the AGM. Investors who hold shares through relevant intermediaries as defined in Section 181 of the Companies Act, including CPF and SRS Investors, can submit their questions in relation to any resolution set out in the Notice of AGM upon pre-registration, however, they must, in addition to pre-registering, approach their respective agents at least seven (7) working days before the AGM, so that the necessary arrangements can be made by the relevant agents for their participation in the AGM.
- A shareholder will not be able to attend the AGM in person. Shareholders who wish to exercise their voting rights at the AGM may:
  - (where such shareholders are individuals) vote live via electronic means at the AGM;
  - (where such shareholders are individuals or corporates) appoint a proxy(ies) (other than the Chairman of the AGM) to vote live via electronic means at the AGM on their behalf; or
  - (where such members are individuals or corporates) appoint the Chairman of the AGM as their proxy to vote on their behalf at the AGM. In appointing the Chairman of the AGM as proxy, members (whether individuals or corporates) must give specific instructions as to voting, or abstentions from voting, in the form of proxy, failing which the appointment will be treated as invalid.

AFFIX  
STAMP

THE SHARE REGISTRAR  
**ANCHUN INTERNATIONAL HOLDINGS LTD.**  
(Company No. 200920277C)

**BOARDROOM CORPORATE & ADVISORY SERVICES PTE. LTD.**  
1 HARBOURFRONT AVENUE  
#14-07 KEPPEL BAY TOWER  
SINGAPORE 098632

**Vote Live at the AGM**

Shareholders, who wish to vote live via electronic means at the AGM must first pre-register themselves at the pre-registration website at the URL : <https://septusasia.com/anchun2023agm>. "Live" voting will be conducted during the AGM. It is important for members and proxies to have their own web-browser enabled devices ready for voting during the AGM. Examples of web-browser enabled devices include mobile smartphones, laptops, tablets or desktop computers with internet capabilities.

Shareholders, or where applicable, their appointed proxy(ies) must access the AGM proceedings via the "live" webcast in order to vote live at the AGM and will not be able to do so via the "live" audio feed of the AGM proceedings. Instructions will be provided at the start of the AGM on how to vote.

- A proxy need not be a member of the Company.
  - Shareholders who wish to appoint proxies (other than the Chairman of the AGM) to attend the AGM and vote "live" at the AGM on their behalf must do both of the following:
    - complete and submit the Proxy Form in accordance with the instructions below; and
    - pre-register the proxy(ies) at the pre-registration website by the Registration Deadline at the Company's pre-registration website at the URL: <https://septusasia.com/anchun2023agm> by **9:30 a.m. on Monday, 24 April 2023**.
- As an alternative to "live" voting, members may also vote at the AGM by appointing the Chairman as proxy to vote on their behalf in respect of all the Shares held by them.
- The Proxy Form must be submitted to the Company in the following manner, not less than 48 hours before the time appointed for the AGM by **9:30 a.m. on 24 April 2023 (Monday)** and at any adjournment thereof: -
    - If submitted by post, be deposited at the Company's Share Registrar, Boardroom Corporate & Advisory Services Pte. Ltd. at 1 Harbourfront Avenue, #14-07 Keppel Bay Tower, Singapore 098632; or
    - If submitted electronically, via email to [srs.teamd@boardroomlimited.com](mailto:srs.teamd@boardroomlimited.com).Shareholder who wishes to submit an instrument of proxy must first download, complete and sign the proxy form, before submitting it by post to the address provided above, or scanning and sending it by email to the email address provided above. Investors who hold shares through relevant intermediaries as defined in Section 181 of the Companies Act, including CPF and SRS investors, and wish to appoint a proxy or proxies (including the Chairman), should approach their respective agents to submit their votes at least seven (7) working days before the AGM in order to allow sufficient time for their respective relevant intermediaries to in turn submit a proxy form to vote on their behalf by **9:30 a.m. on 24 April 2023 (Monday)**. **Shareholders are strongly encouraged to submit completed proxy forms electronically via email.**
  - The Proxy Form must be signed by the appointor or his attorney duly authorised in writing. Where the Proxy Form is executed by a corporation, it must be either under its common seal or signed on its behalf by a duly authorised officer or attorney. Where the Proxy Form is signed on behalf of the appointor by an attorney, the power of attorney (or other authority) or a duly certified copy thereof must (failing previous registration with the Company) be attached to the Proxy Form, failing which the Proxy Form may be treated as invalid.
  - 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 shareholder whose shares are entered against his/her name in the Depository Register, the Company may reject any instrument of proxy lodged if such shareholder, being the appointor, is not shown to have shares entered against his/her name in the Depository Register 72 hours before the time appointed for holding the meeting, as certified by The Central Depository (Pte) Limited to the Company.
  - The Annual Report 2022 and the Letter to the Shareholders in relation to the Proposed Renewal of the Share Purchase Mandate have been published on the Company's website at <http://www.anchun.com/investor-relations/> and may be accessed on the SGX website at the URL: <https://www.sgx.com/securities/company-announcements/>.

**Personal Data Privacy:**

By submitting an instrument appointing a proxy(ies) and/or representative(s), the shareholder accepts and agrees to the personal data privacy terms set out in the Notice of AGM dated 11 April 2023.

# CORPORATE INFORMATION

## BOARD OF DIRECTORS:

### **Xie Ming**

(Non-Independent  
Non-Executive Chairman)

### **Zheng Zhi Zhong**

(Executive Director and CEO)

### **Dai Feng Yu**

(Executive Director)

### **Xie Ding Zhong**

(Non-Executive Director)

### **Lee Gee Aik**

(Lead Independent Non-Executive Director)

### **Tan Min-Li**

(Independent Non-Executive Director)

### **Andrew Bek**

(Independent Non-Executive Director)

### **He Ming Yang**

(Independent Non-Executive Director)

## COMPANY SECRETARY:

Thum Sook Fun

## REGISTERED OFFICE:

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

## PRINCIPAL OFFICE AND CONTACT DETAILS:

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

## IR CONTACT:

Website Address:  
<http://www.anchun.com>

## SHARE REGISTRAR:

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

## AUDITOR:

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

## PRINCIPAL BANKERS:

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



**ANCHUN INTERNATIONAL  
HOLDINGS LTD.**

**ANCHUN INTERNATIONAL HOLDINGS LTD.**

Principal place of business:

No.539, Lusong Road

Changsha National Hi-tech Industrial Development Zone

Changsha City, Hunan Province, PRC 410205

Telephone : 0731-88958633, 88958632

Facsimile : 0731-88958611