ANCHUN INTERNATIONAL HOLDINGS LTD.

STAYING RESILIENT

Annual Report 2020

CONTENTS

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 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 its industry.

Over the years, we have been awarded forty-five (45) 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 make 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 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 on the Mainboard of Singapore Exchange Securities Trading Limited ("SGX-ST") 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 praised by China's petroleum and chemical industries widely.

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

MARKET OPPORTUNITIES

Increasingly its emphasis by the China government 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 widely impacts industries such as oil and petrochemical, electric power, iron and steel, nonferrous metals, coal, building materials, chemicals and transportation, as well as state-owned enterprises that need to achieve reductions in their chemical oxygen demand and emissions of carbon dioxide, sulphur dioxide, ammonia, nitrogen oxides and other major pollutants to the national average levels. On this, Anchun's outstanding innovation and multiple patented technologies and products which focus on energy conservation and pollution reduction results have meet the market's needs.

As a major technology developer and reactor manufacturer in PRC, Anchun is focusing to grasp the favourable opportunity for PRC to be transformed to be more efficient and more environmentally-friendly in engineering systems and solutions.

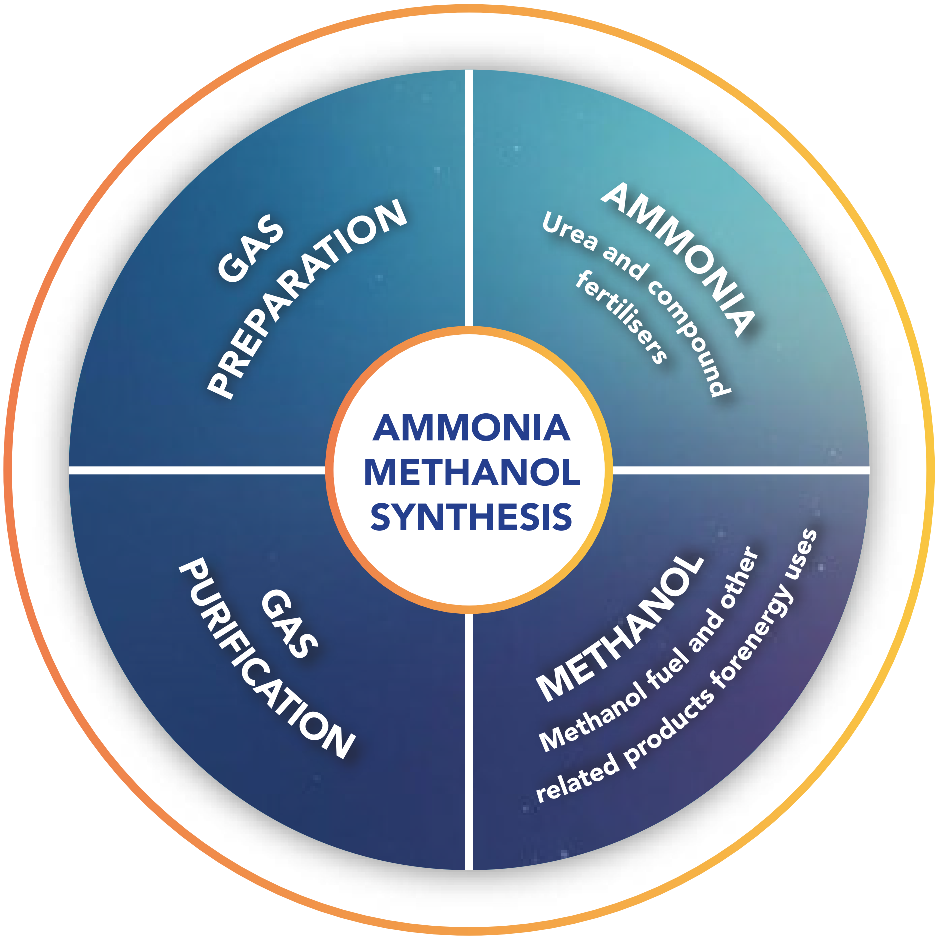
WHAT WE OFFER

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

OUR VALUE CHAIN

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

WHAT WE OFFER



CEO'S MESSAGE

In FY2020, against the backdrop of a difficult operating environment, the Group achieved a healthy order book of RMB116.6 million during the year.

ZHENG ZHI ZHONG
CEO & Executive Director

DEAR SHAREHOLDERS,

On behalf of the Board of Directors, I am pleased to present to you the Annual Report of Anchun International Holdings Ltd. ("Anchun" or the "Group") for the financial year ended 31 December 2020 ("FY2020").

FY2020 had been an extraordinary year not only for businesses around the world, but also for the entire human race. We witnessed millions of lives lost worldwide, massive lockdowns and countries grappling with multiple waves of outbreaks globally, causing drastic changes to people's lives, all because of an unprecedented pandemic – Coronavirus Disease 2019 ("COVID-19").

Taken the world by storm, the pandemic disrupted the normal operations of the global economy and global markets, bringing about a steep fall in international growth and many uncertainties. According to the International Monetary Fund, the global economy shrank sharply by 3.5% in 2020, its worst fall in nearly a century.

Even though China managed to effectively contain the outbreak in the country within a relatively shorter time, all businesses, big or small, were inevitably affected due to shutdowns and preventive measures. The Group's operations were not spared, with delayed re-commencement of production at our facilities in Changsha, People's Republic of China ("PRC"), after the Lunar New Year holidays in year 2020 as directed by the relevant Chinese authorities, which disrupted the flow of our projects and deliveries.

In addition, low oil prices and decline in demand growth in the global petrochemical industry value chains had also resulted in declining prices of methanol and other basic oil-and-gas chemicals, which further impacted the Group's revenue and orders.

As a result, the Group's revenue fell drastically by 45% to RMB93.9 million in FY2020 compared to RMB171 million in FY2019. Consequently, the net loss attributable to owners of the Group increased by RMB23 million from a net profit of RMB11.6 million in FY2019 to net loss of RMB11.4 million in FY2020.

STAYING RESILIENT

In FY2020, against the backdrop of a difficult operating environment brought upon by the COVID-19 outbreak, the Group undertook various strategic response measures to win the support and confidence of our valued customers through constantly updating them on the progress and changes required due to the evolving situations, thereby affirming our strong long-term customer relationships. These strategies had enabled us to achieve a healthy order book of RMB116.6 million during the year.

As we gradually resumed operations in phases, we placed great emphasis on managing the risk of a COVID-19 outbreak within our facilities. We put in place safety measures in our operations like social distancing, mask-wearing and distributing masks, temperature checking, disinfecting and cleaning our facilities regularly, and conducting online meetings, as we began to adjust to these new normalcies. I am glad to see that our dedicated team remained resilient and united in times of crisis, looking out for one another and keeping our work environment safe, without compromising the quality of our products and services.

When confronted by the challenges brought about by the unprecedented pandemic and the sluggish chemical fertiliser industry, the Group continued our efforts to diversify into the non-fertiliser industry, which contributed 65% of our total revenue RMB61.2 million in FY2020 as compared to 39% in

FY2019. One such example was the exploration of new applications for our hydrocarbon catalysts in the renewable and clean energy sectors which will contribute positively to profitability.

We also made further inroads into the coking industry, as we inked eight new orders from customers in coke-oven gas re-utilization industry, including the industry's first engineering, procurement and construction ("EPC") turnkey contract worth approximately RMB29.5 million, to provide integrated chemical systems engineering and technology solutions for Liquefied Natural Gas Company Hejin Huayuan Gas Co., Ltd. We also successfully delivered three chemical equipment orders worth approximately RMB16.5 million during the year. We believe that with our enhanced capabilities, we can further accelerate our growth in this market.

In FY2020, the Group remained prudent and vigilant in our finances, maintaining a strong cash position with cash and cash bank balances amounting to approximately RMB112.37 million as at 31 December 2020, an increase by approximately RMB4.78 million as compared to FY2019. This enabled us to capitalise on investment opportunities, thereby strengthening our fundamentals and empowering us to overcome any challenges ahead.

FOCUSING ON OUR CORE COMPETENCIES

During the year in review, the harsh operating conditions did not hinder our progress in achieving breakthroughs in our patented technologies, including research on low-temperature isothermal ammonia synthesis reactor and low-temperature heat recovery, research on low-temperature low-pressure syn-gas refining process and catalyst, thermo-fluid-solid multi-field coupling simulation of reactor, and packaged engineering integrated technology for safe, high-efficiency and low-energy consumption ammonia synthesis.

In particular, Anchun's "iron ruthenium – catalytic" ammonia synthesis technology development package, which is the new area of safe, efficient and low energy consumption ammonia technology development, was awarded the first prize of science and technology progress in China Petroleum and Chemical Industry Federation, proving our strong research and development capabilities. This continues to drive us forward and give us a competitive advantage and opportunity to exploit greater market.

Furthermore, as a provider of integrated chemical systems engineering and technology solutions that can reduce carbon emissions, energy consumption and environmentally-friendly, we are confident that the constant development of new applications for our proprietary technologies will open up many more possibilities and opportunities for the Group.

With strong recognition of our patented technologies by market leaders such as the subsidiaries of China's state-owned mega-conglomerate China Petrochemical Corporation (Sinopec Group) and the subsidiaries of China National Chemical Engineering Co., Ltd (CNCEC), we will continue to build on our core fundamentals to further strengthen our market foothold and drive greater growth.

CEO'S MESSAGE

LOOKING AHEAD

With the successful vaccinations taking place around the world, hopes of a turnaround in the pandemic later this year were raised with world economic growth projected to be 5.5% in 2021. However, we do note that renewed waves and new variants of the virus, as well as the trade tensions between the United States and China may still continue to pose uncertainties and slow down global economic recovery.

The bright spot is, with the worst of the pandemic behind, the petroleum and petrochemical industry, being one of the key economic pillars in China, is expected to see light at the end of the tunnel with main drivers coming from growing demand from the domestic market as well as global economic recovery. According to the China Petroleum and Chemical Industry Federation, China's chemicals output is forecast to post faster growth as the country's economy is expected to maintain a steady growth momentum.

In addition, the current pandemic has also raised global concerns on food safety. The Group's ammonia and fertiliser industry customers are essential for global food supply. With the China government's push to adopt more eco-friendly chemicals and technologies, we believe that more customers will seek to explore our environmentally-friendly and energy efficient patented technologies and integrated solutions in the agricultural sector.

Although the macro-economic environment in China, particularly government policies in relation to the issue of credit, have a large impact on the Group's customers buying and investing decisions due to the capital-intensive nature of our products and services, we continue to be in talks with our customers to review and promote our one-stop integrated solutions comprising design, engineering and project management to ensure their viability and cost-effectiveness.

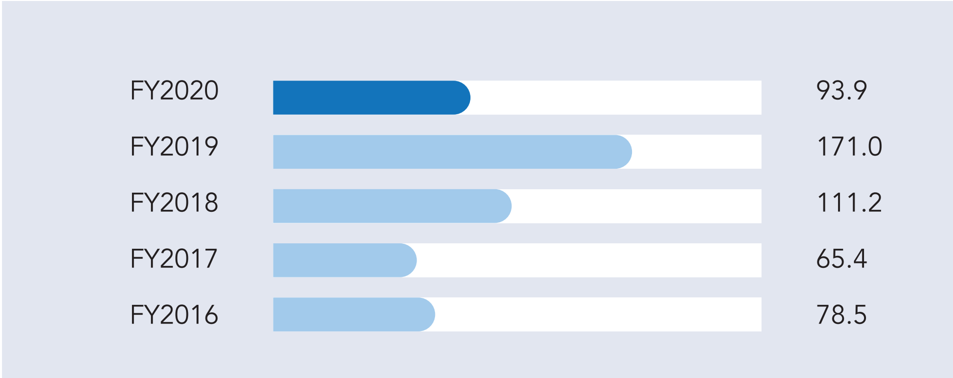
Despite the current challenging conditions, we will continue to leverage on our capabilities and the markets we operate in, while diversifying into new sectors with new applications and uses of our proprietary technologies. We believe that we are on the right track to reap long-term economic benefits, as we strive to deliver sustainable value to our stakeholders.

OUR HEARTFELT APPRECIATION

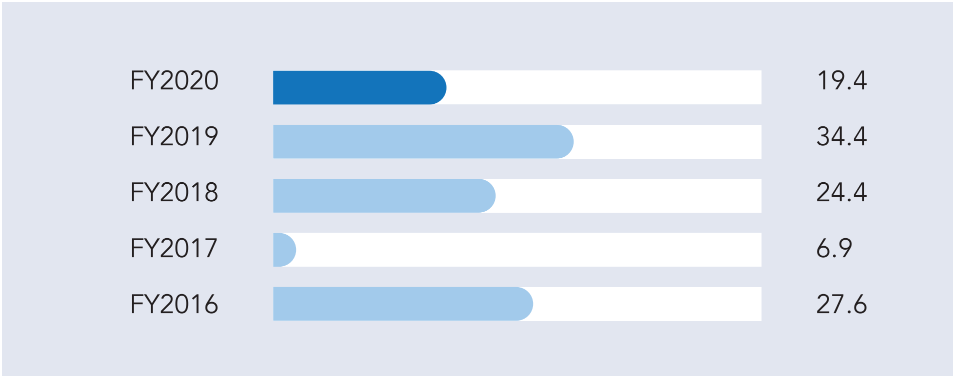
In closing, I would like to take this opportunity to express my heartfelt appreciation to our customers, business associates and dedicated staff for their unwavering support and confidence in us. I would also like to thank all our valued shareholders for your faith and trust in the Group over the years.

Although the road in front of us may be winding and filled with uncertainties, I believe that with the acumen and rich experience of our Board of Directors, as well as the commitment and synergy of our key management and staff, we can overcome any challenges ahead of us and deliver long-term value for all.

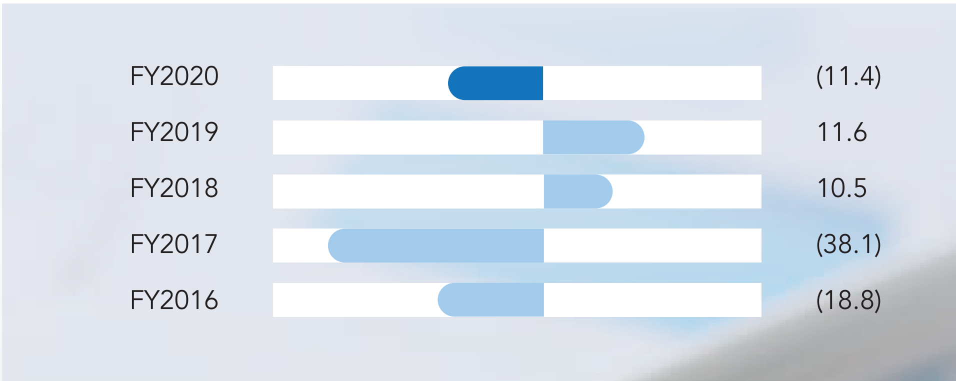
REVENUE
(RMB' MILLION)



GROSS PROFIT
(RMB' MILLION)



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



OPERATIONS AND FINANCIAL REVIEW

YEAR IN REVIEW

FY2020 was a year plagued with unprecedented challenges. The COVID-19 pandemic took the world by storm, taking away millions of lives and impacting people's lives and businesses worldwide. Countries went into lockdowns and companies and factories were forced to shut down temporarily to prevent further outbreaks of the virus.

Amidst such challenging market conditions, the Group revenue decreased by RMB77.1 million or 45% from RMB171 million in FY2019 to RMB93.9 million in FY2020. This was mainly due to a drop in revenue from both our Chemical Systems and Components ("CSC") business and Catalyst business, and partially offset by increased revenue from our Engineering services.

Hence, the Group suffered a net loss attributable to owners of the Company of RMB11.4 million in FY2020, as compared to a net profit of RMB11.6 million in FY2019.

REVENUE FROM CATALYST BUSINESS SEGMENT

Revenue from our Catalyst business fell by RMB5.8 million or 35% from RMB16.7 million in FY2019 to RMB10.9 million in FY2020 mainly due to the outbreak of the COVID-19 pandemic, resulting in a decrease in revenue from our catalyst processing business.

REVENUE FROM ENGINEERING SERVICES SEGMENT

Revenue from our Engineering services climbed marginally by RMB0.4 million or 7% from RMB6.0 million in FY2019 to RMB6.4 million in FY2020, mainly due to higher percentage of completion for service contracts in FY2020.

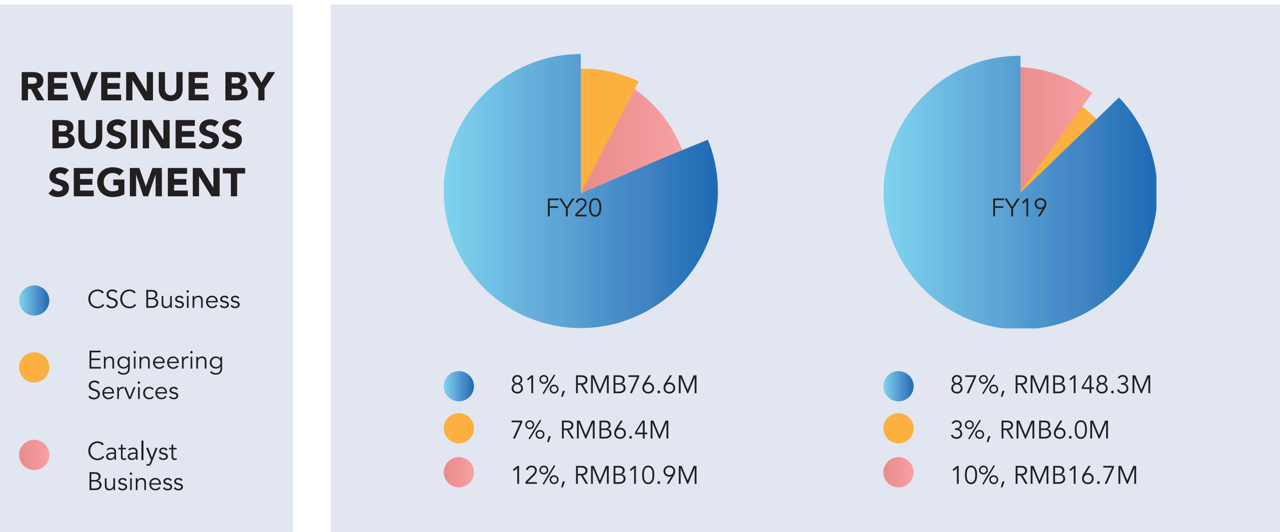
REVENUE FROM CSC BUSINESS SEGMENT

Revenue from our CSC business decreased by RMB71.7 million or 48% from RMB148.3 million in FY2019 to RMB76.6 million in FY2020 as a result of the disruption of our order deliveries and normal operations mainly due to temporary closure of companies and production facilities as COVID-19 spread.

GROSS PROFIT

Consequently, our overall gross profit fell drastically by RMB15 million or 44% from RMB34.4 million in FY2019 to RMB19.4 million in FY2020. However, our gross profit margin increased slightly from 20% in FY2019 to 21% in FY2020.

The gross profit of our Catalyst business dipped by RMB2.4 million from RMB7.1 million in FY2019 to RMB4.7 million in FY2020 mainly due to lower revenue from our catalyst processing business. The gross profit margin increased by 0.7% from 42.3%



in FY2019 to 43% in FY2020, mainly attributable to increase in the proportion of hydrocarbon catalysts sold which contributed higher gross margin in FY2020.

Gross profit from our CSC business also dropped by RMB13.8 million from RMB25.1 million in FY2019 to RMB11.3 million in FY2020 mainly due to impact from the pandemic which resulted in fewer project completions and thus lower revenue recognised. The increase in allowance for inventory obsolescence of RMB3.8 million also contributed to the overall fall, which resulted in a decrease in the gross profit margin by 2% from 17% in FY2019 to 15% in FY2020.

The gross profit from our engineering design increased by RMB1.2 million from RMB2.2 million in FY2019 to RMB3.4 million in FY2020, bringing about a rise in the gross profit margin by 16% from 37% in FY2019 to 53% in FY2020. This was mainly attributable to the increase in revenue from EPC Services which contributed higher gross margin.

OTHER INCOME & OPERATING EXPENSES

During the year, the Group's finance and other income dipped by RMB1.0 million or 13% from RMB7.7 million in FY2019 to RMB6.7 million in FY2020.

With travel restrictions imposed, the Group's travelling expenses contracted, resulting in a fall in marketing and distribution expenses by RMB0.16 million or 3% from RMB5.35 million in FY2019 to RMB5.19 million in FY2020.

Conversely, administrative expenses increased by RMB1.0 million or 5% from RMB19.3 million in FY2019 to RMB20.3 million in FY2020 mainly due to an increase in unallocated manufacturing overheads of RMB2.4 million or 127% due to lower production volumes caused by temporary closure of the Group's production plant over the Lunar New Year period, as well as suppliers and customers' requests for delay in delivery. This was partially offset by decrease in expenses like old-age insurance, depreciation and amortisation, directors' fees, recruiting fees, staff welfare expenses, factory repair and maintenance expenses and travelling expenses.

Despite the tough operating environment, we continued to focus on our efforts in research and development, especially in enhancing the capabilities on our first-level shift reactor, thereby resulting in an marginal rise in research expenses by RMB1.3 million or 19% from RMB7.0 million in FY2019 to RMB8.3 million in FY2020. During the year, we were awarded three new patents and a prestigious award for our research efforts in the petrochemical industry.

Tax credit income decreased by RMB0.3 million from RMB0.4 million in FY2019 to RMB0.1 million in FY2020 was mainly due to lesser deferred tax asset recognised on unutilised tax losses arising from a subsidiary in FY2020.

FINANCIAL POSITION

As at 31 December 2020, the Group's non-current assets stood at RMB75.2 million, a slight dip of RMB5.6 million or 7% from RMB80.8 million as at 31 December 2019. Non-current assets comprised of property, plant and equipment, investment property, intangible assets, deferred tax assets, right of use asset and prepayments.

Property, plant and equipment decreased by RMB6.8 million or 11% from RMB64.7 million as at 31 December 2019 to RMB57.9 million as at 31 December 2020, mainly due to depreciation charged in FY2020. This was offset by increase in prepayments of RMB1.2 million as more payments were made to vendors for purchasing property, plant and equipment in FY2020.

Current assets fell by approximately RMB24.6 million or 8% from RMB297 million as at 31 December 2019 to RMB272.4 million as at 31 December 2020. This was mainly due to a decrease in trade and other receivables of RMB15.5 million arising from settlements by our customers and settlements of outstanding bills receivables and decrease in contract assets of RMB14.9 million as a result of the transfer to the receivables when contractual payment milestones were reached, partially offset by an increase in cash and bank balances of RMB4.8 million arising from an increase of cash flow from operating activities.

OPERATIONS AND FINANCIAL REVIEW

Current liabilities decreased by RMB12.5 million or 15% from RMB83.4 million as at 31 December 2019 to RMB70.9 million as at 31 December 2020, primarily due to the decrease in trade and other payables of RMB11.4 million arising from settlements with our suppliers and taxation administration, a decrease in other liabilities of RMB3.5 million due to settlements with our transportation companies, and partially offset by an increase in contract liabilities of RMB2.4 million after receiving more progressive amounts from customers.

CASH FLOW STATEMENTS

During the year under review, the Group's cash and cash equivalents dropped by RMB15.5 million, mainly attributed to cash generated from operating activities of RMB15.0 million, net cash used in investing activities of RMB23.9 million and cash used in financing activities of RMB6.6 million.

ORDER BOOK

The Group's order book as of 31 December 2020 was approximately RMB116.6 million, out of which RMB90.7 million was from non-fertiliser industries. We believe that we can progress in this direction. Though the road ahead may be winding, the Group will endeavour to walk through the storm and deliver greater value to all stakeholders.

Moving forward, equipped with our strong fundamentals, the Group will continue to explore market opportunities, while managing operations and developing business under the uncertainties in supply chain and project progression disruptions caused by COVID-19 and the overall economic environment.

BOARD OF DIRECTORS

1. XIE MING
Non-Independent
Non-Executive Chairman

2. ZHENG ZHI ZHONG
Executive Director and
Chief Executive Officer

3. DAI FENG YU
Executive Director

4. XIE DING ZHONG
Non-Executive Director

5. LEE GEE AIK
Lead Independent Director

6. TAN MIN-LI
Independent Director

7. ANDREW BEK
Independent Director

8. HE MING YANG
Independent Director

BOARD OF DIRECTORS

XIE MING

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

Xie Ming is our Non-Independent Non-Executive Chairman and was last re-elected as a Director on 29 April 2019. She was re-designated from Executive Director and CEO to Executive Chairman on 1 June 2018. Subsequently, she was re-designated to Non-Independent Non-Executive Chairman on 1 December 2020. She worked for specialty chemical companies and a research institute in the USA for 13 years prior to joining Anchun, first as an analytical chemist in the Health & Science Center of Louisiana State University, the research laboratory of INVISTA and then as a Sr. Chemist for Champion Technologies. Xie Ming earned her EMBA from Rice University, USA in May 2013. She holds a Bachelor's Degree in Specialty Chemical Engineering from Jiangsu Institute of Petrochemical and Chemical Engineering, China and a Master Degree in Science from Department of Chemistry, University of Louisiana at Monroe, USA.

ZHENG ZHI ZHONG

Executive Director and
Chief Executive Officer
Appointed on 1 June 2014

Zheng Zhi Zhong is our Executive Director and Chief Executive Officer ("CEO") and was last re-elected as a Director on 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. Zheng Zhi Zhong started his career with Hunan Anchun in 1993 as a Process Technology Programmer. Leveraging on his computer science knowledge, he worked closely with chemical engineers to develop the first generation computation software for Anchun's key technologies. His main contribution includes the process design and programming of "IIIJ D Type Adiabatic Inner-cooling Split-flow Internals of Ammonia Synthesis Reactor" and "Process and Application of Syn-gas Purification 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. Zheng Zhi Zhong holds a Bachelor's Degree in Computer Science and Technology from Shenyang Industrial University.

DAI FENG YU

Executive Director
Appointed on 9 September 2010

Dai Feng Yu is our Executive Director and was last re-elected on 26 April 2018. She is in-charge of the daily operations for Catalyst business of the Group and is responsible for overall Research and development ("R & D") including provision of basic support technology, initiating new R & D projects and management of the company's proprietary intellectual property rights. She is also in-charge of the human resource management. She has more than 30 years of experience in the chemical industry. Between 1988 and 1993, she was a R & D staff in Changsha Chromic Salts Factory responsible for catalysts quality improvement and new product development. Between 1993 and 1998, she was head of the laboratory of Anchun Energy Saving and was responsible for the research and development of catalysts as well as the introduction of catalysts to the market. In 1998, when operations of Anchun Energy Saving ceased and Hunan Anchun was established, she remained 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 had won include the 2003 National Scientific and Technological Progress Award (2nd-highest honours) by the State Council in 2004, the Excellent Engineering Consultancy Award (2nd-highest honours) by the China Petroleum and Chemical Engineering Survey and Design Association in 2006, the Outstanding Individual of Hunan Province contributed to scientific and technological progress by the Economic Committee of Hunan Province in 2008, and the 2016 China Nitrogen Fertilizer Industry Technology Progress Award (First-prize) by China Nitrogen Fertilizer Industry Association.

XIE DING ZHONG

Non-Executive Director
Appointed on 2 November 2009

Xie Ding Zhong is our Founder, Non-Executive Director, and member of the Nominating Committee, and was last re-elected as a Director on 19 June 2020. 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 was 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.

LEE GEE AIK

Lead Independent Director
Appointed on 9 September 2010

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 2019. He is a practising accountant who started his career as an auditor with KPMG Singapore in 1979. He was seconded to KPMG USA Executive Office located in Manhattan, New York between 1986 to 1988. He was the regional controller of Omni Marco Polo Hotels, Singapore from 1993 to 1998. He has over 40 years of extensive and varied experience in accounting, tax and financial matters. He is a Fellow of the Association of Chartered Certified Accountants, United Kingdom, and the Institute of Certified Public Accountants of Singapore. He also obtained a Master of Business Administration from The Henley Management College, United Kingdom. He is currently an Independent Director of Astaka Holdings Limited, SHS Holdings Limited and Uni-Asia Group Limited. He formerly served on the board of LHN Limited and OUE Lippo Healthcare Limited (f.k.a. International Healthway Corporation Limited).

BOARD OF DIRECTORS

TAN MIN-LI
Independent Director
Appointed on 9 September 2010

Tan Min-Li is our Independent Director, Chairman of the Remuneration Committee and member of the Nominating Committee & Audit Committee, and was last re-elected as a Director on 26 April 2019. She is currently a partner at CNPLaw LLP (f.k.a. 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.

ANDREW BEK
Independent Director
Appointed on 1 March 2014

Andrew Bek is our Independent Director, and member of the Audit Committee, and was last re-elected on 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.

HE MING YANG
Independent Director
Appointed on 1 January 2019

He Ming Yang is our Independent Director and was appointed to our Group on 1 January 2019. He was last re-elected on 26 April 2019. 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. 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 MANAGEMENT PERSONNEL

HE ZU BING
Chief Financial Officer

He Zu Bing is our Chief Financial Officer and was appointed to our Group on 20 March 2019. He is responsible for our Group overall finance and accounting functions. He has over 14 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 posses the intermediate Accountants Certificate.

LI JUAN
Finance Controller

Li Juan is our Financial Controller and was appointed to our Group on 16 May 2017. She is responsible for our Group overall finance management. She has over 9 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.

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 2020 ("FY2020"). This report is prepared in compliance with the requirements of Singapore Exchange Securities Trading Limited ("SGX-ST") Listing Rules 711A and 711B, and references the Global Reporting Initiative ("GRI") Standards, Core option. This report highlights the key economic, environmental, social and governance ("EESG") related initiatives carried throughout a 12-month period, from 1 January to 31 December 2020.

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. The data and information provided have not been verified by an independent third party. We have relied on internal data monitoring and verification to ensure accuracy of data and information. 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 direction and policies. We adopt the precautionary principle to minimize negative effects of conducting its business whenever feasible.

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

31 March 2021

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 taken into account 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
Employees and Trade Unions	Townhall sessions Open dialogues among teams Intranet portal	Annually Monthly Ad-hoc	Salary increase Health and safety Training
Customers and consumers	Hotline Email queries Customer visit Onsite audit Customer survey	Ad-hoc Ad-hoc Quarterly Annually Annually	Product safety Health and safety Customer service
Suppliers and service providers	Face-to-face meetings Annual review and feedback sessions	Weekly Annually	Positive relationship Payment
Investors/Shareholders	Group Annual Report Annual General Meeting Half-year result briefings Informal discussion	Annually Annually Semi-annually Ad-hoc	Business growth Business performance
Local communities	Face-to-face meetings Various social events	Ad-hoc Quarterly	Impact to community
Media	Media releases Half-year result briefings	Semi-annually Semi-annually	Transparency
Government and regulators	Face-to-face meetings Regular reports Participation in discussions	Ad-hoc Quarterly Quarterly	Compliance to regulations
Trade associations	Engagements through business partnerships Leading working groups in industry associations	Quarterly Annually	Contribution

MATERIALITY ASSESSMENT

Our sustainability process begins with the identification of relevant factors. Relevant factors are then prioritized to identify material factors which are subject to validation. The end result of this process is a list of material factors disclosed in the Sustainability Report. Process of which are as shown below:

IDENTIFICATION

PRIORITISATION

VALIDATION

REVIEW

The Group has conducted a materiality assessment during the year. We engaged our employees from different departments, seeking our internal stakeholders' feedback for prioritization of these topics. Such materiality review will be conducted every year, incorporating inputs gathered from stakeholders' engagements.

In order to determine if a factor is material, we assessed its potential impact on the economy, environment and society and its influence on the stakeholders. Applying the guidance from GRI, we have identified the following as our material factors:

ECONOMIC
Economic Performance
Anti-Corruption

ENVIRONMENTAL
Energy
Environmental Compliance

SOCIAL
Occupational Health and Safety
Diversity and Equal Opportunity
Socioeconomic Compliance

GOVERNANCE
Corporate Governance
Risk Management

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 low transactional costs.

Even though China managed to effectively contain the outbreak in the country within a relatively shorter time, all businesses, big or small, were inevitably affected due to shutdowns and preventive measures. The Group's operations were not spared, with delayed re-commencement of production at our facilities in Changsha, People's Republic of China (PRC), after the Lunar New Year holidays in year 2020 as directed by the relevant Chinese authorities, which disrupted the flow of our projects and deliveries.

In addition, low oil prices and decline in demand growth in the global petrochemical industry value chains had also resulted in declining prices of methanol and other basic oil-and-gas chemicals, which further impacted the Group's revenue and orders.

As a result, the Group's revenue fell drastically by 45% to RMB93.9 million in FY2020 compared to RMB171 million in FY2019. Consequently, the net loss attributable to owners of the Group increased by RMB23.0 million from a net profit of RMB11.6 million in FY2019 to net loss of RMB11.4 million in FY2020.

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

- Financial Highlights, page 7
- Operations & Financial Review, pages 8 to 10
- Financial Statements, pages 67 to 132.

ANTI-CORRUPTION

The Group does not tolerate corruption in any form. We communicated this externally with our customers and suppliers and internally with our employees.

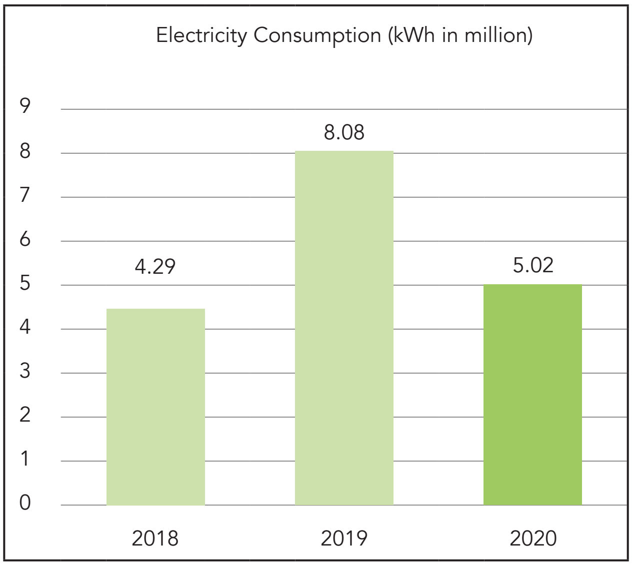
We have established anti-corruption policy. We prohibit corruption in all forms, including extortion and bribery. As set out in our whistle-blowing policy, all complaints shall be reported to the Audit Committee Chairman of the Company either in person or via an email that is only accessible by the Audit Committee Chairman. We have met the target we set last year and similar to FY2018 and FY2019, there were no reported incidents of corruption during FY2020.

FY2021 Target: To maintain zero incidents of corruption.

4. ENVIRONMENTAL

ENERGY

The Group is fully aware of its responsibility for nurturing the environment and lessening negative environmental consequences at our worksites and the environment where we operate. We monitor our energy at our work places to ensure that we use our resources economically, meaningfully and responsibly.



Our energy consumption in FY2020 was lower than the 5.9 million kWh target we set last year. The significant decrease in our electricity consumption was mainly due to COVID-19 quarantine policy. Our production was suspended and output was lower than expected in some months of 2020.

FY2021 Target: Based on our projected production in FY2021, our target energy consumption is 5.86 million kWh.

ENVIRONMENTAL COMPLIANCE

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

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

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

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

We are also ISO 9001 'Quality Management System' certified (valid until 2023), 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 were no incidence of non-compliance with laws and regulations resulting in significant fines or sanctions in FY2020 (FY2019 & FY2018: Nil).

FY2021 Target: To maintain zero incidents of non-compliance.

5. SOCIAL

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.

As we gradually resumed operations in phases, we placed great emphasis on managing the risk of a COVID-19 outbreak within our facilities. We put in place safety measures in our operations like social distancing, mask-wearing and distributing masks, temperature checking, disinfecting and cleaning our facilities regularly, and conducting online meetings, as we began to adjust to these new normalcies.

We are pleased to confirm that zero workplace injury incidents were reported from FY2018 to FY2020. We have achieved the target we set last year.

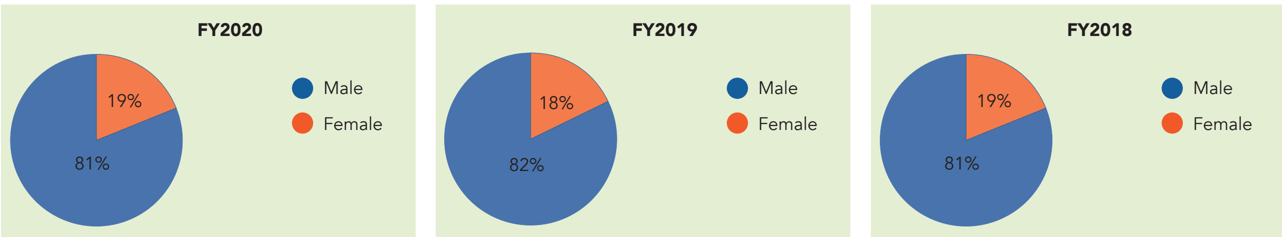
FY2021 Target: To maintain zero incidents of workplace injury.

DIVERSITY AND EQUAL OPPORTUNITY

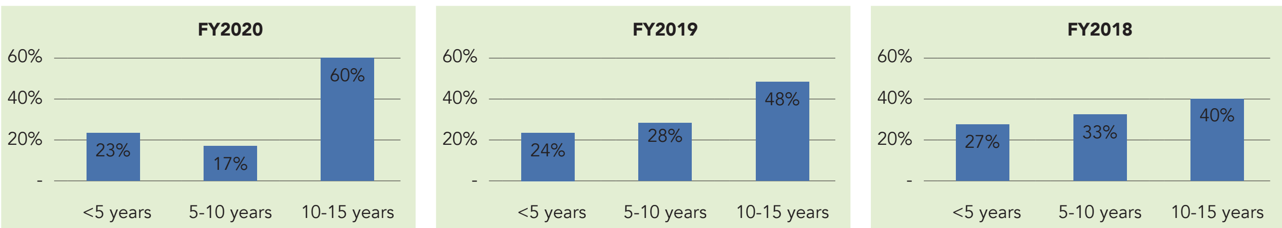
Although the group's staff strength is very small, Anchun ensures compliance with labour and employment laws, including working hours. Furthermore, we ensure that no colleagues should be discriminated against because of age, gender, national origin, disability, religion, sexual orientation, marital or maternity status, union membership or political opinion, among others. Non-compliance in relation to discrimination is reportable through our whistleblowing system. Below shows the group's staff composition chart in FY2020. Our headcount decreased from 278 in FY2019 to 270 in FY2020 (FY2018: 285). Due to the nature of the work, most of our employees are male.

Employee Distribution (FY2018 to FY2020)

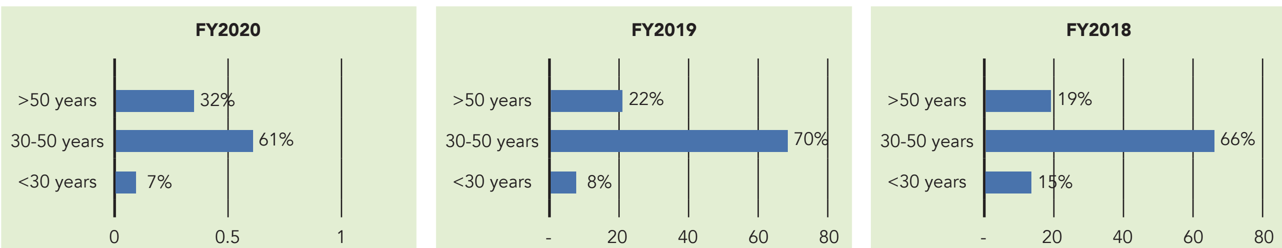
Gender



Length of Service



Age



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.

In FY2020, the Group provided medical examination for all employees. The labor union of the Group provides material and financial assistance to the employees in need. During the year, the company organizes employees to participate in public blood donation activities.

Similar to the past, we have achieved our target and there were no reported discrimination in the company.

FY2021 Target: Zero complaints on discrimination.

SOCIOECONOMIC COMPLIANCE

The Group was not subject to any substantiated complaints or incidences of corruption, bribery, anti-competitive behaviour, data loss or privacy breaches from FY2018 to FY2020. Therefore 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 the Listing Manual of the SGX-ST on corporate governance and believe in the honesty, integrity and vigilance of our management and employees.

FY2021 Target: To maintain zero incidents of non-compliance.

Memberships

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
- Director Unit of Hunan Provincial Association of Engineering Consultants
- Vice President Unit of Hunan Petroleum Chemical Industry Association
- Member Unit of Chemical Catalyst Division Technical Committee of National Standardization Technical Committee of Chemical
- 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

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 25 to 56 for details of the Group's Corporate Governance Report.

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 39.

7. GRI STANDARDS CONTENT INDEX

GRI Standard	Disclosure		Reference/ Description
GRI 101: Foundation 2016			
GENERAL DISCLOSURE			
GRI 102: General Disclosures	102-1	Name of the organization	Anchun International Holdings Ltd.
	102-2	Activities, brands, products and services	Pages 1-3
	102-3	Location of headquarters	Refer to Corporate Information Section
	102-4	Location of operations	Page 1
	102-5	Ownership and legal form	Refer to Corporate Information Section
	102-6	Markets served	Page 1
	102-7	Scale of the organization	Page 20
	102-8	Information on employees and other workers	Pages 20-21
	102-9	Supply chain	Pages 2-3
	102-10	Significant changes to the organization's size, structure, ownership, or supply chain	None
	102-11	Precautionary Principle or approach	Page 16
	102-12	External initiatives	Page 21
	102-13	Membership of associations	Page 21
	102-14	Statement from senior decision maker	Page 16
	102-16	Values, principles, standards and norms of behaviour	Page 21
	102-18	Governance structure	Page 21
	102-40	List of stakeholder groups	Page 17
	102-41	Collective bargaining agreements	None
	102-42	Identifying and selecting stakeholders	Page 17
	102-43	Approach to stakeholder engagement	Page 17
	102-44	Key topics and concerns raised	Page 17
	102-45	Entities included in the consolidated financial statements	Page 101
	102-46	Defining report content and topic Boundaries	Page 16
	102-47	List of material topics	Page 18
	102-48	Restatements of information	None
	102-49	Changes in reporting	None
	102-50	Reporting period	Page 16
	102-51	Date of most recent previous report	31 March 2020
	102-52	Reporting cycle	Annually
	102-53	Contact point for questions about the report	Page 16
	102-54	Claims if reporting in accordance with the GRI Standards	Page 16
	102-55	GRI content index	Pages 22-23
	102-56	External Assurance	Page 16

GRI Standard	Disclosure		Reference/ Description
MATERIAL TOPICS			
GRI 201: Economic performance	201-1	Direct economic value generated and distributed	Page 18
GRI 205: Anti-corruption	205-1	Operations assessed for risks related to corruption	Pages 18-19
GRI 302: Energy	302-1	Energy consumption within the organization	Page 19
GRI 307: Environmental Compliance	307-1	Non-compliance with environmental laws and regulations	Page 19
GRI 403: Occupational Health and Safety	403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	Page 20
GRI 405: Diversity and equal opportunity	405-1	Diversity of governance bodies and employees	Pages 20-21
GRI 419: Socioeconomic Compliance	419-1	Non-compliance with laws and regulations in the social and economic area	Page 21

FINANCIAL CONTENTS

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. Good corporate governance provides the framework for an ethical and accountable corporate environment, which will protect the interests of the Company's shareholders and promote investors' confidence.

This report outlines the Company's corporate governance practices and structures in the financial year ended 31 December 2020 ("FY2020") with specific reference made to each of the principles of the revised Code of Corporate Governance 2018 (the "Code") and accompanying Practice Guidance which was last amended on 7 February 2020 (the "Practice Guidance"), which forms part of the continuing obligations of the Listings Rules of the Singapore Exchange Securities Trading Limited ("SGX-ST").

The Company is generally in compliance with the principles and provisions as set out in the Code. 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 Board is entrusted with the responsibility for the overall management of the business and corporate affairs of the Group. Provision 1.1

Matters which specifically require the Board's decision or approval are those involving:

(i) corporate strategy and business plans;

(ii) investment and divestment proposals;

(iii) funding decisions of the Group;

(iv) nominations of Directors for appointment to the Board and appointment of key personnel;

(v) announcement of half-year results and full-year results, and the annual report and accounts; and

(vi) all matters of strategic importance.

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

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 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 newly appointed Directors who do not have prior experience as a director of a public listed company in Singapore, the Company will arrange for the SGX-ST's prescribed training courses organised by the Singapore Institute of Directors on the roles and responsibilities of a director of a listed company, or other training institutions in areas such as management, accounting, legal and industry-specific knowledge, where appropriate, in connection with their duties for the Directors.

The Board as a whole is updated regularly on risk management, corporate governance and key changes in the relevant regulatory requirements and accounting standards to enable them to make well-informed decision. 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.

Matters Requiring Board Approval

The Board has adopted a set of internal guidelines setting forth matters that requires its approval. Matters which are specifically reserved to the Board for approval include but not limited to the following: Provision 1.3

(i) any proposed acquisitions and disposal of assets;

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

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

(iv) dividends and other returns to shareholders; and

(v) capital expenditure.

Delegation of Authority to Board Committees

To facilitate effective management, certain matters are delegated to committees whose actions are monitored by the Board. These committees include the AC, the Nominating Committee ("NC") and the Remuneration Committee ("RC"), all of which are chaired by Independent Directors and operate within clearly defined terms of reference and functional procedures. Provision 1.4

Please refer to the Principles 4, 6 and 10 in this Corporate Governance Report for further information on the duties and functions as well as the composition for the respective Board Committees.

Meetings of Board and Board Committees

The Board meets at least once every quarter. It also holds ad-hoc meetings as and when circumstances require. Telephone and video conference attendance at Board's meetings is allowed under the Company's Constitution. The Board and Board Committees may also make decisions by way of circulating resolutions. Provision 1.5

During FY2020, the number of Board and Board Committees' meetings held and attended by each member of the Board is as follows:

Name	Position	Number of meetings attended / Number of meetings held			
		Board	AC	NC	RC
Current Directors					
Ms. Xie Ming (Note 1)	Non-Independent Non-Executive Chairman	4/4	–	–	–
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	–	2/2	1/1
Mr. Lee Gee Aik	Lead Independent Director	4/4	3/3	2/2	–
Ms. Tan Min-Li	Independent Director	4/4	3/3	2/2	1/1
Mr. Andrew Bek	Independent Director	4/4	3/3	–	–
Professor He Ming Yang (Note 2)	Independent Director	4/4	–	–	–
Past Director					
Mr. Yang Chun Sheng (Note 3)	Independent Director	2/2	–	2/2	1/1

Notes:

(1) Ms. Xie Ming was re-designated from Executive Chairman to Non-Independent Non-Executive Chairman with effect from 1 December 2020.

(2) Professor He Ming Yang has been appointed as the Chairman of NC and member of RC with effect from 1 June 2020.

(3) Mr. Yang Chun Sheng has ceased to be an Independent Director, the Chairman of NC and member of RC with effect from 1 June 2020.

Access to Information

Directors are furnished with complete, adequate and timely information from the Management to enable them to make informed decision and discharge their duties effectively. Directors have unrestricted access to the Company's Management, records and information, and all Board and Board Committees' minutes. Directors are also provided with agenda and meeting materials in advance of meetings, which include quarterly management accounts and summary data. The Management provides detailed explanation of the meeting materials to the Board, and in respect of budgets and financial results, any material variance between the projections and actual results are disclosed and explained. Provision 1.6

Access to Management and Company Secretary

The Company Secretary and/or her representative attend all Board and Board Committees' meetings. Together with members of the Company's Management, the Company Secretary is responsible for ensuring that appropriate procedures are followed and that the requirements of the Companies Act, Chapter 50 of Singapore (the "Act"), and the provisions in the Listing Manual of the SGX-ST are complied with. Each Director has separate and independent access to Management and the Company Secretary at all times, and also has the right to seek independent legal and other professional advice, at the Company's expense, concerning any aspect of the Group's operations or undertakings in order to fulfil his duties and responsibilities as Director. Provision 1.7

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

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.

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. As such, no individual or small group of individuals dominate the decisions of the Board.

Board Composition and Degree of Independence of the Board

As of 31 December 2020, the Board consisted of two Executive Directors, two Non-Independent Non-Executive Directors (one of whom is also the Non-Independent Non-Executive Chairman) and four Independent Directors. The Board currently comprises: Provision 2.1, 2.2, 2.3, 3.3 and 4.4

Executive Directors
Mr. Zheng Zhi Zhong
Ms. Dai Feng Yu

Non-Independent Non-Executive Directors
Ms. Xie Ming
Mr. Xie Ding Zhong

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

The Company notes that the 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.

The independence of each Director will be assessed and reviewed annually by the NC. The NC adopts the Code and Listing Manual of the SGX-ST's definition of what constitutes an Independent Director in its review. In relation to the assessment of the independence of the Directors, specific tests of Directors' independence have been hardcoded into the Listing Manual of the SGX-ST to clarify that these circumstances which deemed Directors not to be independent should be applied without any exceptions. In addition, the NC also reviews the composition of the Board annually to ensure that the Board consists of persons who, together, contribute an appropriate balance and diversity of skills to provide core competencies necessary to meet the Company's objectives.

The Independent Directors 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 Ming Yang 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.

As of 31 December 2020, the Independent Directors, Ms. Tan Min-Li and Mr. Lee Gee Aik (*both appointed on 9 September 2010*) and Mr. Andrew Bek (*appointed on 1 March 2014 and also act as alternate director of a former Director from 2 August 2010 to 1 March 2014*) 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 continued independence of Ms. Tan Min-Li, Mr. Lee Gee Aik and Mr. Andrew Bek.

After due consideration and with the recommendation of the NC (with Ms. Tan Min-Li and Mr. Lee Gee Aik abstaining), 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 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 Board also noted that pursuant to Rule 720(5)(d)(iii) of the Listing Manual of the SGX-ST which will take effect from 1 January 2022, a director will not be independent if he has served for an aggregate period of more than 9 years and his continued appointment as an Independent Director has to be sought and approved in separate resolutions by (A) all shareholders and (B) shareholders, excluding the directors and chief executive officer of the issuer, and associates of such directors and chief executive officer (the "Two-Tier Voting").

Such resolutions approved by a Two-Tier Voting may remain in force until the earlier of the following (i) the retirement or resignation of the said Independent Director; or (ii) the conclusion of the third annual general meeting ("AGM") of the Company following the passing of such resolutions.

In view of the above, the NC and the Board have evaluated the participation of Mr. Lee Gee Aik, Ms. Tan Min-Li and Mr. Andrew Bek at the Board and Board Committee's 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, Mr. Lee Gee Aik, Ms. Tan Min-Li and Mr. Andrew Bek fulfil the definition of independent directors of the Listing Manual of the SGX-ST and the Code. More importantly, the Board trust that Mr. Lee Gee Aik, Ms. Tan Min-Li and Mr. Andrew Bek are able to continue to discharge their duties independently with integrity and competency.

On this, the Board has recommended that the approval of the shareholders be sought through a Two-Tier Voting process at the forthcoming AGM for the continuation of office of Mr. Lee Gee Aik, Ms. Tan Min-Li and Mr. Andrew Bek, who have served as Independent Directors of the Company for an aggregate period of more than 9 years, as Independent Directors of the Company. Nevertheless, the Board will conduct a particularly rigorous review to determine if such independent director should be considered independent notwithstanding his/her tenure annually.

Alternate Directors

Currently, the Company does not have any alternate director.

Composition and Size of the Board

The Board and the NC has examined the size of the Board and is of the view that it is an appropriate size for effective decision-making, taking into account the scope and nature of the operations of the Company. In addition, the Board and the NC has taken into account, *inter alia*, the Directors' contributions, scope of work and the wide spectrum of skill and knowledge and are satisfied that the current Board's composition is appropriate for the Group. Provision 2.4

The NC and the Board recognise the importance of an appropriate balance and diversity of industry knowledge, skills, backgrounds, experience, and professional qualifications as well as gender and age in building an effective Board. For this reason, 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 Committees' meetings. The Board currently comprises three female and five male directors who, as a whole have relevant competence, in accounting, finance, legal, business and management and strategic planning.

Details of the Directors' academic and professional qualifications and other appointments are set out under the "Board of Directors" section of this Annual Report at pages 11 to 14.

Meetings without the presence of Management

The Independent Directors and the Non-Executive Directors together confer regularly with the Executive Directors and Management to constructively challenge and help to develop proposals on strategy, review the performance of the management in meeting agreed goals and objectives, and monitor the reporting of performance. Where warranted, the Independent Directors 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. Provision 2.5

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.

Chairman and Chief Executive Officer ("CEO")

The Chairman and CEO of the Company 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

Furthermore, 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

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. Provision 3.2

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 promote a high standard of corporate governance, Mr. Lee Gee Aik has been appointed as the Lead Independent Director as well as the Chairman of the AC on 9 September 2010. In accordance with the Code, Mr. Lee Gee Aik is available to shareholders when they have concerns where contact through the normal channels of the Chairman and CEO has failed to resolve the same, or for which such contact is inappropriate. Provision 3.3

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

As at the date of this report, the NC comprises three (3) Independent Directors and one (1) Non-Executive Director. The members of the NC are as follows: - Provision 4.1 and 4.2

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

The NC meets at least once a year. The NC has written terms of reference that describe the responsibilities of its members.

The principal functions of the NC are as follows:

(i) to review and recommend the nomination or re-nomination of directors having regard to the director's contribution and performance;

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

(iii) to decide whether a Director is able to and has been adequately carrying out his duties as a Director of the Company, particularly when the Director has multiple board representations;

(iv) to evaluate the Board, based on objective performance criteria;

(v) to review Board succession plans for Directors;

(vi) to assess the effectiveness of the Board as a whole and the contribution of each Director to the effectiveness of the Board; and

(vii) 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.

Evaluation of the Board

In selecting and appointing a new Director, the NC will have regard to the desired competencies of the new Director so that he/she may complement the skills and competencies of the existing Board. Candidates may be suggested by Directors or Management or sourced from external sources. Provision 4.3

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.

Presently, the Company's Constitution 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 AGM at least once every three (3) years. It is also provided in the Company's Constitution that the Directors appointed by the Board during the course of the year, must retire and submit themselves for re-election at the next AGM of the Company following their appointments according to the Article 88 of the Company's Constitution. A retiring Director is eligible for re-election by the shareholders at the AGM.

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

Name of Directors	Date of initial appointment	Date of last re-appointment
Mr. Zheng Zhi Zhong	1 June 2014	19 June 2020
Mr. Xie Ding Zhong	2 November 2009	19 June 2020
Mr. Andrew Bek	1 March 2014	19 June 2020
Ms. Xie Ming	2 November 2009	26 April 2019
Professor He Ming Yang	1 January 2019	26 April 2019
Ms. Tan Min-Li	9 September 2010	26 April 2019
Mr. Lee Gee Aik	9 September 2010	26 April 2019
Ms. Dai Feng Yu	9 September 2010	26 April 2018

In accordance with the Article 89 of the Company's Constitution, Ms. Dai Feng Yu, Mr. Lee Gee Aik and Ms. Tan Min-Li will be retiring by rotation at the forthcoming AGM. After assessing their contributions and performance, the NC has recommended, with the concurrence of the Board, that the abovementioned three Directors be re-elected as Directors of the Company.

Each member of the NC has abstained from voting on any resolution in respect of the assessment of his or her performance and contribution for re-appointment as Director.

Key information regarding the Directors is set out under the "Board of Directors" Section of this Annual Report at pages 11 to 14.

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. Provision 1.5 and 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 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.

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 Board and the NC believe that the financial indicators are mainly used to measure the Executive Directors' and the Management's performance and hence, are less applicable to the Independent Directors and Non-Executive Directors. All Directors are required to complete and send the evaluation forms to the Company Secretary for collation. Provision 5.1 and 5.2

The summary of the assessment results was presented to the NC for review and discussion. No external facilitator was engaged by the Company in FY2020.

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.

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 comprises two (2) Independent Directors, Ms. Tan Min-Li and Professor He Ming Yang, and one (1) Non-Independent Non-Executive Chairman, Ms. Xie Ming. The Chairman of the RC is Ms. Tan Min-Li. Provision 6.1, 6.2 and 6.3

The RC meets at least once a year. The RC, which has written terms of reference, is responsible for:

(i) recommending to the Board a framework of remuneration for the directors and key management personnel;

(ii) reviewing and determining specific remuneration packages for each Executive Director and key management personnel; and

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

The RC ensures that a formal and transparent procedure is in place for determining the remuneration packages of individual Directors and key management personnel. 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. 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.

In the case of service contracts, the RC will review the compensation commitments in relation to the Directors' or key management personnel'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.

Access to Remuneration Consultants

No remuneration consultants were engaged by the Company during FY2020. The RC and the Board were of the view that the Company does not need to engage remuneration consultants as the remuneration for Executive Directors and the key management personnel are based on their respective existing service agreements. The RC has full authority to obtain any external professional advice on matters relating to remuneration as and when the need arises. Provision 6.4

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 reviewing and determining the remuneration packages of the Executive Directors and the Group's key management personnel, the RC considers their responsibilities, skills, expertise and contribution to the Group's performance when designing their respective remuneration packages. An appropriate proportion of their remuneration is linked to individual and corporate performance to align with the interests of shareholders to promote the long-term success of the Company. All Executive Directors do not receive Directors' fees. Provision 7.1

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

Remuneration Structure of Independent Directors and Non-Executive Directors

The Independent Directors and Non-Executive Directors do not have service agreements with the Company. They are paid fixed Directors' fees. In reviewing the recommendation for Independent Directors' and Non-Executive Directors' fees for FY2020, the RC had continued to adopt a framework of base fees for serving on Board and Board Committees, as well as fees for chairing 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. Provision 7.2

Remuneration Framework

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 — Provision 7.3

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 FY2020 is as follows: — Provision 8.1 and 8.3

Name of Director	Fee #	Salary	Bonus	Benefits	Total
Below S$250,000	%	%	%	%	%
Ms. Xie Ming (Note 1)	10	69	21	–	100
Mr. Zheng Zhi Zhong	–	77	23	–	100
Ms. Dai Feng Yu	–	78	22	–	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 (Note 2)	100	–	–	–	100
Mr. Yang Chun Sheng (Note 3)	100	–	–	–	100

\# The directors' fees amounted to S$319,000 had been approved by the shareholders at the AGM for financial year ended 31 December 2019 ("FY2019 AGM") held on 19 June 2020. As one of the Directors has retired as Independent Director during the FY2020, the actual total fees paid to the Non-Executive Directors was S$301,750 only.

Notes: -

(1) Ms. Xie Ming was re-designated from Executive Chairman to Non-Independent Non-Executive Chairman with effect from 1 December 2020.

(2) Professor He Ming Yang has been appointed as the Chairman of NC and member of RC with effect from 1 June 2020.

(3) Mr. Yang Chun Sheng has ceased to be an Independent Non-Executive Director, the Chairman of NC and member of RC with effect from 1 June 2020.

A breakdown, showing the level and mix of top key management personnel in FY2020 is as follows:

Name of Key Management Personnel #	Salary	Bonus	Benefits	Total
Below S$250,000	%	%	%	%
Mr. He Zu Bing	87	13	–	100
Ms. Li Juan	89	11	–	100

Note:

\# During the financial year under review, there were only two key management personnel.

The aggregate total remuneration paid to or accrued to key management personnel (who are not Director or CEO) amounted to SGD62,124.98.

The remuneration of each individual Director and key management personnel 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 the Company does not disclose the exact remuneration of Directors and key management personnel (who are not Director or CEO of the Company), 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 key management personnel, to allow for the alignment of their interests with that of shareholders.

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

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 management personnel, or between any of the Directors, key management personnel 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.

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 has 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.

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 2020.

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 FY2020, 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.

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.

The Board confirms that based on the internal controls established by the Group, work performed by the internal and external auditors, and reviews performed by the Management, the Board is of the opinion that the Group's internal controls, including financial, operational, compliance, information technology controls and risk management systems are adequate and effective to meet the needs of the Group for the type and volume of businesses conducted in the current business environment. The Company has complied with Rule 1207(10) of the Listing Manual of the SGX-ST.

Assurance from CEO, Chief Financial Officer and Financial Controller

The Board has also received assurance from the CEO, Chief Financial Officer and Finance Controller that:- Provision 9.2

(i) the financial records have been properly maintained and the financial statements of the Group for FY2020 give a true and fair view of the Company's operations and finances; and

(ii) the Group's risk management and internal controls system in place are adequate and effective.

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; and
iii) Mr. Andrew Bek

Both Mr. Lee Gee Aik and Mr. Andrew 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 terms of reference and has full access to and co-operation of the Management and full discretion to invite any Director or key management personnel to attend its meetings. The AC has reasonable resources to enable it to discharge its duties properly.

The AC meets on a quarterly basis, and on an ad-hoc basis when required, during the year. The AC, which has written terms of reference, 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;

(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 of the SGX-ST, if any; and

(x) any potential conflicts of interest.

In FY2020, 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 FY2020, 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 FY2020. 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
Impairment of trade receivables and contract assets *Refer to page 63 in the Independent Auditor's Report of this Annual Report*	The AC discussed with the Management the approach taken to determine the impairment for trade receivables and contract assets at 31 December 2020. The AC also reviewed the reasonableness of the basis of impairment and factors that influenced management's judgement. Impairment of trade receivables and contract assets was also an area of focus for the External Auditors. The External Auditors has included this item as a key audit matter in its audit report for FY2020.
Revenue from chemical systems and components ("CSC") business and chemical engineering and technology ("CET") engineering services *Refer to page 64 in the Independent Auditor's Report of this Annual Report*	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 2020. Revenue recognition from CSC business and CET engineering service 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 FY2020.

Following the above review and discussion, the AC recommended to the Board to approve the FY2020 Financial Statements.

The AC reviews annually the non-audit services provided by External Auditors and determines whether the provision of such services affects their independence. During FY2020, the External Auditors of the Group did not provide any non-audit services to the Group. The breakdown of fees (audit and non-audit) paid to auditors are set out in Note 8 of the Consolidated Audited Financial Statement of the Group for FY2020. 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 of the SGX-ST 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 FY2020, 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 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, has put in place a whistle-blowing arrangement whereby the staff of the Group may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters to the AC Chairman or the Company Secretary, in good faith and confidence. There are arrangements in place for the independent investigation of such matters for appropriate follow-up actions to be taken. No whistle-blowing reports were received in FY2020.

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

Relationship with External or Internal Auditors

Provision 10.3

The AC is satisfied that the Company has complied with Rule 712 and Rule 715 of the Listing Manual of the SGX-ST 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.

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 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.

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 FY2020. Management is working to ensure that timely and proper implementation of the agreed improvement measures are closely monitored and a follow-up review will be carried out by the internal auditors at a later date.

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 FY2020 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 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 of the SGX-ST and the Act, the Board's policy is that all shareholders should be informed simultaneously in an accurate and comprehensive manner for all material developments that impact the Group via SGXNet on an immediate basis. The Group recognises that the release of timely and relevant information is central to good corporate governance and enables shareholders to make informed decisions in respect of their investments in the Company and will ensure that all information disclosed is as descriptive, detailed and forthcoming as possible. Provision 11.1

Shareholders of the Company receive the annual reports and notice of AGM which are also advertised in the newspapers within the prescribed deadlines prior to the AGM. The Board encourages shareholders' participation at the AGM and periodically communicates with shareholders through SGXNet throughout the financial year. Similarly, shareholders receive circulars and notice of Extraordinary General Meetings ("EGMs") which are advertised in the newspapers within the prescribed deadlines prior to the EGMs. Shareholders are also informed of the voting procedures prior to the commencement of voting by poll.

Proxies

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

During year 2020, the shareholders were not able to attend the FY2019 AGM physically due to COVID-19 pandemic and have appointed Chairman of the Meeting to attend, speak and vote on their behalf.

Separate resolutions

Separate resolutions on each distinct issue are tabled at general meetings. All resolutions at general meetings of the Company are put to vote by poll in line with Rule 730A of the Listing Manual of the SGX-ST. The results of the poll voting on each resolution tabled at general meetings are announced after the meetings at SGXNet. The Company has adopted polling as a cost-effective method of conducting the polls. Provision 11.2

Attendees at General Meetings

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

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

However, during year 2020, the shareholders were not able to attend the FY2019 AGM physically and for more information, kindly refer to the Provision 11.1 and 11.2 as stated above.

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

Minutes of general meetings, which include substantial comments or queries from shareholders and responses from the Board, are available to shareholders upon written request. Where the AGM is held by electronic means, the minutes will be made available on SGXNet and the Company's corporate website at http://www.anchun.com/investor-relations/ within one month after the AGM. Provision 11.5

Dividend Policy

The Company does not have a fixed dividend policy. 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

During FY2019 AGM, the Company had declared a final dividend of RMB0.12 per ordinary share for FY2019 which was paid to shareholders on 17 July 2020. For FY2020, the Company did not declare any dividend.

Engagement with Shareholders

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

Communication with Shareholders

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 of the SGX-ST, 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's 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.

However, in view of the COVID-19 pandemic, the Singapore Government has issued an order on 24 March 2020 requiring all events and mass gatherings to be deferred.

The Company has conducted FY2019 AGM by electronic means on 12 June 2020, 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") which was gazetted on 13 April 2020. Shareholders were invited to participate in the virtual FY2019 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 FY2019 AGM; and (c) appointing the Chairman of the Meeting as proxy to attend, speak and vote on their behalf at the FY2019 AGM.

For FY2019 AGM, the Company had responded the shareholders' substantial questions and announced the Company's responses to those questions from shareholders via SGXNet on 12 June 2020. The Company has also published the minutes of the AGM proceedings, including responses to questions raised by shareholders in advance of FY2019 AGM at its corporate website at http://www.anchun.com/investor-relations/ and SGXNet.

Due to prevailing COVID-19 restrictions, shareholders will not be able to attend the FY2020 AGM in person. Instead, the Company will be holding its FY2020 AGM by electronic means on 26 April 2021. Details of the steps for pre-registration, submission of questions and voting at the FY2020 AGM by shareholders, including CPF and SRS investors, are set out in a separate announcement released on SGXNet on 9 April 2021.

Investor Relations Policy

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

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

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

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

MANAGING STAKEHOLDERS' RELATIONSHIPS

Engagement with stakeholders

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

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

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

Nevertheless, the company has announced the price-sensitive information is publicly released and is announced promptly and within the mandatory period as required and its Sustainability Report 2020 announced together with this Annual Report. Detailed information is set out in this Annual Report at pages 16 to 23.

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 corporate website at http://www.anchun.com. Provision 13.3

Dealing in Securities

In compliance with Rule 1207(19) of the Listing Manual of the SGX-ST, 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 FY2020 as required to be disclosed pursuant to Rule 1207(17) of the Listing Manual of the SGX-ST are set out below:

Name of interested person	Aggregate value of all interested person transactions during FY2020 (excluding transactions less than $100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than $100,000)
Nil	Nil	Nil

Material Contracts and Loans

Pursuant to Rule 1207(8) of the Listing Manual of the SGX-ST, 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 2020, 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	21,237	63,001
(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	26,000	7,772
Total	133,489	62,716	70,773

The breakdown of working capital utilization is as follows:-

Usage of IPO proceeds for working capital	Amount utilised (RMB'000)
For CO shift catalyst unit and technology implementations	(15,868)
For expanding sales and marketing capabilities and initiatives	(6,206)
For developing of Engineering Procurement Constructions business	(3,926)
Total	(26,000)

Key Information on Directors seeking re-election and/or continued appointment as Independent Director pursuant to Rule 720(6) of the Listing Manual of the SGX-ST

Ms. Dai Feng Yu, Mr. Lee Gee Aik, Ms. Tan Min-Li and Mr. Andrew Bek are the Directors seeking re-election and/or continued appointment as Independent Director at the forthcoming AGM of the Company.

The Company has complied with Rule 720(6) of the Listing Manual of the SGX-ST as the information relating to the Directors who are submitting themselves for re-election and/or continued appointment as Independent Director, 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	**Lee Gee Aik**	**Tan Min-Li**	**Dai Feng Yu**	**Andrew Bek**
Date of Appointment	9 September 2010	9 September 2010	9 September 2010	1 March 2014
Date of last re-appointment (if applicable)	26 April 2019	26 April 2019	26 April 2018	19 June 2020
Age	63 years old	53 years old	55 years old	53 years old
Country of principal residence	Singapore	Singapore	People's Republic of China	Singapore
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, independency and suitability of Lee Gee Aik for re-election and continued appointment as Independent Director of the Company and concluded that Lee Gee Aik 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, independency and suitability of Tan Min-Li for re-election and continued appointment as Independent Director of the Company and concluded that Tan Min-Li 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.	The Board has considered among others, the recommendation of the Nominating Committee and has reviewed and considered the contribution, performance, attendance preparedness, participation, independency and suitability of Andrew Bek for continued appointment as Independent 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.

Name of Directors	Lee Gee Aik	Tan Min-Li	Dai Feng Yu	Andrew Bek
Whether appointment is executive, and if so, the area of responsibility	Non-Executive	Non-Executive	Executive Director - the area responsibility is set out in Dai Feng Yu's profile write-up at page 12 of this Annual Report.	Non-Executive
Job title (e.g. Lead ID, AC Chairman, AC Member etc.)	Lead Independent Director, Chairman of Audit Committee cum member of Nominating Committee	Independent Director, Chairman of Remuneration Committee cum member of Audit Committee and Nominating Committee	Executive Director	Independent Director cum member of Audit Committee
Professional qualifications	As set out in Lee Gee Aik's profile write-up at page 13 of this Annual Report.	As set out in Tan Min-Li's profile write-up at page 14 of this Annual Report.	As set out in Dai Feng Yu's profile write-up at page 12 of this Annual Report.	As set out in Andrew Bek's profile write-up at page 14 of this Annual Report.
Working experience and occupation(s) during the past 10 years	As set out in Lee Gee Aik's profile write-up at page 13 of this Annual Report.	As set out in Tan Min-Li's profile write-up at page 14 of this Annual Report.	As set out in Dai Feng Yu's profile write-up at page 12 of this Annual Report.	As set out in Andrew Bek's profile write-up at page 14 of this Annual Report.
Shareholding interest in the listed issuer and its subsidiaries	None	None	Deemed interest of 3,999,500 shares held by Dawn Vitality International Limited in the Company	Direct interest of 1,600,000 Shares 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	None
Conflict of interest (including any competing business)	None	None	None	None

Name of Directors	Lee Gee Aik	Tan Min-Li	Dai Feng Yu	Andrew Bek
Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to the listed issuer	Yes	Yes	Yes	Yes
Other principal commitments including directorships	Past (for the last 5 years) (a) OUE Lippo Healthcare Limited (f.k.a. International Healthway Corporation Limited) (b) LHN Limited (c) Max Management Pte. Ltd. (d) R Chan & Associates PAC Present (a) SHS Holdings Ltd. (b) Uni-Asia Group Limited (c) Astaka Holdings Limited (d) Reliance Audit LLP	Past (for the last 5 years) (a) CNP Services Pte. Ltd. (b) Linkasia Consult Pte. Ltd. (c) Westgrove International Pte. Ltd.* (d) Xeitgeist Entertainment Group Pte. Limited (e) Belle Curve Holdings Pte. Ltd. (f) Plan B Projects Pte. Ltd. (g) Whitelight Ventures Inc. * The Company has been struck off. ** Excludes companies which Ms. Tan Min-Li was appointed as a director for purposes of incorporation only and in the course of her professional practice, and companies where she acted as nominee director. Present (a) Ocean Sky International Limited (b) Union Steel Holding Limited (c) CNPLaw LLP	Past (for the last 5 years) Nil Present Nil	Past (for the last 5 years) (a) China Environment Ltd (b) Able Gallery Limited Present (a) HGH Holdings Ltd. (f.k.a. AA Group Holdings Ltd.) (b) One Asia Capital Pte. Ltd. (c) OneMotor Car Accessories & Service Centre Sdn. Bhd. (d) AtasAdvisory Pte. Ltd.

Name of Directors			
Lee Gee Aik	**Tan Min-Li**	**Dai Feng Yu**	**Andrew Bek**
a. Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him/her or against a partnership of which he/she was a partner at the time when he/she was a partner or at any time within 2 years from the date he/she ceased to be a partner?			
No	No	No	No
b. Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?			
No	No	No	No
c. Whether there is any unsatisfied judgment against him?			
No	No	No	No
d. Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose?			
No	No	No	No
e. Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?			
No	No	No	No
f. Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?			
No	No	No	No
g. Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?			
No	No	No	No

Name of Directors			
Lee Gee Aik	**Tan Min-Li**	**Dai Feng Yu**	**Andrew Bek**
h. Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?			
No	No	No	No
i. Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?			
No	No	No	No
j. Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of :- (i) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or			
Yes, SGX-ST has issued a show cause letter to the Board of the Directors of a company listed on the Catalist Board of SGX-ST which Lee Gee Aik serves as an Independent Non-Executive Director on the Board. The Catalist Company and its Board has responded to SGX-ST's show cause letter and there has not been any further development since then.	No	No	Yes, SGX-ST had on 14 October 2019 issued a show-cause letter to Andrew Bek with an opportunity to make representations for potential breaches of listing rules with respect to one of his past directorships held in another listed company in Singapore. SGX-ST had subsequently on 25 September 2020 issued a Public Reprimand against the said listed company and a few parties but Andrew Bek is not named in the said Public Reprimand. All the relevant announcements in relation thereto had been made by the Company on 19 February 2020, 27 February 2020, 11 May 2020 and 29 September 2020 respectively.
(ii) any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or			
No	No	No	No

Name of Directors			
Lee Gee Aik	**Tan Min-Li**	**Dai Feng Yu**	**Andrew Bek**
(iii) any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or			
No	No	No	No
(iv) any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?			
Yes, as disclosed in the item (j)(i) above.	No	No	Yes, as disclosed in the item (j)(i) above.
k. Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?			
No	No	No	No

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 2020.

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 2020 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 Mingyang

Arrangements to enable directors to acquire shares and debentures

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

Directors' interests in shares or debentures

The following directors, who held office at the end of the financial year, had, according to the register of directors' shareholdings, required to be kept under section 164 of the Singapore Companies Act, Chapter 50, an interest in shares of the Company and related corporations (other than wholly owned subsidiary) as stated below:

	Direct interest		Deemed interest	
Name of directors	**At the beginning of financial year**	**At the end of financial year**	**At the beginning of financial year**	**At the end of financial year**
The Company				
(Ordinary shares of the Company)				
Xie Ding Zhong	120,000	120,000	–	–
Dai Feng Yu	–	–	4,082,200	3,999,500
Xie Ming	–	–	10,800,000	10,800,000
Andrew Bek	1,600,000	1,600,000	–	–

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.

Dawn Vitality International Limited holds 4,169,500 shares, of which 170,000 shares are held on trust for certain employees under Anchun Performance Share Plan 2014. Dai Feng Yu owns 26.04% of Dawn Vitality International Limited with the remaining 73.96% held on trust by her for 142 beneficiaries under a Trust Agreement.

There was no change in any of the above-mentioned interests in the Company between the end of the financial year and 21 January 2021.

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.

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.

As at 31 December 2019, the Company held 1,809,100 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.

As at 31 December 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.

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.

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.

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 2021

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 2020, statements of changes in equity of the Group and the Company and the consolidated statement of comprehensive income and consolidated cash flow statement of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group, the balance sheet and the statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and 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 2020 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.

Key Audit Matters (cont'd)

Impairment of trade receivables and contract assets

The Group's trade receivables and contract assets were significant as these represent 31% of the total assets in the consolidated balance sheet. The gross carrying amount of trade receivables and contract assets amounted to RMB144.9 million as at 31 December 2020, against which an allowance for expected credit losses ("ECL") of RMB36.3 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 that may have on the debtors' businesses. 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 billings by sighting to invoices issued to customers subsequent to year end. We discussed with management on the collectability 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, 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 including the impact COVID-19 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 22 and 32 to the consolidated financial statements. We assessed the adequacy of the disclosures.

Key Audit Matters (cont'd)

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 on 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.

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 2020, 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 COVID-19 pandemic, by taking into consideration past performance of the Group's projects and current market condition due to COVID-19.

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 29 to the financial statements.

Other Information

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

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

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

Responsibilities of Management and Directors for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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.

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 Tan Soon Seng.

Ernst & Young LLP
Public Accountants and
Chartered Accountants

Singapore
31 March 2021

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

(Amounts expressed in Renminbi)

	Note	Group 2020 RMB'000	Group 2019 RMB'000
Revenue	4	**93,920**	170,999
Cost of sales		**(74,502)**	(136,562)
Gross profit		**19,418**	34,437
Other items of income			
Finance and other income	5	**6,746**	7,710
Write-back of impairment losses on financial assets, net	22	**–**	1,102
Other items of expense			
Impairment loss on financial assets, net	22	**(3,664)**	–
Marketing and distribution expenses		**(5,186)**	(5,346)
Administrative expenses		**(20,323)**	(19,323)
Research expenses		**(8,322)**	(6,981)
Other expenses	6	**(110)**	(360)
Finance costs	7	**(10)**	(7)
(Loss)/profit before tax	8	**(11,451)**	11,232
Income tax credit	9	**64**	372
(Loss)/profit for the year, representing total comprehensive income for the year attributable to owners of the Company		**(11,387)**	11,604
(Loss)/earning per share (RMB cents):			
Basic	10	**(23.44)**	23.26
Diluted	10	**(23.44)**	23.17

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

BALANCE SHEETS

AS AT 31 DECEMBER 2020

(Amounts expressed in Renminbi)

	Note	Group		Company	
		2020	2019	2020	2019
		RMB'000	RMB'000	RMB'000	RMB'000
ASSETS					
Non-current assets					
Property, plant and equipment	14	**57,892**	64,709	**–**	–
Intangible assets	15	**896**	205	**–**	–
Right-of-use assets	17	**12,655**	13,156	**42**	177
Investment in a subsidiary	13	**–**	–	**75,596**	75,539
Investment properties	19	**1,710**	1,931	**–**	–
Prepayments	20	**1,147**	1	**–**	–
Deferred tax assets	18	**906**	842	**–**	–
		75,206	80,844	**75,638**	75,716
Current assets					
Inventories	21	**27,929**	26,348	**–**	–
Trade and other receivables	22	**41,872**	57,409	**47,257**	47,257
Contract assets	4	**87,629**	102,546	**–**	–
Prepayments	20	**2,552**	3,110	**54**	56
Cash and bank balances	23	**112,368**	107,592	**5,111**	14,523
		272,350	297,005	**52,422**	61,836
Total assets		**347,556**	377,849	**128,060**	137,552
EQUITY AND LIABILITIES					
Current liabilities					
Trade and other payables	24	**28,849**	40,211	**12,228**	11,932
Contract liabilities	4	**20,091**	17,625	**–**	–
Other liabilities	25	**15,740**	19,188	**932**	786
Lease liability	17	**43**	134	**43**	134
Provisions	26	**38**	62	**–**	–
Income tax payable		**6,196**	6,196	**–**	–
		70,957	83,416	**13,203**	12,852
Net current assets		**201,393**	213,589	**39,219**	48,984

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

(Amounts expressed in Renminbi)

	Note	Group 2020 RMB'000	Group 2019 RMB'000	Company 2020 RMB'000	Company 2019 RMB'000
Non-current liabilities					
Lease liability	17	**–**	45	**–**	45
Total liabilities		**70,957**	83,461	**13,203**	12,897
Net assets		**276,599**	294,388	**114,857**	124,655
Equity attributable to owners of the Company					
Share capital	27(a)	**149,278**	149,278	**149,278**	149,278
Treasury/employee benefit trust shares	27(b)	**(3,021)**	(2,420)	**(3,021)**	(2,420)
Other reserves	28	**123,202**	123,384	**180**	142
Accumulated profits/(losses)		**7,140**	24,146	**(31,580)**	(22,345)
Total equity		**276,599**	294,388	**114,857**	124,655
Total equity and liabilities		**347,556**	377,849	**128,060**	137,552

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 2020

(Amounts expressed in Renminbi)

	Attributable to owners of the Company				
	Total equity RMB'000	Share capital (Note 27) RMB'000	Treasury/ employee benefit trust shares RMB'000	Other reserves (Note 28) RMB'000	Accumulated profits RMB'000
Group					
Opening balance at 1 January 2020	**294,388**	**149,278**	**(2,420)**	**123,384**	**24,146**
Loss for the year, representing total comprehensive income for the year	**(11,387)**	**–**	**–**	**–**	**(11,387)**
Contributions by and distributions to owners					
Grant of equity-settled performance shares	**57**	**–**	**–**	**57**	**–**
EBT shares reissued pursuant to vesting of performance share plan	**24**	**–**	**43**	**(19)**	**–**
Purchase of treasury shares	**(644)**	**–**	**(644)**	**–**	**–**
Dividends paid (Note 34)	**(5,838)**	**–**	**–**	**–**	**(5,838)**
	(6,401)	**–**	**(601)**	**38**	**(5,838)**
Others					
Utilisation of statutory reserve fund – safety production expenditure	**–**	**–**	**–**	**(256)**	**256**
Transfer to statutory reserve fund	**–**	**–**	**–**	**36**	**(36)**
Transfer to staff welfare payable	**(1)**	**–**	**–**	**–**	**(1)**
	(1)	**–**	**–**	**(220)**	**(219)**
Closing balance at 31 December 2020	**276,599**	**149,278**	**(3,021)**	**123,202**	**7,140**

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 2020

(Amounts expressed in Renminbi)

	Attributable to owners of the Company				
	Total equity	**Share capital (Note 27)**	**Treasury/ employee benefit trust shares**	**Other reserves (Note 28)**	**Accumulated profits**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**
Group					
Opening balance at 1 January 2019	284,596	149,278	(604)	121,981	13,941
Profit for the year, representing total comprehensive income for the year	11,604	–	–	–	11,604
Contributions by and distributions to owners					
Grant of equity-settled performance shares	57	–	–	57	–
Purchase of treasury shares	(1,816)	–	(1,816)	–	–
	(1,759)	–	(1,816)	57	–
Others					
Utilisation of statutory reserve fund – safety production expenditure	–	–	–	(231)	231
Transfer to statutory reserve fund	–	–	–	1,577	(1,577)
Transfer to staff welfare payable	(53)	–	–	–	(53)
	(53)	–	–	1,346	(1,399)
Closing balance at 31 December 2019	294,388	149,278	(2,420)	123,384	24,146

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 2020

(Amounts expressed in Renminbi)

	Attributable to owners of the Company				
	Total equity	**Share capital (Note 27)**	**Treasury/ employee benefit trust shares**	**Other reserves (Note 28)**	**Accumulated losses**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**
Company					
Opening balance at 1 January 2020	**124,655**	**149,278**	**(2,420)**	**142**	**(22,345)**
Loss for the year, representing total comprehensive income for the year	**(3,397)**	**–**	**–**	**–**	**(3,397)**
Contributions by and distributions to owners					
Grant of equity-settled performance shares	**57**	**–**	**–**	**57**	**–**
EBT shares reissued pursuant to vesting of performance share plan	**24**	**–**	**43**	**(19)**	**–**
Purchase of treasury share	**(644)**	**–**	**(644)**	**–**	**–**
Dividends paid (Note 34)	**(5,838)**	**–**	**–**	**–**	**(5,838)**
	(6,401)	**–**	**(601)**	**38**	**(5,838)**
Closing balance at 31 December 2020	**114,857**	**149,278**	**(3,021)**	**180**	**(31,580)**
Opening balance at 1 January 2019	118,055	149,278	(604)	85	(30,704)
Profit for the year, representing total comprehensive income for the year	8,359	–	–	–	8,359
Contributions by and distributions to owners					
Grant of equity-settled performance shares	57	–	–	57	–
Purchase of treasury share	(1,816)	–	(1,816)	–	–
	(1,759)	–	(1,816)	57	–
Closing balance at 31 December 2019	124,655	149,278	(2,420)	142	(22,345)

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 2020

(Amounts expressed in Renminbi)

	Note	Group 2020 RMB'000	Group 2019 RMB'000
Operating activities			
(Loss)/profit before tax		**(11,451)**	11,232
Adjustments for:			
Depreciation of property, plant and equipment	14	**8,942**	10,189
Depreciation of right-of-use assets	17	**492**	453
Depreciation of investment properties	19	**221**	501
Amortisation of intangible assets	15	**140**	92
Impairment/(write-back of impairment) losses on financial assets, net	22	**3,664**	(1,102)
Allowance for/(write-back of) inventory obsolescence	21	**3,841**	(391)
Allowance for provision on onerous contracts, net	26	**37**	22
Gain on disposal of property, plant and equipment, net		**(220)**	(78)
Write-off of property, plant and equipment	14	**95**	213
Finance costs	7	**10**	7
Finance income	5	**(1,726)**	(2,796)
Grant of equity-settled performance shares		**57**	57
Unrealised exchange loss/(gain)		**251**	(11)
Operating cash flows before changes in working capital		**4,353**	18,388
Changes in working capital			
(Increase)/decrease in:			
Inventories		**(5,422)**	2,715
Trade and other receivables		**11,873**	(5,608)
Contract assets		**14,917**	(39,690)
Prepayments		**559**	13,070
(Decrease)/increase in:			
Trade and other payables		**(11,556)**	9,295
Contract liabilities		**2,466**	(27,184)
Other liabilities and provision		**(3,510)**	2,638
Total changes in working capital		**9,327**	(44,764)
Cash flows generated from/(used in) operations		**13,680**	(26,376)
Interest received		**1,726**	2,796
Interest paid		**(10)**	(7)
Income taxes refund		**–**	(306)
Net cash flows generated from/(used in) operating activities		**15,396**	(23,893)

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 2020

(Amounts expressed in Renminbi)

	Note	Group 2020 RMB'000	Group 2019 RMB'000
Investing activities			
Purchase of property, plant and equipment	A	**(3,188)**	(1,254)
Purchase of intangible assets - software	15	**(831)**	(112)
Proceeds from disposal of property, plant and equipment		**235**	224
Placement of fixed deposits		**(20,000)**	–
Withdraw of investment at fair value through profit or loss managed by a fund manager		**–**	20,000
Net cash flows (used in)/generated from investing activities		**(23,784)**	18,858
Financing activities			
Purchase of treasury shares	32(c)	**(644)**	(1,816)
Dividends paid	32(c)	**(5,838)**	–
Repayment of principal portion of lease liability	32(c)	**(127)**	(86)
Net cash flows used in financing activities		**(6,609)**	(1,902)
Net decrease in cash and cash equivalents		**(14,997)**	(6,937)
Cash and cash equivalents at 1 January		**107,592**	114,518
Effect of exchange rate changes on cash and cash equivalents		**(227)**	11
Cash and cash equivalents at 31 December	23	**92,368**	107,592

A. Purchase of property, plant and equipment

	Group 2020 RMB'000	Group 2019 RMB'000
Current year additions to property, plant and equipment (Note 14)	**2,235**	1,220
Less: Payable to creditors	**(314)**	(120)
Prepayments made in prior year	**–**	(6)
	1,921	1,094
Add: Payments for prior year purchase	**120**	160
Prepayments made in current year	**1,147**	–
Net cash outflow for purchase of property, plant and equipment	**3,188**	1,254

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

1. Corporate information

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

The registered office of the Company is located at 81 Anson Road, Suite 8.20, Singapore 079908. The principal place of business of the Group is located at No. 539, Lusong Road, Changsha National Hi-tech Industrial Development Zone, Changsha City, Hunan Province, 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 2020. The adoption of these standards and interpretations did not have any effect on the financial performance or position of the Group and The Company.

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:

Description	***Effective for annual periods beginning on or after***
Amendments to SFRS(I) 16: *Leases: COVID-19-Related Rent Concessions*	1 June 2020
Annual Improvements to SFRS(I)s 2018-2020	1 January 2022
Amendments to SFRS(I) 3: *Business Combinations*: Reference to the Conceptual Framework	1 January 2022
Amendments to SFRS(I) 1-16 *Property, Plant and Equipment*: Proceeds before Intended Use	1 January 2022
Amendments to SFRS(I) 1-37 *Provisions, Contingent Liabilities and Contingent Assets*: Onerous contracts - Cost of fulfilling a Contract	1 January 2022
SFRS(I) 17 *Insurance Contracts*	1 January 2023
Amendments to SFRS(I) 17 *Insurance Contracts*	1 January 2023
Amendments to SFRS(I) 1-1 *Presentation of Financial Statements*: Classification of Liabilities as Current or Non-current	1 January 2023
Amendments to SFRS(I) 10 *Consolidated Financial Statements* and SFRS(I) 1-28 *Investments in Associates and Joint Ventures*: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Date to be determined

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

2.4 Basis of consolidation and business combinations

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December 2020. 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

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.

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

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

Basis of consolidation (cont'd)

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 acquire 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.

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.

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

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

Basis of consolidation (cont'd)

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.

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.

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

2.6 Property, plant and equipment (cont'd)

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

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

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

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

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

2.7 Intangible assets

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

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

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

Computer software

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

2. 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 over the estimated useful lives of 20 years.

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

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

2.9 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.

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.

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.

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.

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.

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

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

(c) *Employee leave entitlement*

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

2.20 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:

	Years
Office space	2
Land use rights	50

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 17.

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

2.20 Leases (cont'd)

(a) As lessee (cont'd)

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 17.

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.

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

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

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

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

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

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

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

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

2.21 Revenue (cont'd)

(b) *Sale of chemical equipment (cont'd)*

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.

(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.

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

2.22 Taxes (cont'd)

(b) Deferred tax (cont'd)

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

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

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

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply 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.

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. Summary of significant accounting policies (cont'd)

2.23 Segmental reporting

For management purposes, the Group is organised into operating segments based on their products and services which are independently managed by respective segment managers responsible for the performance of the respective segments under their charge. The segment manager reports directly to the management of the Company who regularly reviews the segment results in order to allocate the resources to the segments and assess the segment performance. Additional disclosures on each of these segments are shown in Note 29, 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.

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. Summary of significant accounting policies (cont'd)

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.

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. Significant accounting judgements and estimates (cont'd)

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 22 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 2020, the Group recorded revenue of RMB82,975,000 (2019: RMB154,292,000) from contracts under CET engineering services and CSC business.

4. Revenue

(a) Disaggregation of revenue

	Catalyst business		CSC business		CET engineering services		Total revenue	
	2020	2019	2020	2019	2020	2019	2020	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Primary geographical market								
People's Republic of China	**10,945**	16,707	**76,558**	148,272	**6,417**	6,020	**93,920**	170,999
Major product or service lines								
Catalyst	**10,945**	16,707	**–**	–	**–**	–	**10,945**	16,707
Chemical equipment	**–**	–	**76,558**	148,272	**–**	–	**76,558**	148,272
Engineering and design services	**–**	–	**–**	–	**6,417**	6,020	**6,417**	6,020
	10,945	16,707	**76,558**	148,272	**6,417**	6,020	**93,920**	170,999
Timing of transfer of goods or services								
At a point in time	**10,945**	16,707	**–**	–	**–**	–	**10,945**	16,707
Over time	**–**	–	**76,558**	148,272	**6,417**	6,020	**82,975**	154,292
	10,945	16,707	**76,558**	148,272	**6,417**	6,020	**93,920**	170,999

(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.

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		1 January
	2020	2019	2019
	RMB'000	RMB'000	RMB'000
Receivables from contracts with customers (Note 22)	**20,984**	29,970	25,274
Contract assets	**87,629**	102,546	62,856
Contract liabilities	**20,091**	17,625	44,809

During current financial year, the Group has recognised impairment losses on receivables, net, on receivables arising from contracts with customers of RMB3,664,000 (2019: write-back of RMB1,102,000).

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, no additional impairment loss was recognised on contract assets (2019: Nil).

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	
	2020	2019
	RMB'000	RMB'000
Contract assets reclassified to receivables	**64,462**	38,783

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

	Group	
	2020	2019
	RMB'000	RMB'000
Revenue recognised that was included in the contract liability balance at the beginning of the year	**11,152**	38,046

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 2020 is RMB116,556,000 (2019: RMB85,969,000). The Group expects to recognise RMB105,780,000 as revenue relating to the transaction price allocated to the unsatisfied (or partially satisfied) performance obligations as at 31 December 2020 in the financial year 2021 and RMB10,776,000 in the financial year 2022.

5. Finance and other income

	Group	
	2020	2019
	RMB'000	RMB'000
Finance income		
Interest income on bank balances and deposits	**1,726**	2,796
Other income		
Government grants^	**1,021**	1,415
Sale of scrap materials and parts	**1,690**	742
Rental income from investment properties (Note 19)	**2,214**	2,482
Net foreign exchange (loss)/gain, net	**(251)**	11
Gain from contract penalty	**25**	39
Gain on disposal of property, plant and equipment	**235**	224
Others	**86**	1
	6,746	7,710

^ During the financial years ended 31 December 2020 and 2019, 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	
	2020	2019
	RMB'000	RMB'000
Loss on disposal of property, plant and equipment	**15**	146
Write-off of property, plant and equipment (Note 14)	**95**	213
Others	**–**	1
	110	360

7. Finance costs

	Group 2020 RMB'000	Group 2019 RMB'000
Bank charges	**7**	3
Interest expense on lease liability	**3**	4
	10	7

8. Profit before tax

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

	Note	Group 2020 RMB'000	Group 2019 RMB'000
Audit fees			
– Auditors of the Company		**415**	425
– Member firm of EY Global		**508**	531
– Other auditors		**41**	43
Non-audit fees			
– Other auditors		**75**	75
Professional fees		**182**	192
Grant of equity-settled performance shares		**57**	57
Allowance for provision on onerous contracts, net	26	**37**	22
Amortisation of intangible assets	15	**140**	92
Allowance for/(write-back of) inventory to net realisable value	21	**3,841**	(391)
Expenses relating to short-term leases	17	**612**	652
Depreciation of property, plant and equipment	14	**8,942**	10,189
Depreciation of right-of-use assets	17	**492**	453
Depreciation of investment properties	19	**221**	501
Employee benefits expense	11	**28,730**	30,723
Direct operating expenses	19	**479**	802
Inventories recognised as an expense in cost of sales	21	**49,438**	99,689
Impairment/(write-back of impairment) losses on financial assets, net:			
– Trade receivables	22	**3,664**	(1,102)

9. Income tax credit

Major components of income tax credit

The major components of income tax credit for the years ended 31 December 2020 and 2019 are:

	Group 2020 RMB'000	Group 2019 RMB'000
Current income tax – continuing operations:		
– Under provision in respect of previous years	**–**	(364)
– Withholding tax on dividend	**–**	600
Deferred income tax:		
– Origination of temporary differences	**–**	(394)
– Under provision in respect of previous years	**(64)**	(214)
Income tax credit recognised in profit or loss	**(64)**	(372)

Relationship between tax credit and accounting profit

The reconciliation between tax credit and the product of accounting (loss)/profit multiplied by the applicable corporate tax rate for the years ended 31 December 2020 and 2019 is as follows:

	Group 2020 RMB'000	Group 2019 RMB'000
(Loss)/profit before tax	**(11,451)**	11,232
Tax at the domestic rates applicable to profit in the countries where the Group operates	**(1,786)**	1,752
Adjustments:		
– Non-deductible expenses	**441**	431
– Income not subject to taxation	**–**	(712)
– Deferred tax assets not recognised	**2,266**	–
– Effect of partial tax exemption and tax relief	**(921)**	(715)
– Benefits from previously unrecognised tax losses	**–**	(1,150)
– Withholding tax on dividend	**–**	600
– Under provision in respect of previous years	**(64)**	(578)
Income tax credit recognised in profit or loss	**(64)**	(372)

9. Income tax credit (cont'd)

Anchun International Holdings Ltd. (the "Company")

The Company is incorporated in Singapore and is subject to a tax rate of 17% for the financial year ended 31 December 2020 (2019: 17%).

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

According to the Enterprise Income Tax Law of the PRC, promulgated by the State Council and the Administrative Measure for Determination of High and New Technology Enterprises, issued by the Ministry of Science and Technology, Finance and State Administration of Tax and effective on 1 January 2008, High and New Technology Enterprises that require key state support are subject to the applicable enterprise income tax rate of 15%. Given that Hunan Anchun has received the certificate of High and New Technology Enterprise since 2007, it enjoys the preferential income tax rate of 15%.

10. Earnings per share

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

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

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

	Group	
	2020	**2019**
	RMB'000	**RMB'000**
(Loss)/profit for the year attributable to owners of the Company used in the computation of basic and diluted loss per share	**(11,387)**	11,604
Weighted average number of ordinary shares for basic earnings per share computation ('000) #	**48,580**	49,894
Effects of dilution of share awards ('000)	**169**	186
Weighted average number of ordinary shares for diluted earnings per share computation ('000)	**48,749**	50,080
Basic (losses)/earnings per share (RMB cents)	**(23.44)**	23.26
Diluted (losses)/earnings per share (RMB cents)	**(23.44)**	23.17

\# 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.

10. Earnings per share (cont'd)

As at 31 December 2019, no treasury shares and EBT shares are granted to employees under the Performance Share Plan 2014.

In 2020, 17,000 EBT shares have been issued to an employee after fulfilling three years' service condition of the awards granted.

11. Employee benefits expense

	Group	
	2020	**2019**
	RMB'000	**RMB'000**
Employee benefits expense (including directors):		
Salaries and bonuses	**25,280**	25,322
Welfare expense	**1,545**	1,645
Contribution to defined contribution plans	**1,874**	3,698
Performance share expense	**31**	57
	28,730	30,722

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 (2019: no revisions). The movement in performance shares is disclosed in Note 27(b) to the financial statements.

11. Employee benefits expense (cont'd)

Employee share awards (cont'd)

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:

	2020 No. ('000)	2019 No. ('000)
Outstanding at 1 January	**186**	186
– Vested	**(17)**	–
Outstanding at 31 December	**169**	186

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	
	2020 RMB'000	**2019 RMB'000**
Service fee charged to a subsidiary	**20**	20

(b) Compensation of key management personnel

	Group	
	2020 RMB'000	2019 RMB'000
Salaries, bonuses and fees	**2,680**	3,085
Contribution to defined contribution plans	**91**	105
Performance share expense	**57**	57
Total compensation paid to key management personnel	**2,828**	3,247
Comprises amounts paid to:		
– Directors of the Company	**2,475**	2,828
– Other key management personnel	**353**	419
Total compensation paid to key management personnel	**2,828**	3,247

12. Related party transactions (cont'd)

(b) Compensation of key management personnel (cont'd)

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. The shares will be transferred to the employee after he has fulfilled the three years' service condition under the grant of the award. During current financial year ended 31 December 2020, no share awards have been granted under the Anchun PSP.

At the end of the reporting period, the total number of outstanding share awards granted by the Company to the abovementioned key management personnel under the Anchun PSP amounted to 160,000 (2019: 160,000).

Date of award	Expiry date	2020 No. of outstanding shares	2019 No. of outstanding shares
2018	2021	**160,000**	160,000

13. Investment in a subsidiary

	Company 2020 RMB'000	Company 2019 RMB'000
Unquoted equity shares, at cost	**75,000**	75,000
Anchun PSP	**596**	539
	75,596	75,539

Details of the subsidiary is as follows:

Name of company	Country of incorporation	Principal activities	Proportion of ownership interest 2020 %	Proportion of ownership interest 2019 %
Held by the Company				
Hunan Anchun Advanced Technology Co., Ltd ("Hunan Anchun") (1)	PRC	Provision of integrated chemical systems engineering and technology solutions to the petrochemical and chemical industries	**100**	100

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

14. Property, plant and equipment

	Buildings RMB'000	Machinery RMB'000	Office equipment and furniture RMB'000	Motor vehicles RMB'000	Total RMB'000
Group					
Cost:					
At 1 January 2019	84,727	105,649	5,923	1,852	198,151
Additions	–	603	617	–	1,220
Disposals	–	(678)	(36)	(229)	(943)
Write-off	–	(1,189)	(587)	–	(1,776)
At 31 December 2019 and 1 January 2020	84,727	104,385	5,917	1,623	196,652
Additions	–	1,473	762	–	2,235
Disposals	–	(50)	(5)	(242)	(297)
Write-off	–	(660)	(374)	–	(1,034)
At 31 December 2020	84,727	105,148	6,300	1,381	197,556
Accumulated depreciation:					
At 1 January 2019	(39,927)	(77,444)	(5,217)	(1,526)	(124,114)
Depreciation charge for the year	(4,013)	(5,720)	(260)	(196)	(10,189)
Disposals	–	546	33	218	797
Write-off	–	1,005	558	–	1,563
At 31 December 2019 and 1 January 2020	(43,940)	(81,613)	(4,886)	(1,504)	(131,943)
Depreciation charge for the year	(4,011)	(4,653)	(239)	(39)	(8,942)
Disposals	–	47	5	230	282
Write-off	–	586	353	–	939
At 31 December 2020	(47,951)	(85,633)	(4,767)	(1,313)	(139,664)
Net carrying amount:					
At 31 December 2019	40,787	22,772	1,031	119	64,709
At 31 December 2020	36,776	19,515	1,533	68	57,892

15. Intangible assets

	Group	
	2020	**2019**
	RMB'000	**RMB'000**
Cost		
At 1 January	**1,914**	1,802
Additions	**831**	112
Disposal	**(621)**	–
At 31 December	**2,124**	1,914
Accumulated amortisation		
At 1 January	**(1,709)**	(1,617)
Amortisation charge for the year	**(140)**	(92)
Disposal	**621**	–
At 31 December	**(1,228)**	(1,709)
Net carrying amount		
At 31 December	**896**	205

Intangible assets relate to computer software purchased from vendors and have an average remaining amortisation period of 2 years (2019: 1 year). The amortisation of intangible asset is included in the "Administrative expenses" line item in the consolidated statement of comprehensive income.

16. Land use rights

	Group
	2019
	RMB'000
Cost:	
At 1 January	18,271
Reclassification to right-of-use asset (Note 17)	(18,271)
	–
Accumulated amortisation:	
At 1 January	(4,927)
Reclassification to right-of-use asset (Note 17)	4,927
At 31 December	–
Net carrying amount	
At 31 December	–

The Group has land use rights over three plots of state-owned land in the People's Republic of China (PRC) where the Group's PRC manufacturing and storage facilities reside. The land use rights are not transferable and have an average remaining tenure of 32 years (2019: 33 years). The amortisation of land use rights is included in the "Administrative expenses" line item in the consolidated statement of comprehensive income.

16. Land use rights (cont'd)

The tenure of the land use rights gives rise to a right-of-use asset that provides the Group to the right to use the asset in exchange for a consideration. The carrying value of land use rights was reclassified to right-of-use assets on 1 January 2019 arising from the adoption of SFRS(I) 16.

17. 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.

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

	Office space RMB'000	Land use rights RMB'000	Total RMB'000
Group			
Cost:			
At 1 January 2019	–	–	–
Reclassification from land use rights (Note 16)	–	18,271	18,271
Additions	254	–	254
Translation difference	12	–	12
At 31 December 2019	266	18,271	18,537
Translation difference	(4)	–	(4)
	262	18,271	18,533
Accumulated depreciation:			
At 1 January 2019	–	–	–
Reclassification from land use rights (Note 16)	–	(4,927)	(4,927)
Depreciation charge for the year	(88)	(365)	(453)
Translation difference	(1)	–	(1)
At 31 December 2019	(89)	(5,292)	(5,381)
Depreciation charge for the year	(126)	(366)	(492)
Translation difference	(5)	–	(5)
At 31 December 2020	(220)	(5,658)	(5,878)
Net carrying amount:			
At 31 December 2020	42	12,613	12,655
At 31 December 2019	177	12,979	13,156

17. Leases (cont'd)

Group as a lessee (cont'd)

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

	Office space RMB'000
Company	
Cost:	
At 1 January 2019	–
Additions	254
Translation difference	12
At 31 December 2019 and 2020	266
Accumulated depreciation:	
At 1 January 2019	–
Depreciation charge for the year	(88)
Translation difference	(1)
At 31 December 2019	(89)
Depreciation charge for the year	(126)
Translation difference	(9)
At 31 December 2020	(224)
Net carrying amount:	
At 31 December 2020	42
At 31 December 2019	177

17. Leases (cont'd)

(b) *Carrying amounts of lease liability*

	2020 RMB'000	2019 RMB'000
Group and Company		
At 1 January	**179**	–
Additions	**–**	258
Accretion of interest	**3**	4
Payments	**(130)**	(90)
Translation difference	**(9)**	7
At 31 December	**43**	179
Represented as:		
Current	**43**	134
Non-current	**–**	45
Total	**43**	179

The maturing analysis of lease liabilities is disclosed in Note 32(b).

(c) *Amounts recognised in profit or loss*

	Group	
	2020 RMB'000	2019 RMB'000
Depreciation of right-of-use assets	**492**	453
Interest expense on lease liability	**3**	4
Expenses relating to short-term leases	**612**	652
Total amount recognised in statement of comprehensive income	**1,107**	1,109

(d) *Total cash outflows*

The Group had total cash outflows for leases of RMB742,000 in 2020 (2019: RMB742,000).

18. Deferred tax

Deferred tax as at 31 December relates to the following:

	Group	
	2020	2019
	RMB'000	RMB'000
Deferred tax assets:		
Unutilised tax losses	**906**	842

	Group	
	2020	2019
	RMB'000	RMB'000
As of 1 January	**842**	628
Tax credit recognised in profit or loss	**64**	214
As at 31 December	**906**	842

Unrecognised tax losses

At the end of the reporting period, the Group has tax losses of approximately RMB8,417,000 (2019: RMB5,613,000) that are available for offset against future taxable profits. In 2019, all tax losses have been recognised as deferred tax asset. In 2020, RMB2,377,000 of tax losses were not recognised as deferred tax asset due to uncertainty of its recoverability. The use of these tax losses is subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation of the respective countries in which the companies operate. In FY2020, if the Group were able to recognise all unrecognised deferred tax assets, the profit would increase by RMB357,000. The tax losses will expire from 2024 to 2025 except amount of RMB294,000 (2019: RMB314,000).

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 RMB38,555,000 (2019: RMB46,388,000) and the deferred tax liability is estimated at RMB1,928,000 (2019: RMB2,319,000).

There are no income tax consequences attached to the payment of dividend in 2020 by the Company to its shareholders.

19. Investment properties

	Group	
	2020	2019
	RMB'000	RMB'000
Balance sheet:		
Cost		
At 1 January and 31 December	**10,551**	10,551
Accumulated depreciation		
At 1 January	**(8,620)**	(8,119)
Depreciation charge for the year	**(221)**	(501)
At 31 December	**(8,841)**	(8,620)
Net carrying amount		
At 31 December	**1,710**	1,931
Fair value	**18,305**	26,422
Consolidated statement of comprehensive income		
Rental income from investment properties:		
- Minimum lease payments	**2,214**	2,482
Direct operating expenses (including repairs and maintenance) arising from:		
- Rental generating properties	**(479)**	(802)

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

Valuation of investment property

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

The fair value of investment property in Lufeng Road is determined based on discounted cash flows method. Details of valuation techniques and inputs are disclosed in Note 31 to the financial statements.

19. Investment properties (cont'd)

The investment properties held by the Group as at 31 December 2020 are as follows:

Description and location	Existing Use	Tenure of land	Unexpired lease term
10th floor, Xiang Kai Shi Hua Tower, Changsha, PRC	Offices	Leasehold, 50 years lease from 2 August 1999	29 years (2019: 30 years)
No. 65, Lufeng Road, Hi-Tech Industrial Development Zone, Changsha, PRC	Manufacturing	Leasehold, 50 years lease from 16 August 2002	32 years (2019: 33 years)

20. Prepayments

	Group		Company	
	2020	2019	2020	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Non-current				
Prepayments relating to purchase of property, plant and equipment	**1,147**	1	**–**	–
Current				
Prepayments to trade suppliers	**2,349**	2,990	**–**	–
Prepaid operating expenses	**203**	120	**54**	56
	2,552	3,110	**54**	56

21. Inventories

	Group	
	2020	2019
	RMB'000	RMB'000
Balance sheet:		
Raw materials (at cost)	**19,597**	18,029
Work-in-progress (at cost or net realisable value)	**1,851**	1,811
Finished goods (at cost or net realisable value)	**6,481**	6,508
	27,929	26,348
Consolidated statement of comprehensive income:		
Inventories recognised as an expense in cost of sales	**49,438**	99,689
Allowance for/(write-back of) inventory obsolescence	**3,841**	(391)

22. Trade and other receivables

	Group		Company	
	2020	2019	2020	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables	**20,984**	29,970	**–**	–
Bill receivables	**19,117**	25,804	**–**	–
VAT/GST receivables	**7**	26	**7**	26
Amount due from a subsidiary (non-trade)	**–**	–	**47,221**	47,201
Other receivables	**1,764**	1,609	**29**	30
Total trade and other receivables	**41,872**	57,409	**47,257**	47,257
Add:				
Contract assets (Note 4)	**87,629**	102,546	**–**	–
Cash and cash equivalents (Note 23)	**112,368**	107,592	**5,111**	14,523
Less:				
VAT/GST receivables	**(7)**	(26)	**(7)**	(26)
Total financial assets carried at amortised cost	**241,862**	267,521	**52,361**	61,754

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	
	2020	2019
	RMB'000	RMB'000
Singapore dollar	**36**	55

Bill receivables

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

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.

22. Trade and other receivables (cont'd)

Trade receivables that are past due but not impaired

The Group has trade receivables amounting to RMB20,984,000 (2019: RMB29,970,000) that are past due at the end of the reporting period but not impaired. The analysis of their aging at the end of the reporting period is as follows:

	Group	
	2020	**2019**
	RMB'000	**RMB'000**
Trade receivables past due but not impaired:		
Within 1 year	**13,569**	26,470
1 year to 2 years	**6,671**	1,831
2 years to 3 years	**744**	1,669
	20,984	29,970

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**
	2020	**2020**	**2019**	**2019**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Movement in the allowance accounts:				
At 1 January	**26,509**	**6,975**	28,568	6,975
Charge/(reversal) for the year	**3,664**	**–**	(1,102)	–
Written-off	**(895)**	**–**	(957)	–
At 31 December	**29,278**	**6,975**	26,509	6,975

23. Cash and bank balances

	Group		Company	
	2020 RMB'000	2019 RMB'000	2020 RMB'000	2019 RMB'000
Cash at banks and on hand	**91,664**	90,911	**5,111**	4,036
Short-term deposits	**20,704**	16,681	**–**	10,487
Total	**112,368**	107,592	**5,111**	14,523
Less: Short-term deposits (Maturity >3 months)	**(20,000)**	–	**–**	–
Cash and cash equivalents	**92,368**	107,592	**5,111**	14,523

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 (2019: one and three months) and earn interests at the respective short-term deposit rates.

The weighted average effective interest rates as at 31 December 2020 for the Group and the Company were 2.6% (2019: 2.4%) and 2.3% (2019: 2.3%) respectively.

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

	Group and Company	
	2020 RMB'000	2019 RMB'000
Singapore dollar	**5,111**	4,036

24. Trade and other payables

	Group		Company	
	2020	2019	2020	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables	**12,071**	15,979	**–**	–
Bill payables	**–**	3,864	**–**	–
Amount due to a subsidiary (non-trade)	**–**	–	**12,228**	11,932
Other taxes payable	**1,221**	2,048	**–**	–
VAT payable	**8,573**	14,511	**–**	–
Other payables	**6,984**	3,809	**–**	–
	28,849	40,211	**12,228**	11,932
Add:				
Other liabilities (Note 25)	**15,740**	19,188	**932**	786
Lease liability (Note 17)	**43**	179	**43**	179
Less:				
Other taxes payable	**(1,221)**	(2,048)	**–**	–
VAT payable	**(8,573)**	(14,511)	**–**	–
Total financial liabilities carried at amortised cost	**34,838**	43,019	**13,203**	12,897

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.

25. Other liabilities

	Group		Company	
	2020	2019	2020	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Accrued salaries and bonuses	**5,445**	5,720	**363**	570
Accrued operating expenses	**2,903**	6,814	**569**	216
Accrued welfare expenses	**7,392**	6,654	**–**	–
	15,740	19,188	**932**	786

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

	Group and Company	
	2020	2019
	RMB'000	RMB'000
Singapore dollar	**887**	745

26. Provisions

	2020	2019
	RMB'000	RMB'000
Group		
At 1 January	**62**	59
Utilisation for completed contracts	**(61)**	(19)
Over provision in previous years	**(1)**	(39)
Provision for the year	**38**	61
At 31 December	**38**	62

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.

27. Share capital and treasury/employee benefit trust shares

(a) Share capital

	Group and Company			
	2020	2020	2019	2019
	No. of shares	RMB'000	No. of shares	RMB'000
Issued and fully paid ordinary shares				
At 1 January and 31 December	**50,500,000**	**149,278**	50,500,000	149,278

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

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

(b) Treasury/employee benefit trust shares

	Group and Company			
	2020	2020	2019	2019
	No. of shares	RMB'000	No. of shares	RMB'000
At 1 January	**(1,835,100)**	**(2,420)**	(443,400)	(604)
Acquired during the year	**(500,000)**	**(644)**	(1,391,700)	(1,816)
EBT shares reissued pursuant to vesting of PSP	**17,000**	**43**	–	–
At 31 December	**(2,318,100)**	**(3,021)**	(1,835,100)	(2,420)

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 (2019: 1,391,700) 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 RMB644,000 (2019: RMB1,816,000) 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 2020 (2019: nil).

27. 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.

There were no treasury shares granted under EBT during the financial year ended 31 December 2020 (2019: Nil).

28. Other reserves

		Group		Company	
		2020	2019	2020	2019
		RMB'000	RMB'000	RMB'000	RMB'000
(a)	Statutory reserve fund	**40,843**	40,807	**–**	–
(b)	Statutory reserve fund - safety production expenditure	**5,454**	5,710	**–**	–
(c)	Contribution from shareholder	**1,725**	1,725	**–**	–
(d)	Merger reserve	**75,000**	75,000	**–**	–
(e)	Gain on reissuance of EBT shares	**71**	64	**71**	64
(f)	Anchun PSP reserve	**109**	78	**109**	78
		123,202	123,384	**180**	142

28. 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	
	2020	**2019**
	RMB'000	**RMB'000**
At 1 January	**40,807**	39,230
Transferred from accumulated profits	**36**	1,577
At 31 December	**40,843**	40,807

(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	
	2020	**2019**
	RMB'000	**RMB'000**
At 1 January	**5,710**	5,941
Utilisation during the year	**(256)**	(231)
At 31 December	**5,454**	5,710

(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.

28. Other reserves (cont'd)

(e) *Gain on reissuance of EBT shares*

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

(f) *Anchun PSP reserve*

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

29. 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.

29. Segment information (cont'd)

	Catalyst Business RMB'000	CSC Business RMB'000	CET Engineering Services RMB'000	Total RMB'000
Group				
2020				
Revenue				
External customers	10,945	76,558	6,417	93,920
Total revenue	10,945	76,558	6,417	93,920
Results:				
Segment gross profit	4,708	11,336	3,374	19,418
Finance income				1,726
Other income				5,020
Impairment losses on financial assets, net				(3,664)
Marketing and distribution expenses				(5,186)
Administrative expenses				(20,323)
Research expenses				(8,322)
Other expenses				(110)
Finance costs				(10)
Loss before tax				(11,451)
Other material non-cash items				
Allowance for provision on onerous contracts, net				(37)
Depreciation and amortisation				(9,795)
Gain on disposal of property, plant and equipment, net				220
Write-off of property, plant and equipment				(95)
Allowance for inventory obsolescence				(3,841)

29. Segment information (cont'd)

	Catalyst Business RMB'000	CSC Business RMB'000	CET Engineering Services RMB'000	Total RMB'000
Group				
2019				
Revenue				
External customers	16,707	148,272	6,020	170,999
Total revenue	16,707	148,272	6,020	170,999
Results:				
Segment gross profit	7,065	25,138	2,234	34,437
Finance income				2,796
Other income				4,914
Write-back of impairment losses on financial assets, net				1,102
Marketing and distribution expenses				(5,346)
Administrative expenses				(19,323)
Research expenses				(6,981)
Other expenses				(360)
Finance costs				(7)
Profit before tax				11,232
Other material non-cash items				
Allowance for provision on onerous contracts, net				(22)
Depreciation and amortisation				(11,235)
Gain on disposal of property, plant and equipment, net				78
Write-off of property, plant and equipment				(213)
Write-back of inventory obsolescence				391

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 2020, revenue from two (2019: two) major customers amount to RMB20,970,000 (2019: RMB55,761,000), arising from sales by the CSC Business segment (2019: CSC Business segment).

30. 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 three years (2019: one to three 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 RMB2,224,000 (2019: RMB2,510,000)

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

	Group	
	2020	**2019**
	RMB'000	**RMB'000**
Not later than 1 year	**2,620**	2,159
Later than 1 year but not later than 5 years	**7,900**	642
	10,520	2,801

31. 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.

31. 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:

		Group RMB'000		
		Fair value measurements at the end of the reporting period using		
	Note	Significant observable inputs other than quoted prices (Level 2)	Significant unobservable inputs (Level 3)	Carrying amount
2020				
Investment properties	19			
– Xiang Kai Shi Hua Tower		**10,106**	**–**	**–**
– Lufeng Road, Hi-Tech Industrial Development Zone		**–**	**8,199**	**1,710**
2019				
Investment properties	19			
– Xiang Kai Shi Hua Tower		17,911	–	83
– Lufeng Road, Hi-Tech Industrial Development Zone		–	8,511	1,848

Determination of fair value

Level 2 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.

Level 3 fair value measurements

Using the discounted cash flow method, fair value is 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.

31. 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 22), cash and cash equivalents (Note 23), trade and other payables (Note 24), other liabilities (Note 25) and provisions (Note 26)

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.

32. Financial risk management objectives and policies

The Group and the Company is exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include interest rate risk, liquidity risk, credit risk and foreign currency risk. The board of directors reviews and agrees policies and procedures for the management of these risks. The Audit Committee provides independent oversight to the effectiveness of the risk management process. It is and has been throughout the current and previous financial years, the Group's policy that no trading in derivatives shall be undertaken. The Group does not apply hedge accounting.

There has been no change to the Group's and the Company's exposure to these financial risks or the manner in which it manages and measures the risks.

The following sections provide details regarding the Group's and the Company's exposure to the above-mentioned risks and the objectives, policies, and processes for the management of these risks.

(a) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates. The Group's and the Company's exposure to interest rate risk arises primarily from its floating rate cash at bank balances and deposits. The Group's and the Company's policy is to obtain the most favourable interest rates available.

Sensitivity analysis for interest rate risk

At the end of the reporting period, if RMB and SGD interest rates had been 100 basis points higher/lower with all other variables held constant, the Group's profit before tax would have been RMB1,124,000 (2019: RMB1,076,000) 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.

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

(b) Liquidity risk

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities.

Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of the Group's and the Company's financial assets and liabilities at the balance sheet date based on contractual undiscounted repayments obligations.

2020	**1 year or less RMB'000**	**1 to 5 years RMB'000**	**Total RMB'000**
Group			
Financial assets			
Trade and other receivables (excluding sales tax receivables)	**41,865**	**–**	**41,865**
Cash and cash equivalents	**112,368**	**–**	**112,368**
Total undiscounted financial assets	**154,233**	**–**	**154,233**
Financial liabilities			
Trade and other payables (excluding sales tax payables)	**19,654**	**–**	**19,654**
Other liabilities	**15,740**	**–**	**15,740**
Lease liability	**43**	**–**	**43**
Total undiscounted financial liabilities	**35,437**	**–**	**35,437**
Total net undiscounted financial assets	**118,796**	**–**	**118,796**

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

(b) Liquidity risk (cont'd)

Analysis of financial instruments by remaining contractual maturities (cont'd)

2019	1 year or less RMB'000	1 to 5 years RMB'000	Total RMB'000
Group			
Financial assets			
Trade and other receivables (excluding sales tax receivables)	57,383	–	57,383
Cash and cash equivalents	107,592	–	107,592
Total undiscounted financial assets	164,975	–	164,975
Financial liabilities			
Trade and other payables (excluding sales tax payables)	23,652	–	23,652
Other liabilities	19,188	–	19,188
Lease liability	134	45	179
Total undiscounted financial liabilities	42,974	45	43,019
Total net undiscounted financial assets/(liabilities)	122,001	(45)	121,956

2020	1 year or less RMB'000	1 to 5 years RMB'000	Total RMB'000
Company			
Financial assets			
Trade and other receivables (excluding sales tax receivables)	**47,250**	**–**	**47,250**
Cash and cash equivalents	**5,111**	**–**	**5,111**
Total undiscounted financial assets	**52,361**	**–**	**52,361**
Financial liabilities			
Trade and other payables	**12,228**	**–**	**12,228**
Lease liability	**43**	**–**	**43**
Other liabilities	**932**	**–**	**932**
Total undiscounted financial liabilities	**13,203**	**–**	**13,203**
Total net undiscounted financial assets	**39,158**	**–**	**39,158**

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

(b) Liquidity risk (cont'd)

Analysis of financial instruments by remaining contractual maturities (cont'd)

2019	1 year or less RMB'000	1 to 5 years RMB'000	Total RMB'000
Company			
Financial assets			
Trade and other receivables (excluding sales tax receivables)	47,231	–	47,231
Cash and cash equivalents	14,523	–	14,523
Total undiscounted financial assets	61,754	–	61,754
Financial liabilities			
Trade and other payables	11,932	–	11,932
Lease liability	134	45	179
Other liabilities	786	–	786
Total undiscounted financial liabilities	12,852	45	12,897
Total net undiscounted financial assets/(liabilities)	48,902	(45)	48,857

(c) Changes in liabilities arising from financing activities

			Non-cash changes		
2020	1 January RMB'000	Cash flows RMB'000	Vesting of performance share plan RMB'000	Translation difference RMB'000	31 December RMB'000
Treasury shares	**(2,420)**	**(644)**	**43**	**–**	**(3,021)**
Lease liability	**179**	**(127)**	**–**	**(9)**	**43**
Dividends paid	**–**	**(5,838)**	**–**	**–**	**(5,838)**
Total liabilities under financing activities	**(2,241)**	**(6,609)**	**43**	**(9)**	**(8,816)**

			Non-cash changes		
2019	1 January RMB'000	Cash flows RMB'000	Additions RMB'000	Translation difference RMB'000	31 December RMB'000
Treasury shares	(604)	(1,816)	–	–	(2,420)
Lease liability	–	(86)	258	7	179
Total liabilities under financing activities	(604)	(1,730)	258	7	(2,241)

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

(d) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's and the Company's exposure to credit risk arises primarily from trade and other receivables. For other financial assets (including cash and cash equivalents), the Group and the Company minimises credit risk by dealing exclusively with high credit rating counterparties.

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group trades only with recognised and creditworthy third parties. In addition, receivable balances are monitored on an ongoing basis by the Group.

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period.

The Group has determined the default event on a financial asset to be when the counterparty fails to make contractual payments, and when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as at reporting date with the risk of default as at the date of initial recognition.

The Group considers available reasonable and supportive forwarding-looking information and significant changes in the payment status and behaviour of debtors.

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 180 days past due in making contractual payment.

The Group determined that its financial assets are credit-impaired when:

- There is significant difficulty of the debtors
- A breach of contract, such as a default or past due event
- It is becoming probable that the debtor will enter bankruptcy

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.

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

(d) Credit risk (cont'd)

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 2020 is determined as follows, the expected credit losses below also incorporate forward looking information such as forecast of economic conditions where the gross domestic product will deteriorate over the next year, leading to an increased number of defaults.

Summarised below is the information about the credit risk exposure on the Group's trade receivables and contract assets using provision matrix:

31 December 2020	% of allowance provision	Gross carrying amount RMB'000	Loss allowance provision RMB'000
Contract assets	7	94,604	6,975
Trade receivables:			
Within 1 year	20	16,894	3,325
1 year to 2 years	53	14,228	7,557
2 years to 3 years	71	2,536	1,792
More than 3 years	100	16,604	16,604
Total		144,866	36,253

31 December 2019	% of allowance provision	Gross carrying amount RMB'000	Loss allowance provision RMB'000
Contract assets	6	109,521	6,975
Trade receivables:			
Within 1 year	17	31,733	5,262
1 year to 2 years	47	3,429	1,598
2 years to 3 years	66	4,954	3,286
More than 3 years	100	16,363	16,363
Total		166,000	33,484

Information regarding loss allowance movement of trade receivables and contract assets are disclosed in Note 22.

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

(d) Credit risk (cont'd)

Trade receivables and contract assets (cont'd)

Exposure to credit risk

At the end of the reporting period, the Group's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised on the balance sheets.

Credit risk concentration profile

At the end of the reporting period, approximately 4% (2019: 10%) of the Group's trade receivables were due from 10 (2019: 10) major customers located in the People's Republic of China.

Financial assets that are neither past due nor impaired

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

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 22 (Trade and other receivables).

(e) Foreign currency risk

The Group has exposure to foreign currency risk as a result of transactions denominated in foreign currencies, arising from the normal conduct of operations. The currency giving rise to this risk is primarily the Singapore Dollar ("SGD").

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

	2020 RMB'000	2019 RMB'000
Financial assets		
Cash and cash equivalents	**5,111**	4,036
Trade and other receivables	**36**	55
Financial liabilities		
Other liabilities	**(887)**	(745)
Currency exposure	**4,260**	3,346

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

(e) Foreign currency risk (cont'd)

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity of the Group's (loss)/profit before tax to a reasonably possible change in the respective foreign currency against the functional currency of the Group, with all other variables held constant.

	Group	
	(Increase)/decrease	
	(Loss)/profit before tax	
	2020	**2019**
	RMB'000	**RMB'000**
RMB against SGD		
- strengthened 5% (2019: 5%)	**155**	(167)
- weakened 5% (2019: 5%)	**(155)**	167

33. 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 2020 and 31 December 2019.

As disclosed in Note 28, 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 2020 and 2019.

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.

33. Capital management (cont'd)

	Group 2020 RMB'000	Group 2019 RMB'000
Trade and other payables (Note 24)	**28,849**	40,211
Other liabilities (Note 25)	**15,740**	19,188
Lease liabilities (Note 17)	**43**	179
Less:		
Cash and cash equivalents (Note 23)	**(112,368)**	(107,592)
Net surplus	**(67,736)**	(48,014)
Equity attributable to owners of the Company	**276,599**	294,388
Less:		
Statutory reserve fund (Note 28)	**(40,843)**	(40,807)
Statutory reserve fund – safety production expenditure (Note 28)	**(5,454)**	(5,710)
Staff welfare payable	**(1)**	(53)
Total capital	**230,301**	247,818
Gearing ratio	**NA***	NA*

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

34. Dividends

	Group and Company 2020 RMB'000	Group and Company 2019 RMB'000
Proposed but not recognised as a liability as at 31 December:		
Dividends on ordinary shares, subject to shareholders' approval at the Annual General Meeting:		
– Final dividend for 2019: RMB0.12 per share	**–**	6,060
Paid during the financial year:		
– Final dividend of Singapore $0.0236 per share approved at the Annual General Meeting held on 27 May 2020 and paid on 17 July 2020	**5,838**	–

35. Impact of Coronavirus Disease ("COVID-19")

The COVID-19 pandemic has affected many countries resulting in border closures, movement controls and other measures imposed by various governments. The Group and its customers and suppliers have been affected to varying degrees, including impact to the areas of logistics and supply chain. The Group also received government grants during the year aimed at supporting companies during the period of economic uncertainty.

The Group has considered the market conditions (including the impact of COVID-19) in making estimates and judgements on the recoverability of assets as at 31 December 2020. The Group has assessed that the going concern basis of preparation for this set of financial statements remains appropriate.

As the global COVID-19 situation remains very fluid as at the date of these financial statements authorised for issuance, the Group is unable to reasonably ascertain the full extent of the probable impact of the COVID-19 disruptions on its operating and financial performance for the financial year ending 31 December 2021.

36. Comparative figures

Cash inflow arising from withdrawal of investment at fair value through profit or loss managed by a fund manager in previous financial year has been presented as cash flows from investing activities to properly reflect its nature.

The effect of the above reclassification is summarised as follows:

	As previously reported RMB'000	Reclassification RMB'000	As currently reported RMB'000
Consolidated statement of cash flows for the year ended 31 December 2019			
Financing activities			
Withdraw of investment at fair value through profit or loss managed by a fund manager	20,000	(20,000)	–
Investing activities			
Withdraw of investment at fair value through profit or loss managed by a fund manager	–	20,000	20,000

37. Authorisation of financial statements

The consolidated financial statements for the year ended 31 December 2020 were authorised for issue in accordance with a resolution of the directors on 31 March 2021.

STATISTICS OF SHAREHOLDINGS

AS AT 15 MARCH 2021

Class of Share	:	Ordinary Share
Number of Issued Shares (excluding Treasury Shares and Subsidiary Holdings)	:	48,190,900
Issued and fully paid-up capital	:	S$45,449,200
Voting Rights	:	One vote per Ordinary Share ("Share")
Number of Treasury Shares and Percentage	:	2,309,100 (4.57%)
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 2021, approximately 31.62% 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	6	0.57	380	*
100 - 1,000	418	39.85	217,755	0.45
1,001 - 10,000	451	42.99	1,908,555	3.96
10,001 - 1,000,000	166	15.83	11,378,810	23.61
1,000,001 AND ABOVE	8	0.76	34,685,400	71.98
TOTAL	**1,049**	**100.00**	**48,190,900**	**100.00**

* *Negligible.*

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1.	ACE SENSE HOLDINGS LIMITED	10,800,000	22.41
2.	ORIENTAL EAGLE HOLDINGS LIMITED	4,981,000	10.34
3.	DAWN VITALITY INTERNATIONAL LIMITED	4,169,500	8.65
4.	GIANT YIELD GLOBAL LIMITED	3,981,300	8.26
5.	INVENTIVE RESULT ENTERPRISES LIMITED	3,938,200	8.17
6.	MORGAN STANLEY ASIA (SINGAPORE) SECURITIES PTE LTD	3,255,400	6.76
7.	CHINA XLX FERTILISER LTD	1,960,000	4.07
8.	ANDREW BEK	1,600,000	3.32
9.	ENG KOON HOCK	918,000	1.90
10.	PHILLIP SECURITIES PTE LTD	637,690	1.32
11.	GOH GUAN SIONG (WU YUANXIANG)	556,700	1.16
12.	MAYBANK KIM ENG SECURITIES PTE. LTD.	474,960	0.99
13.	DBS NOMINEES (PRIVATE) LIMITED	450,090	0.93
14.	LIM POH CHOON	405,600	0.84
15.	ABN AMRO CLEARING BANK N.V.	394,900	0.82
16.	BAO CHEN	390,000	0.81
17.	GO POWER INVESTMENTS LIMITED	390,000	0.81
18.	OCBC SECURITIES PRIVATE LIMITED	245,030	0.51
19.	OCBC NOMINEES SINGAPORE PRIVATE LIMITED	239,800	0.50
20.	LEOW BENG LEE (LIAO MINGLI)	231,000	0.48
	TOTAL	**40,019,170**	**83.05**

STATISTICS OF SHAREHOLDINGS

AS AT 15 MARCH 2021

SUBSTANTIAL SHAREHOLDERS AS AT 15 MARCH 2021

(As recorded in the Register of Substantial Shareholders)

		DIRECT INTERESTS		DEEMED INTERESTS	
NO.	NAME	NO. OF SHARES HELD	%[1]	NO. OF SHARES HELD	%[1]
1.	Xie Ming[2]	–	–	10,800,000	22.41
2.	Xie Xing[3]	–	–	10,800,000	22.41
3.	Li Chun Yang[4]	–	–	5,088,500	10.56
4.	Liang Gong Zeng[5]	–	–	3,981,300	8.26
5.	Dai Feng Yu[6]	–	–	3,999,500	8.30
6.	Li Bin[7]	–	–	3,938,200	8.17
7.	Ma Ong Kee[8]	–	–	3,255,400	6.76
8.	Ace Sense Holdings Limited	10,800,000	22.41	–	–
9.	Oriental Eagle Holdings Limited	4,981,000	10.34	–	–
10.	Giant Yield Global Limited	3,981,300	8.26	–	–
11.	Dawn Vitality International Limited[9]	4,169,500	8.65	–	–
12.	Inventive Result Enterprises Limited	3,938,200	8.17	–	–

Notes:-

(1) Percentage calculated based on 48,190,900 voting shares (excluding treasury shares and subsidiary holdings) of the Company as at 15 March 2021.

(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) Li Chun Yang is deemed to have an interest in 4,981,000 Shares held by Oriental Eagle Holdings Limited and 107,500 Shares held in the name of a nominee account.

(5) Liang Gong Zeng is deemed to have an interest in 3,981,300 Shares held by Giant Yield Global Limited.

(6) Dai Feng Yu is deemed to have an interest in 3,999,500 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) Li Bin is deemed to have an interest in 3,938,200 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 4,169,500 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.

CORPORATE INFORMATION

BOARD OF DIRECTORS:

Xie Ming
(Non-Independent
Non-Executive Chairman)

Zheng Zhi Zhong
(Executive Director and
Chief Executive Officer)

Dai Feng Yu
(Executive Director)

Xie Ding Zhong
(Non-Executive Director)

Lee Gee Aik
(Lead Independent Director)

Tan Min-Li
(Independent Director)

Andrew Bek
(Independent Director)

He Ming Yang
(Independent Director)

COMPANY SECRETARY:

Thum Sook Fun

REGISTERED OFFICE:

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

PRINCIPAL OFFICE AND CONTACT DETAILS:

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

IR CONTACT:

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

SHARE REGISTRAR:

Boardroom Corporate & Advisory
Services Pte. Ltd.
50 Raffles Place
#32-01 Singapore Land Tower
Singapore 048623

AUDITOR:

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

PRINCIPAL BANKERS:

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

ANCHUN INTERNATIONAL HOLDINGS LTD.

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