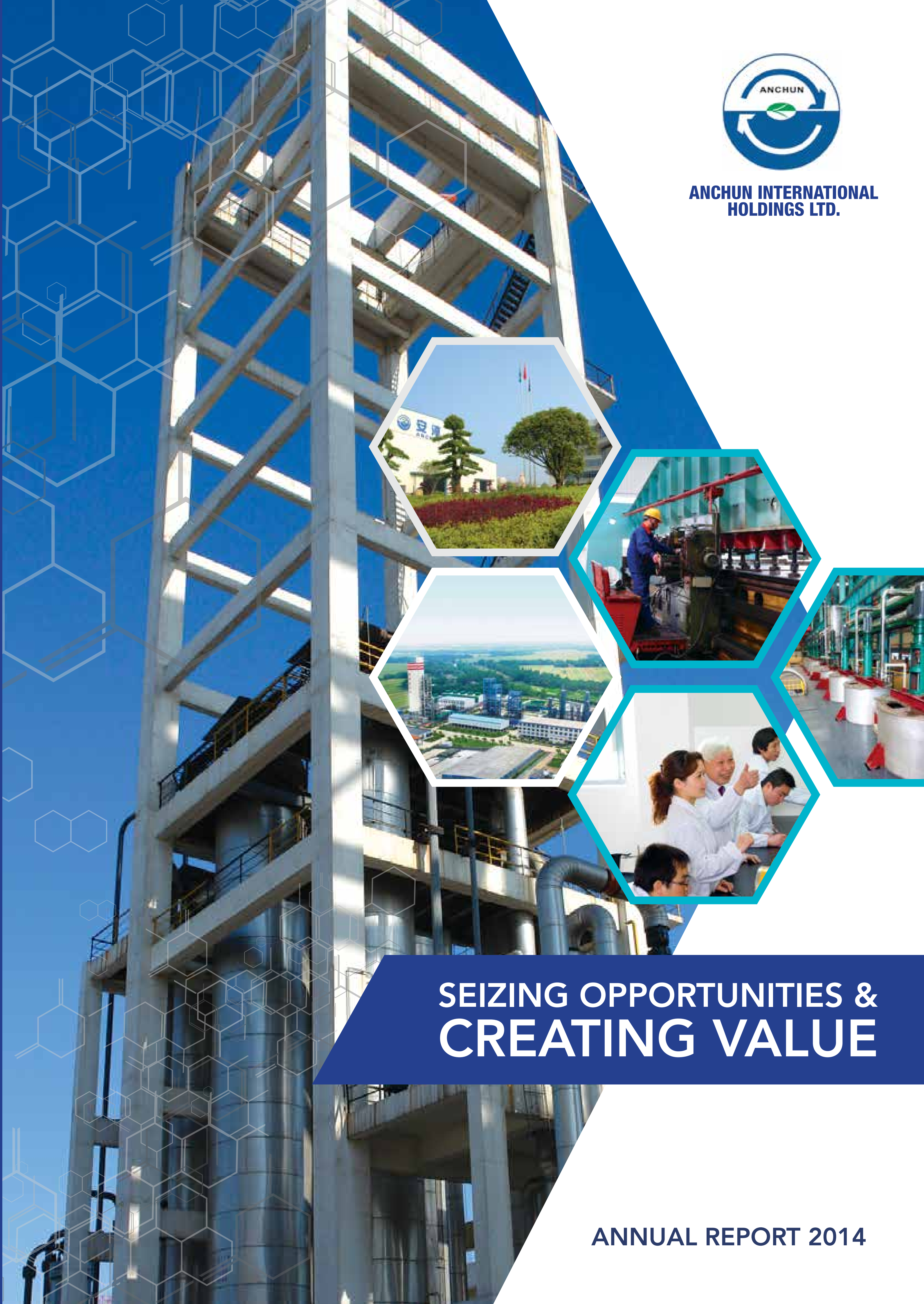
ANCHUN INTERNATIONAL HOLDINGS LTD.



SEIZING OPPORTUNITIES & CREATING VALUE

ANNUAL REPORT 2014

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CORPORATE PROFILE

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

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

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

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

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

COMPETITIVE ADVANTAGES OF ANCHUN

Highly sustainable business model:

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

MARKET OPPORTUNITIES

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

WHAT WE OFFER

From System Design To Production And Project Management, We Provide Integrated Chemical Systems Engineering And Technology Solutions For Our Clients.

OUR VALUE CHAIN

SYSTEM DESIGN

SYSTEM PRODUCTION & PROJECT MANAGEMENT

AFTER SALES

GAS PREPARATION

GAS PURIFICATION

AMMONIA/ METHANOL SYNTHESIS

AMMONIA

Urea and compound fertilizers

METHANOL

Methanol fuel and other related products for energy uses

CHAIRMAN'S MESSAGE / 主席致词

尊敬的股东：

我谨代表安淳国际董事会及全体同仁，为您呈现本集团2014财政年度报告。感谢您抽出时间阅读。

2014年对安淳国际来说，是集团技术继续受到肯定的一年。安淳国际经过五年时间研发设计并于2011年获得国家发明专利的一氧化碳等温低温变换反应器技术，在2012年成功移交给首位客户及引起领域业者的关注与赞赏后，在2014年继续对集团的业绩表现起着显著的正面效应。2014年12月16日，由中国石油和化学工业联合会组织国内知名专家对集团开发的“相变移热等温反应器及应用”通过科技鉴定，一致认为：相变移热等温反应器结构合理，技术指标先进，达到国际领先水平。这是安淳用原创技术推动行业由大变强的又一个新的里程碑。中国石化行业在推广“安淳模式”，安淳也坚持不懈地用创新技术助用户成长。

在一氧化碳等温低温变换反应器技术项目，以及化工系统工程和技术设计服务项目取得进展的带动下，不仅集团的税前盈利大幅增长四成，集团毛利率也显著提升5.6个百分点至41.2%。这样的业绩表现令人鼓舞，也说明了公司在研发新技术方面所付出的努力直接反映在营运业绩上，进而给我们打了一支强心针，给予公司继续研发新科技及改善现有技术的推动力。

然而，随着中国经济转型，国内的经济与信贷增长预计将放缓，加上市场竞争持续激烈，本集团预计2015年的营运环境将具挑战性。尽管如此，我对集团在今年的展望仍抱着谨慎乐观的态度，我相信集团的突破性技术将继续为公司带来实质盈利，同时为股东创造可观的回报。

在这里，我要向集团的所有董事会成员致谢，你们一直以来给予的建议与指导对我们来说相当宝贵。致安淳国际的管理层和员工们，你们犹如公司的血脉，公司所取得的成功归功于您。致我们的客户和商业伙伴，你们多年来所给予的信任给了我们信心在每一年飞得更高一些。致我们的忠实股东，您的支持和信任是公司每年更努力取得佳绩的主要推动力。我在此真诚和衷心地感谢你们。

集团在2014年6月1日委任郑志忠先生为执行董事。后者在本集团独资子公司湖南安淳先进科技里任职十年，从项目经理逐步擢升为总经理，负责掌管整体营运与管理及负责营销、客户关系，并曾参与公司的工程设计、项目管理及生产管理。

本集团也在2014年9月4日委任山东省化肥工业协会会长兼中国氮肥工业协会荣誉主席杨春升先生为独立非执行董事，替代同日卸任独立董事职务的潘德润先生。我们当时的非执行董事麦德利先生也在同日改任独立董事。

我要在此感谢潘德润先生过去五年来对集团的贡献，祝愿他未来一切顺心。我也借此机会欢迎郑志忠先生和杨春升先生加入安淳国际董事会，我相信凭借他们的经验与专业知识，安淳国际必然能更上一层楼，打造新的辉煌！

我也将一如既往，忠实履行职责并发挥技术专家的特长，为安淳国际的稳健成长继续贡献自己最大的力量！

我期待在2015年4月29日的股东大会上与你们见面。

谢定中
集团主席

CEO'S MESSAGE

XIE MING
Executive Director and CEO

DEAR SHAREHOLDERS,

On behalf of the Board of Directors of Anchun International Holdings Ltd. ("Anchun" or the "Group"), I am pleased to present to you our Annual Report for the financial year ended 31 December 2014 ("FY2014").

2014 has been a highly challenging year for China, with this Asian economic powerhouse recording a GDP growth rate of 7.4%[1], its slowest economic growth in 24 years. Notwithstanding this landscape, Anchun achieved a net profit after tax of RMB5.2 million on the back of RMB129.4 million in revenue for FY2014, compared to net profit after tax and revenue of RMB7.1 million and RMB134.1 million respectively for the preceding financial year ("FY2013"). Despite the slightly lower revenue, our gross profitability was substantially higher due to a higher-margin product mix, with the Group reporting an 11.6% rise in gross profit to RMB53.2 million in FY2014 and gross margin rising to 41.2% from 35.6% in FY2013.

In FY2014, we have focused our efforts on the measures mentioned below and going forward in FY2015, we will continue to do so.

DEVELOPING A RESULTS-DRIVEN LEADERSHIP TEAM AND EMPLOYEE CULTURE

2014 has been a year of change for Anchun's leadership team. Since I assumed the CEO role last March, we have implemented a new performance-based remuneration scheme that pegged the remuneration of Executive Directors and Key Executives closely to the Group's financial results. Our aggregate total remuneration for Executive Directors and Key Executives in 2014 has decreased by 35% from that in 2013, while the aggregate performance-based pay ratio has risen from 6% to 37%. This demonstrates to our shareholders that our management team is committed to adding value to the Group first before we collect the rewards.

In FY2015, we will continue to strive to set clear goals for the team and bring better results to our shareholders. Through a process of rigorous selection and scrutiny, we have also promoted three managers from within two out of our three business sectors in 2014, namely the largest sector, the chemical systems and components ("CSC") Sector, and the Catalyst sector. We believe these promotions will complement and strengthen our existing experienced team and the team will work together to improve the operational results of the Group. To reward and incentivise key staff, we have awarded 18 employees with Anchun Performance Shares Plan ("PSP") shares in December 2014. These employees have demonstrated outstanding performances, hard-to-find skill sets and leadership qualities and we count on them and other dedicated employees to build growth momentum for Anchun with the aim of elevating the Group to a brand-new level down the road.

[1] Reuters, "China's 2014 economic growth misses target, hits 24-year low", 20 January 2015

STRENGTHENING MARKETING AND SALES THROUGH CUSTOMER-ORIENTED SERVICES

In FY2014, one of the brightest sparks for us was that our Isothermal Low Temperature High CO Shift technology picked up substantial momentum in the market, accounting for about 26% of our total revenue last year compared to just 4% in FY2013. This proprietary technology of the Group, which we first commercialised in 2012, is gaining industry acceptance and this is very positive news for us. And Anchun, being the first to bring the technology to the market, stands in an advantageous position to reap rewards, particularly as this technology yields a relatively higher profit margin.

The potential applications of our Isothermal Low Temperature High CO Shift technology are substantial, especially in view of the China government's drive to implement integrated resource utilisation and reduce carbon emissions.

It was a collective team effort that made these achievements possible. We appointed Mr. Zheng Zhizhong who has a strong track record from our sales crew to the position of General Manager at Hunan Anchun to enable a more effective alignment of our resources with the Group's primary corporate goal, which is to improve our sales and strengthen our market competitiveness. Mr. Zheng has led the team commendably and secured six contracts for this technology totalling RMB84.63 million to our order book in FY2014. The Group's senior management, marketing and sales representatives as well as all supporting functions have been brought to the same page to improve marketing and sales.

Our Engineering Services team has boosted sales from this business segment by 40.4% to RMB13.9 million. As China gears up towards becoming a greener economy, we will continue to focus on creating better market awareness for our proprietary technologies in our bid to move sales. We are currently improving our scheduling control and quality control of our CSC business in order to recognize more revenue from this equipment production sector and establish capacity resilience to win more contracts.

Revenue from the Catalyst Business declined 47.1% to RMB9.4 million in FY2014 due to lower market demand for oxidative catalysts and the downtime of our catalyst manufacturing plant which was undergoing expansion and upgrading. We have since then successfully tripled our annual processing capacity from 500 tonnes to 1,500 tonnes and our marketing and sales are working hard to bring in more orders and gear up our catalyst production.

PROPELLING THE INDUSTRY FROM BIG TO BECOME STRONGER WITH INNOVATIVE TECHNOLOGIES

China's chemical industry has been going through a transformational re-balancing process while the market-based economy will continue its course without question. Against this landscape, out-of-date and energy-inefficient systems will be eliminated faster than ever before as competition and pricing pressures intensifies. The article published by China Chemical Industry News on 25 December 2014 advocated the industry to promote the "Anchun Model" which essentially propels the industry from big to become stronger with innovative technologies. Anchun is known as a game changer in our industry and we have had the distinction of being the first or an early mover in many technological innovations, ranging from ammonia and isothermal methanol synthesis technologies to syn-gas (synthetic gas) purification alcohol-hydrocarbon technology, and most recently, the Isothermal Low Temperature High CO Shift technology, an outcome from years of our investment in rigorous research and development ("R&D"). Our many technology breakthroughs have created significant value for not only the Group, our customers and the environment, but have also paved the way towards a greener future for players across the entire industry chain, including hundreds of chemical plants across China.

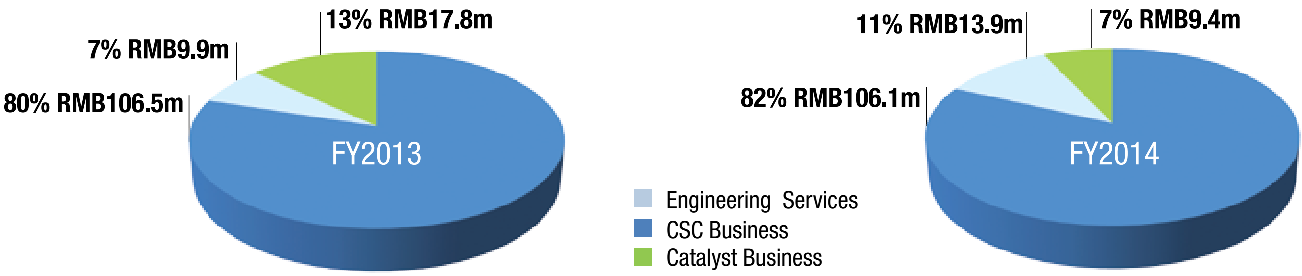
Looking ahead, the Group expects the operating environment to remain competitive in the next 12 months as the economic and credit growth of China is expected to be dampened by the government's on-going attempts to restructure the economy. Notwithstanding this, our order book as at 31 December 2014 remains robust at approximately RMB181.6 million compared to RMB115.6 million as at 31 December 2013. We remain resolute and focused on performing to the best of our abilities despite these challenging circumstances, in our bid to deliver shareholder value.

Yours sincerely,
XIE MING
EXECUTIVE DIRECTOR AND CEO

OPERATIONS AND FINANCIAL REVIEW

For the financial year ended 31 December 2014 ("FY2014"), the Group reported a net profit of RMB5.2 million, on the back of RMB129.4 million in revenue.

REVENUE BY BUSINESS SEGMENT



In FY2014, the Group's Engineering Services, CSC Business and Catalyst Business accounted for 11%, 82% and 7% of total revenue respectively. This is compared to 7%, 80% and 13% respectively in FY2013.

Revenue from the Group's Engineering Services increased by RMB4.0 million, or 40%, from RMB9.9 million in FY2013 to RMB13.9 million in FY2014 due mainly to the increase in the revenue recognised based on the extent of completion.

Revenue from the Group's CSC Business decreased by RMB0.4 million or 0.4% from RMB106.5 million in FY2013 to RMB106.1 million in FY2014. This was mainly due to a customer postponing a delivery to year 2015 and the Group's focus on its patented low pressure methanol synthesis reactor and Isothermal Low Temperature High CO Shift reactor. The latter, which has high profit margin, accounted for 26% of revenue from the CSC business in FY2014, as compared to 4% in FY2013.

Revenue from the Catalyst Business decreased by RMB8.4 million or 47% from RMB17.8 million in FY2013 to RMB9.4 million in FY2014. This was mainly due to lower market demand for oxidative catalysts and downtime for the Group's reduced catalyst manufacturing plant resulting from its expansion and upgrading works during the year.

Gross Profit by Business Segment (RMB'000)	FY2014	FY2013	Chg (%)
Engineering Services	9,407	7,013	34
CSC Business	39,964	34,886	15
Catalyst Business	3,865	5,802	(33)
Total	**53,236**	**47,701**	**12**

Gross Profit Margin by Business Segment (%)	FY2014	FY2013	Chg (%)
Engineering Services	67.7	70.8	(3.1)
CSC Business	37.7	32.8	4.9
Catalyst Business	41.1	32.7	8.4
Total	**41.2**	**35.6**	**5.6**

The overall gross profit of the Group increased by RMB5.5 million or 12% from RMB47.7 million in FY2013 to RMB53.2 million in FY2014, while gross profit margin increased from 35.6% in FY2013 to 41.2% in FY2014.

The rise in overall gross profit margin was due to the following factors:

(a) Margin increase in the CSC Business from 32.8% in FY2013 to 37.7% in FY2014 due to a higher percentage contribution from the sale of the Group's proprietary technology equipment, which has a higher margin than other equipment.

(b) Higher proportion of revenue contributed by the Engineering Services which has a high gross margin of 67.7%.

OPERATIONS AND FINANCIAL REVIEW

The profit before tax increased by RMB1.7 million or 33% from RMB5.1 million in FY2013 to RMB6.8 million in FY2014 with the overall gross profit increase in FY2014. Since the Income tax expense increased by RMB3.6 million from tax credit RMB2.0 million in FY2013 to tax expense RMB1.6 million in FY2014, the net profit attributable to owners of the Company decreased by RMB1.9 million from RMB7.1 million in FY2013 to RMB5.2 million in FY2014.

HEALTHY FINANCIAL POSITION

Anchun remain financially strong with no bank loan and good repayment capacity. The liquidity position of the Group is continuously healthy with a current ratio of 2.1 times as at 31 December 2014. As at 31 December 2014, the Group shareholder's equity amounted to RMB318.6 million compared to RMB313.4 million as at end of FY2013.

Current assets increased by RMB17.0 million or 5% from RMB325.4 million as at 31 December 2013 to RMB342.4 million as at 31 December 2014, mainly due to the increase in inventory, trade and others receivable and bill receivable of RMB9.4 million, RMB11.3 million and RMB18.0 million respectively. The increases are partially offset by the decrease in cash and cash equivalent of RMB25.1 million. The decrease in cash and cash equivalents was mainly due to increase in working capital, purchases of property, plant and equipment and repayment of loans due to the former shareholders of our subsidiary. The increase in inventories was due to the finished goods delivery date being in FY2015, and increase in trade receivable was due to the collection due date being in FY2015. The increase in bills receivable was mainly due to more customers using bills receivable as the mode of payments as at year-end.

Non-current assets increased by RMB0.6 million or 0.4% from RMB141.9 million as at 31 December 2013 to RMB142.5 million as at 31 December 2014. Non-current assets comprised of property, plant and equipment, investment property, intangible assets, land use rights, deferred tax assets and prepayments for property, plant and equipment. Property, plant and equipment decreased marginally by RMB0.8 million or 0.7% from RMB122.6 million as at 31 December 2013 to RMB121.8 million as at 31 December 2014, mainly due to depreciation charges partially offset by additions. Prepayment increased by RMB2.0 million from RMB2.8 million as at 31 December 2013 to RMB4.8 million as at 31 December 2014 mainly due to prepayment for property, plant and equipment relating to the upgrading of the catalyst manufacturing plant.

Current liabilities increased by RMB12.4 million or 8% from RMB153.8 million as at 31 December 2013 to RMB166.2 million as at 31 December 2014. The increase was mainly attributed to the increase in advance from customers, other liabilities, and income tax payables amounting to RMB17.8 million, RMB3.2 million and RMB1.6 million respectively, and partially offset by the decrease in amount due to past shareholders and dividend payable to founding shareholders of RMB12.8 million and RMB7.2 million respectively which included trade and other payables.

Non-current liability consists of provision of deferred tax liabilities in relation to the withholding tax on the undistributed profits of our subsidiary.

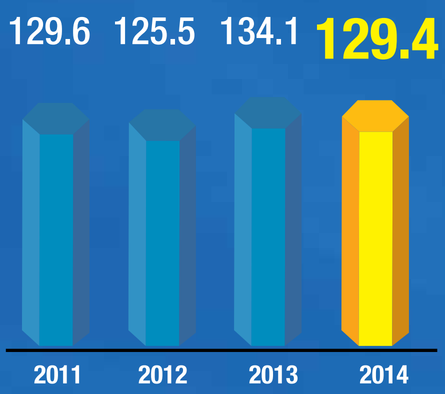
UPDATE ON USE OF IPO PROCEEDS

As at 31 December 2014, the net proceeds from the Group's initial public offering have been utilised as follows:

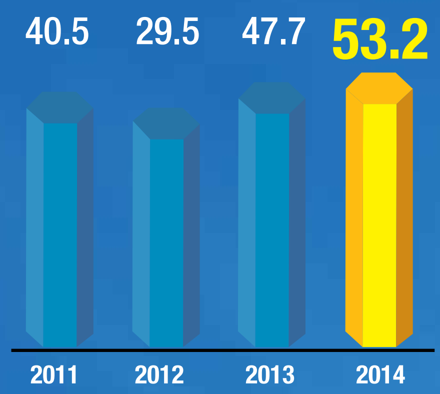
Usage of IPO Proceeds	Amount allocated (RMB'000)	Amount utilised (RMB'000)	Balance (RMB'000)
Expand our production facilities and capacities	95,936	12,914	83,022
Enhance our R&D capabilities and widen our range of innovative and cost-effective solutions	15,479	720	14,759
Working capital purposes	22,074	9,159	12,915
Total	**133,489**	**22,793**	**110,696**

FINANCIAL HIGHLIGHTS

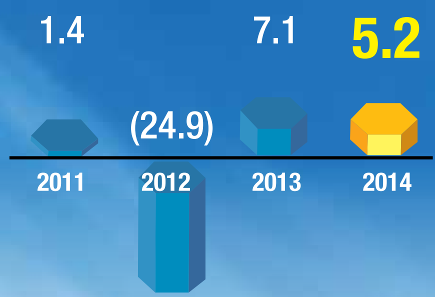
REVENUE (RMB 'million)



GROSS PROFIT (RMB 'million)



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



POSITIONING FOR
NEW GROWTH

BOARD OF DIRECTORS

1. XIE DING ZHONG
2. XIE MING
3. LIANG GONG ZENG
4. ZHENG ZHI ZHONG
5. DAI FENG YU
6. LEE GEE AIK
7. TAN MIN-LI
8. ANDREW BEK
9. YANG CHUN SHENG

1. XIE DING ZHONG

Non-Executive Chairman

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

2. XIE MING

Executive Director and CEO

Xie Ming worked for specialty chemical companies and a research institute in the USA for 13 years prior to joining Anchun, first as an analytical chemist in the Health & Science Center of Louisiana State University, the research laboratory of INVISTA and then as a Sr. Chemist for Champion Technologies.

Xie Ming earned her EMBA from Rice University, USA in May 2013. She holds a Bachelor's degree in Specialty Chemical Engineering from Jiangsu Institute of Petrochemical and Chemical Engineering, China and a Master degree in Science from Department of Chemistry, University of Louisiana at Monroe, USA.

3. LIANG GONG ZENG

Executive Director and COO

Liang Gong Zeng is our Executive Director and COO. He was appointed to our Board on 9 September 2010 and is responsible for our Group's overall operations and management, with a focus on the production activities, procurement of direct materials, quality control and human resources. Liang Gong Zeng has more than 20 years of experience in the chemical industry. Between 1988 and 1993, he worked in Changsha Chemical Machinery Factory responsible for conducting quality inspection of pressure vessels and equipment. In 1994, he joined Anchun Energy Saving as the deputy head of the equipment manufacturing department and oversaw the manufacture of chemical equipment and the technical matters in the production process. In 1998, when operations of Anchun Energy Saving ceased and Hunan Anchun was established, he was the head of chemical equipment manufacturing department responsible for the production, technical matters in the production process and quality control till 2004. Thereafter, he was promoted to deputy general manager in 2004 to take charge of the production, quality control, procurement of direct materials and technical matters in the production process and promoted to general manager in 2009 to be in charge of the overall operations and management of Hunan Anchun. Liang Gong Zeng holds a Bachelor's degree in metal material and heat treatment from Huazhong University of Science and Technology. He was qualified as a registered senior engineer in 2001. The significant awards that Liang Gong Zeng has won include the 2003 National Scientific and Technological Progress Award (2nd-highest honours) by the State Council in 2004, the Model Worker in the China Petroleum and Chemical Industry by the Ministry of Human Resources and Social Security of the PRC and the China Petroleum and Chemical Industries Association in 2008 and the Hunan Province Technology Innovation Outstanding Individual by the Economic Committee of Hunan Province in 2008.

BOARD OF DIRECTORS

4. ZHENG ZHI ZHONG
Executive Director

Zheng Zhi Zhong was appointed as our Executive Director in June 2014. He is currently the Legal Representative of Hunan Anchun. He has more than 20 years of extensive experience working in the industry and gained expertise in the areas of chemical engineering process design and programming, instrumentation and control system, information management, project management, reactor manufacture, marketing and sales.

Zheng Zhi Zhong started his career with Hunan Anchun in 1993 as a Process Technology Programmer. Leveraging on his computer science knowledge, he worked closely with chemical engineers to develop the first-generation computation software for Anchun's key technologies. His main contribution includes the process design and programming of "IIIJ D Type Adiabatic Inner-cooling Split-flow Internals of Ammonia Synthesis Reactor" and "Process and Application of Syn-gas Purification Alcohol-Hydrocarbon Technology", which won the National Scientific and Technological Progress Award (2nd-highest honours). Zheng Zhi Zhong is a certified Senior Engineer. He assumed the roles of IT Manager, Project Manager, Assistant General Manager and Deputy Manager in the past 20 years with Hunan Anchun. Zheng Zhi Zhong holds a Bachelor's degree in Computer Science and Technology from Shenyang Industrial University.

5. DAI FENG YU
Executive Director

Dai Feng Yu is our Executive Director. She was appointed to our Board on 9 September 2010 and is responsible for overall R&D including provision of basic supporting technologies, initiating new R&D projects and management of the company's proprietary intellectual property rights. Dai Feng Yu has more than 20 years of experience in the chemical industry. Between 1988 and 1993, she was a R&D staff in Changsha Chromic Salts Factory responsible for catalysts quality improvement and new product development. Between 1993 and 1998, she was head of the laboratory of Anchun Energy Saving and was responsible for the research and development of catalysts as well as the introduction of catalysts to the market. In 1998, when operations of Anchun Energy Saving ceased and Hunan Anchun was established, she remained head of the laboratory of Hunan Anchun and was subsequently promoted to deputy general manager to be in charge of the overall R&D matters and management of Hunan Anchun's proprietary intellectual property rights in 2002. Dai Feng Yu holds a Bachelor's degree in industrial catalyst from East China University of Science and Technology (formerly known as the East China Institute of Chemical Technology). She was qualified as a registered senior engineer in 2001. The significant awards that Dai Feng Yu has won include the 2003 National Scientific and Technological Progress Award (2nd-highest honours) by the State Council in 2004, the Excellent Engineering Consultancy Award (2nd-highest honours) by the China Petroleum and Chemical Engineering Survey and Design Association in 2006 and the Outstanding Individual of Hunan Province contributed to scientific and technological progress by the Economic Committee of Hunan Province in 2008.

6. LEE GEE AIK
Lead Independent Director

Lee Gee Aik was appointed as an Independent Non-executive Director of our Company on 9 September 2010. He is currently an accountant in public practice. He has over 30 years of experience in accounting, tax and financial management areas. He previously worked for KPMG Singapore and USA and in the hospitality industry. Mr Lee is a Fellow of the Association of Chartered Certified Accountants (UK) and the Institute of Singapore Chartered Accountants. He also obtained a Masters in Business Administration from The Henley Management College, United Kingdom. He has been appointed by the Minister of Health to serve as Lay Person member of the Complaints Panel of the Singapore Pharmacy Council. He is the Executive Vice Chairman of E2-Capital Holdings Limited and also an Independent Director of Leader Environmental Technologies Limited, Ley Choon Group Holdings Limited and LHN Limited. The past directorships held by him in the preceding three years in other listed companies include Sinostar Pec Holdings Limited.

7. TAN MIN-LI
Independent Director

Tan Min-Li is our Independent Director, and was appointed to our Board on 9 September 2010. She is currently a partner at Colin Ng & Partners LLP, a firm of advocates and solicitors in Singapore, and has over 15 years of experience in the legal profession. Tan Min-Li has considerable experience in the areas of initial public offerings, regional investments, corporate restructuring, cross border joint ventures and mergers and acquisitions in the region. She regularly advises on Singapore Exchange compliance and corporate governance issues. Tan Min-Li heads the Corporate Finance Practice Group, Greater China Practice Group and Japan Focus Group at Colin Ng & Partners LLP. Her principal areas of practice are in corporate and financial services with particular emphasis on corporate finance and mergers and acquisitions in Singapore and the region. Prior to joining Colin Ng & Partners LLP in 2003, she was a partner with KhattarWong, a firm of advocates and solicitors in Singapore, and had also held other positions at other law firms since graduation. She graduated with a Bachelor of Laws (Honours) from the National University of Singapore and a Master of Laws from University College London, University of London, and was admitted as an Advocate and Solicitor of the Supreme Court of Singapore in 1992.

8. ANDREW BEK
Independent Director

Andrew Bek was appointed to our board on 1 March 2014 as Non-executive Director and re-designated as Independent Director on 4 September 2014. Andrew Bek started his career in Arthur Andersen & Co and was there from 1988 to 1997. He was later attached to a steel manufacturing company as the Accounts Manager from 1997 to 1998. He then joined Ernst & Young Malaysia from 1999 to 2007. He is an Investment Director at OneEquity SG Private Limited since 2007. He is currently an Executive Director of SGX Mainboard-listed China Environment Ltd. The past directorships held by him in the preceding three years in other listed companies include Koh Brothers Eco Engineering Limited (formerly: Metax Engineering Corporation Limited).

9. YANG CHUN SHENG
Independent Director

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

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

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

KEY EXECUTIVES

LI CHUN YANG
Head of Sales and Marketing Department

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

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

LI BIN
Head of System Design Department

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

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

QIN HONG JIAN
Finance Controller

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

CORPORATE INFORMATION

BOARD OF DIRECTORS:

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

COMPANY SECRETARY:

Wee Woon Hong
Lee Hock Heng

OUR REGISTERED OFFICE:

3 Church Street
#12-02 Samsung Hub
Singapore 049483
Telephone: (65) 6692 9128

OUR PRINCIPAL OFFICE AND CONTACT DETAILS:

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Changsha National Hi-tech Industrial Development Zone
Changsha City, Hunan Province, PRC 410205
Telephone : 0731-88958633, 88958632
Facsimile : 0731-88958611

IR CONTACT:

Website Address: www.anchun.com/home.htm

SHARE REGISTRAR AND SHARE TRANSFER AGENT:

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

AUDITOR:

Ernst & Young LLP
One Raffles Quay
North Tower, Level 18
Singapore 048583
Partner-in-charge: Tan Swee Ho
(Date of appointment: since financial year ended 31 December 2011)

PRINCIPAL BANKERS:

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

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石化行业推广"安淳模式"

用原创技术推动行业由大变强

图为安淳新技术交流会现场。 （姜小毛 摄）

本报讯（记者 姜小毛 通讯员 黄华勇）中国石油和化学工业联合会上周在湖南长沙举办安淳新技术交流会。中国石油和化学工业联合会常务副会长李寿生在会上指出，在全国石油和化学工业爬坡过坎的关键时期，尤其需要总结、交流和推广创新经验，推进行业节能减排和技术升级，实现转型发展，助推行业由大变强。

据介绍，湖南安淳高新技术有限公司成立21年来，始终坚持市场需求导向和产业化方向，在合成氨及甲醇等煤化工领域研发成功了一系列具有原创性的技术成果，为推动行业技术进步作出了重要贡献。

6年前，十届全国人大常委会副委员长顾秀莲到安淳公司考察调研，对其创新发展给予了高度评价，并深刻总结了安淳公司创新发展的基本经验：一是以改革的思想促进科技创新，把科技创新作为发展的第一要务；二是科技创新始终围绕行业发展的需求，使创新成果尽快转化为生产力。安淳公司正是这样一个坚持创新发展不动摇，始终紧跟行业发展趋势，引领行业技术创新潮流的企业。

李寿生表示，安淳公司在潜心行业技术创新的同时，也在不断探索自身发展模式的创新。目前，安淳公司已逐步形成了由研发、设计、制造、服务四大板块构成的"安淳模式"，为打造中国氮肥工业创新型企业作出了榜样。安淳公司先后以"ⅢJ型绝热内冷分流氨合成塔内件"和"合成气醇烃化精制新工艺及应用"两项创新技术获得国家科技进步二等奖。在此基础上，该公司又继续瞄准行业发展中的一个又一个技术难题，相继开发了相变移热等温甲醇技术、大型氨合成、醇烃化技术、相变移热等温变换技术，以及新变换催化剂和还原及预还原催化剂技术等。这些新技术不仅达到国内领先、世界先进水平，而且成功地应用于企业，为推动行业节能减排和实现资源综合利用发挥了重要作用。

李寿生指出，当前我国经济发展已经步入新常态，氮肥工业面临转型升级、结构调整、节能减排、创新发展的繁重任务。整个石油和化工行业发展面临着三个全局性的矛盾：一是产能过剩矛盾十分突出；二是产业结构同质化现象十分严重；三是战略性新兴产业、产业链高端产业发展还十分薄弱。而这三个全局性矛盾，实际上都可以归结为技术创新能力不足这一共性矛盾。要开创新常态下的新局面，企业一定要高举科技创新大旗，以安淳公司等业内先进企业为榜样，聚焦创新、学习创新、思考创新、发力创新，使创新成为转型升级的不竭动力，为推动中国氮肥工业实现由大变强的梦想作出更大的贡献。

中国氮肥工业协会名誉理事长、技术委员会主任孔祥琳，以及100多位业内专家和化工企业工程技术人员代表参加了会议。

安淳技术助用户成长

业界观点

中国氮肥工业协会原理事长王文善：目前，化工企业尤其是氮肥企业面临很多困难，要摆脱这些困难需要多方面的支持。但其中企业本身的作为极为重要。据我所知，安淳公司是被广泛认可的目前我国同类技术开发公司中最早创办、创新技术和首创性技术最多、发展最快的公司。用户反映安淳公司技术先进，设备质量上乘，售后服务非常到位。如最早开发的双甲工艺、醇烃化工艺，以及JJD低压恒温卧式水管式甲醇合成技术、DDB等温低温水管式高CO变换技术、ⅢJD型大型氨合成技术等，都是安淳公司的首创，这些技术不仅在国内处于领先地位，有些在国际上也是领先的。

山东省化肥工业协会会长杨春升：我们开玩笑说，先有鹌鹑蛋，后有鹌鹑。无疑，是先有了安淳人为行业贡献的一个个科技创新成果，才催生了安淳公司的诞生和多年来的发展。

多年来，安淳公司在我国合成氨、甲醇工业发展的各个阶段，都提供了强有力的技术支撑。从一系列从小到大的氨合成塔设计、生产，到双甲、醇烃化精制工艺的开发及推广应用，到现在相变移热等温反应器在甲醇、变换装置上的成功应用，安淳公司为中国煤化工产业的发展作出了重大贡献。

山西天泽煤化工集团股份公司董事长贾椒柱：我公司与安淳公司结缘从1995年开始。近20年来，从年产2.5万吨合成氨节能技改起步，9次采用安淳公司的创新技术，目前公司年产120万吨合成氨，共有8套氨合成装置、4套醇烃化装置，成为全国节能减排标杆企业。在建的50万吨合成氨和醇烃化装置，预计2015年10月建成投产，届时我公司将形成年产180万吨合成氨、300万吨尿素的能力。9套氨合成、5套醇烃化装置全部使用清一色的安淳技术。一南一北相距千里之外的两家企业，犹如亲兄弟，从小到大，从弱到强，互相促进，共同发展，创造了互利共赢的佳话。他们的合成氨、醇烃化技术更贴近我们企业的实际，为我公司能耗不断降低、效益不断提高，发挥了重要作用。

FINANCIAL CONTENTS

REPORT OF CORPORATE GOVERNANCE

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

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

The Board's Conduct of its Affairs

Principle 1: Every company should be headed by an effective Board to lead and control the company. The Board is collectively responsible for the long-term success of the company. The Board works with Management to achieve this objective and Management remains accountable to the Board.

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

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

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

Certain matters are delegated to committees whose actions are monitored by the Board. These committees include the Audit Committee ("AC"), the Nominating Committee ("NC") and the Remuneration Committee ("RC"), which operate within clearly defined terms of reference and functional procedures.

Newly-appointed Directors undergo an orientation program with materials provided to help them get familiarised with the business and organisation structure of the Group. To get a better understanding of the Group's business, the newly-appointed Directors are also given the opportunity to visit the Group's operational facilities and meet with the Management. The Directors are also provided with updates on the relevant new laws and regulations related to the Group's operating environment through emails and regular briefings.

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

A number of Directorship changes occurred in the course of Year 2014:-

(i) Mr Xie Ding Zhong was re-designated from Executive Chairman and Chief Executive Officer ("CEO") to Non-Executive Chairman on 1 March 2014;

(ii) Ms Xie Ming was re-designated from Non-Executive Director to Executive Director and CEO on 1 March 2014;

(iii) Mr Ma Ong Kee resigned as Non-Executive Director and with his resignation as a director of the Company, Mr Andrew Bek therefore ceased to be an alternate director to Mr Ma Ong Kee on 1 March 2014;

(iv) Mr Andrew Bek was appointed as Non-Executive Director on 1 March 2014 and re-designated as Independent Director on 4 September 2014.

REPORT OF CORPORATE GOVERNANCE

(v) Mr Zheng Zhi Zhong was appointed as Executive Director on 1 June 2014.

(vi) Mr Pan De Run resigned as Independent Director on 4 September 2014.

(vii) Mr Yang Chun Sheng was appointed as Independent Director on 4 September 2014.

Following the above mentioned changes, the composition of the Board is as follows:

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

In the course of the financial year under review, the number of meetings held and attended by each member of the Board is as follows:

Name of Director	Number of Meetings held	Attendance
Mr Xie Ding Zhong	4	4
Ms Xie Ming	4	4
Mr Liang Gong Zeng	4	4
Ms Dai Feng Yu	4	4
Mr Ma Ong Kee (or his alternate, Mr Andrew Bek) (resigned on 1 March 2014)	1	1
Mr Zheng Zhi Zhong (appointed on 1 June 2014)	2	2
Mr Lee Gee Aik	4	4
Ms Tan Min-Li	4	4
Mr Pan De Run (resigned on 4 September 2014)	3	3
Mr Andrew Bek (appointed on 1 March 2014)	3	3
Mr Yang Chun Sheng (appointed on 4 September 2014)	1	1

Board Composition and Balance

Principle 2: There should be a strong and independent element on the Board, which is able to exercise objective judgement on corporate affairs independently, in particular, from Management and 10% shareholders. No individual or small group of individuals should be allowed to dominate the Board's decision making.

The Board currently comprises:-

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

REPORT OF CORPORATE GOVERNANCE

Non-Executive Director
Mr Xie Ding Zhong

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

The independence of each Director is reviewed annually by the NC. The NC adopts the definition in the Code as to what constitutes an independent director in its review to ensure that the Board consists of persons who, together, will provide core competencies necessary to meet the Company's objectives. The NC is of the view that Mr Lee Gee Aik, Ms Tan Min-Li, Mr Andrew Bek and Mr Yang Chun Sheng are independent.

The Board has examined its size and is of the view that it is an appropriate size for effective decision-making, taking into account the scope and nature of the operations of the Company. The NC is of the view that no individual or small group of individuals dominates the Board's decision-making process.

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

Chairman and Chief Executive Officer

Principle 3: There should be a clear division of responsibilities between the leadership of the Board and the executives responsible for managing the company's business. No one individual should represent a considerable concentration of power.

On 1 March 2014, Mr Xie Ding Zhong was re-designated from Executive Chairman and CEO to Non-Executive Chairman and Ms Xie Ming was re-designated from Non-Executive Director to Executive Director and CEO. The Non-Executive Chairman ensures that board meetings are held when necessary and sets the board meeting agenda (with the assistance of the Company Secretary and in consultation with the CEO) while the CEO is responsible for the formulation of the Group's strategic directions and expansion plans, and managing the Group's overall business development.

Notwithstanding that Mr Xie Ding Zhong is the father of Ms Xie Ming, all major proposals and transactions are made in consultation with the Board which comprises independent and non-executive directors. The Board is of the view that there are sufficient safeguards and checks in place to ensure that the process of decision making by the Board is independent and based on collective decisions, without any individual or group of individuals exercising any considerable power and influence.

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

Board Membership

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

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

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

REPORT OF CORPORATE GOVERNANCE

The principal functions of the NC are as follows:-

- to re-nominate existing Directors, having regard to their contribution and performance;
- to determine on an annual basis whether a Director is independent;
- to decide whether a Director is able to and has been adequately carrying out his duties as a Director of the Company, particularly when the Director has multiple board representations; and
- to determine the appropriate training and professional development programs for the Board.

When a vacancy exists, through whatever cause, or where it is considered that the Board would benefit from the services of a new director with particular skills and knowledge, the NC, in consultation with the Board, determines the selection criteria for the position based on the skills and knowledge deemed necessary for the Board to best carry out its responsibilities. Candidates may be suggested by directors or management or sourced from external sources. The NC will interview the candidates and assess them based on objective criteria approved by the Board such as integrity, independent mindedness, possession of the relevant skills required or skills needed to complement the existing Board members, ability to commit the time and effort to carry out his responsibilities, good decision making track record, relevant experience and financial literacy. The NC will make a recommendation to the Board on the appointment. The Board then appoints the most suitable candidate who must stand for election at the next AGM of shareholders.

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

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

Name of Director	Appointment	Number of Meetings held	Attendance
Mr Pan De Run (resigned on 4 September 2014)	Chairman	3	3
Mr Yang Chun Sheng (appointed on 4 September 2014)	Chairman	–	–
Mr Xie Ding Zhong (appointed on 4 September 2014)	Member	–	–
Ms Tan Min-Li	Member	3	3
Mr Ma Ong Kee / Mr Andrew Bek (resigned on 1 March 2014)	Member	1	1
Mr Andrew Bek (appointed on 1 March 2014 and resigned on 4 September 2014)	Member	2	2
Mr Lee Gee Aik (appointed on 1 March 2014)	Member	2	2

Board Performance

Principle 5: There should be a formal annual assessment of the effectiveness of the Board as a whole and its board committees and the contribution by each director to the effectiveness of the Board.

The NC decides how the Board’s performance is to be evaluated and proposes objective performance criteria, subject to the Board’s approval, which address how the Directors have enhanced long-term shareholders’ value. The Board has also implemented a process to be carried out by the NC for assessing the effectiveness of the Board as a whole and for assessing the contribution from each individual Director to the effectiveness of the Board.

The assessment process involves and includes inputs from Board members, applying the performance criteria of the NC and approved by the Board. These inputs are collated and reviewed by the Chairman of the NC, who presents a summary of the overall assessment to the NC for review. Areas where the Board’s performance and effectiveness could be enhanced and recommendations for improvements are then submitted to the Board for discussions and, where appropriate, approval for implementation.

REPORT OF CORPORATE GOVERNANCE

The individual performance criteria include qualitative and quantitative factors such as performance of principal functions and fiduciary duties, level of participation at meetings and attendance record.

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

The NC has assessed the current Board's performance to-date and is of the view that the performance of the Board as a whole was satisfactory. Although some of the Board members have multiple board representations, the NC is satisfied that sufficient time and attention has been given by the Directors to the Company and hence, it would not be necessary to put a maximum limit on the number of listed company board representations. The NC will continue to review from time to time the board representations of each Director to ensure that the Directors continue to meet the demands of the Group and are able to discharge their duties adequately.

Access to Information

Principle 6: In order to fulfil their responsibilities, directors should be provided with complete, adequate and timely information prior to board meetings and on an on-going basis so as to enable them to make informed decisions to discharge their duties and responsibilities.

Each member of the Board has complete access to such information regarding the Company as may be required for the discharge of his duties and responsibilities. Prior to each Board meeting, the members of the Board are each provided with the relevant documents and information necessary, including background and explanatory statements, financial statements, budgets, forecasts and progress reports of the Company's business operations, for them to comprehensively understand the issues to be deliberated upon and make informed decisions thereon. Directors are furnished regularly with information from Management about the Group as well as the relevant background information relating to the business to be discussed at Board meetings. The Directors have separate and independent access to the Company Secretary.

As a general rule, notices are sent to the Directors one week in advance of Board meetings, followed by the Board papers in order for the Directors to be adequately prepared for the meetings. Senior management personnel, if required, will attend board meetings to address queries from the Directors. The Directors also have unrestricted access to the Company's senior management.

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

Procedures for Developing Remuneration Policies

Principle 7: There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors. No director should be involved in deciding his own remuneration.

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

The RC was formed to recommend to the Board a framework of remuneration for the Directors and Key Executives and to determine specific remuneration packages for each Executive Director and Key Executive. The recommendations of the RC are submitted for endorsement by the entire Board. All aspects of remuneration, including but not limited to Directors' fees, salaries, allowances, bonuses, options and benefits in kind shall be covered by our RC. In addition, the RC will perform an annual review of the remuneration of employees related to the Directors and Substantial Shareholders to ensure that their remuneration packages are in

REPORT OF CORPORATE GOVERNANCE

line with our staff remuneration guidelines and commensurate with their respective job scope and level of responsibilities. They will also review and approve any bonuses, pay increases and/or promotion for these employees. The RC has full authority to obtain any external professional advice on matters relating to remuneration as and when the need arises. Each member of the RC shall abstain from voting on any resolution in respect of his or her remuneration package.

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

Name of Director	Appointment	Number of Meetings held	Attendance
Ms Tan Min-Li	Chairman	1	1
Ms Xie Ming (resigned on 1 March 2014)	Member	1	1
Mr Xie Ding Zhong (appointed on 1 March 2014)	Member	–	–
Mr Pan De Run (resigned on 4 September 2014)	Member	1	1
Mr Yang Chun Sheng (appointed on 4 September 2014)	Member	–	–

Level and Mix of Remuneration

Principle 8: The level and structure of remuneration should be aligned with the long-term interest and risk policies of the company, and should be appropriate to attract, retain and motivate (a) the directors to provide good stewardship of the company, and (b) key management personnel to successfully manage the company. However, companies should avoid paying more for this purpose. A proportion of remuneration, especially those of executive directors, should be linked to performance.

The Company has a remuneration policy, which comprises a fixed component and a variable component. The fixed and variable components are in the form of a base salary and a variable bonus, respectively, and take into account the performance of the Company and the performance of the individual Director and key management personnel.

The Independent and Non-Executive Directors do not have service agreements with the Company. They are paid fixed Directors' fees, which are determined by the Board, appropriate to the level of their contribution, taking into account factors such as the effort and time spent and the responsibilities of the Independent and Non-Executive Directors. The fees are subject to approval by the shareholders at each AGM. Except as disclosed, the Independent and Non-Executive Directors do not receive any other remuneration from the Company.

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

The Anchun Employee Share Option Scheme 2014 ("ESOS") and the Anchun Performance Share Plan 2014 ("PSP") were adopted at an extraordinary general meeting held on 29 April 2014. The ESOS and PSP are administered by the RC. Please refer to page 71 of this Annual Report for details of the ESOS and PSP.

Disclosure on Remuneration

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

REPORT OF CORPORATE GOVERNANCE

A breakdown, showing the level and mix of each individual Director's remuneration in FY2014 is as follows:-

Name of Director	Fee#	Salary	Bonus	Benefits	Total
S$0 to S$250,000	**%**	**%**	**%**	**%**	**%**
Mr Xie Ding Zhong	65	35	–	–	100
Mr Liang Gong Zeng	–	66	34	–	100
Ms Dai Feng Yu	–	59	41	–	100
Mr Zheng Zhi Zhong	–	35	65	–	100
Ms Xie Ming	10	45	45	–	100
Mr Ma Ong Kee	100	–	–	–	100
Mr Lee Gee Aik	100	–	–	–	100
Ms Tan Min-Li	100	–	–	–	100
Mr Pan De Run	100	–	–	–	100
Mr Andrew Bek	100	–	–	–	100
Mr Yang Chun Sheng	100	–	–	–	100

Note:

These fees are subject to the approval of the shareholders at the forthcoming AGM

A breakdown, showing the level and mix of top key executives in FY2014 is as follows:-

Name of Executive#	Salary	Bonus	Benefits	Total
S$0 to S$250,000	**%**	**%**	**%**	**%**
Mr Leow Wei Chang (resigned as chief financial officer on 30 June 2014)	100	–	–	100
Mr Qin Hong Jian (appointed as finance controller on 27 October 2014)	100	–	–	100
Mr Li Chun Yang	50	50	–	100
Mr Li Bin	53	47	–	100

Note:

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

The aggregate total remuneration paid to or accrued to key executives (who are not Directors or CEO) amounted to S$208,432.

The remuneration of each individual Director and key executive is not fully disclosed as the Company believes that disclosure may be prejudicial to its business interests given the highly competitive environment it is operating in. The RC has reviewed the practice of the industry in this regard, weighing the advantages and disadvantages of such disclosure.

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

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

REPORT OF CORPORATE GOVERNANCE

Accountability

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

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

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

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

Internal Controls

Principle 11: The Board should ensure that the Management maintains a sound system of risk management and internal controls to safeguard shareholders' interests and the company's assets, and should determine the nature and extent of the significant risks which the Board is willing to take in achieving its strategic objectives.

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

The Board has also received assurance from the Executive Director and CEO and the Finance Controller that (i) the financial records have been properly maintained and the financial statements for FY2014 give a true and fair view of the Company's operations and finances and (ii) the Company risk management and internal control systems in place are effective.

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

Audit Committee

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

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

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

- reviewing the announcement of the quarterly, half-year and full-year results and the accounts of the Group;
- reviewing the audit plans and reports of the external auditors and considering the effectiveness of the actions taken by Management on the auditors' recommendations;
- appraising and reporting to the Board on the audits undertaken by the external auditors, the adequacy of disclosure of information, and the appropriateness and quality of the system of management and internal controls;

REPORT OF CORPORATE GOVERNANCE

- reviewing the assistance and co-operation given by Management to the external auditors;
- discussing problems and concerns, if any, arising from the external audits;
- nominating external auditors for re-appointment; and
- reviewing interested person transactions, as defined in the Listing Manual of the SGX-ST.

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

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

The AC confirms that it has undertaken a review of all non-audit services provided by the auditors and that such non-audit services would not, in the AC's opinion, affect the independence of the auditors. The AC has recommended to the Board that Ernst & Young LLP be nominated for re-appointment as auditors of the Company at the forthcoming AGM.

The aggregate amount of fees paid or payable to the external auditors of the Company, broken down into audit and non-audit services for FY2014 are as follows:-

Audit fees	: S$150,000
Non-audit fees	: S$30,000

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

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

Name of Director	Appointment	Number of Meetings held#	Attendance
Mr Lee Gee Aik	Chairman	4	4
Ms Tan Min-Li	Member	4	4
Mr Pan De Run (resigned on 4 September 2014)	Member	3	3
Mr Andrew Bek (appointed on 4 September 2014)	Member	1	1

Internal Audit

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

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

The Company outsourced its internal audit function to an external professional firm. The internal auditor's primary line of reporting is to the Chairman of the AC in respect of its work which will also include reviewing and assessing the financial, operational and compliance risks and any special projects commissioned by the AC.

REPORT OF CORPORATE GOVERNANCE

The AC has reviewed with the internal auditors their audit plan and their evaluation of the system of internal controls, their audit findings and the Management's responses to those findings; the effectiveness of material internal controls, including financial, operational and compliance controls and overall risk management of the Company and the Group.

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

Shareholder Rights

Principle 14: Companies should treat all shareholders fairly and equitably, and should recognise, protect and facilitate the exercise of shareholders' rights, and continually review and update such governance arrangements.

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

Communication with Shareholders

Principle 15: Companies should actively engage their shareholders and put in place an investor relations policy to promote regular, effective and fair communication with shareholders.

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

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

The Board has not recommended any dividend for FY2014 because the Board wants to ensure that the Company has adequate resources to deal with adverse changes in macroeconomics environments.

Principle 16: Companies should encourage greater shareholder participation at general meetings of shareholders, and allow shareholders the opportunity to communicate their views on various matters affecting the company.

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

The Articles of Association of the Company allow members of the Company to appoint up to two proxies to attend and vote on their behalf through proxy forms sent in advance. For resolutions to be voted by way of show of hand, only the first proxy appointed (in the event that there are two proxies appointed) shall be entitled to vote for the said resolutions.

To enhance shareholder participation, the Group puts all resolutions at general meeting to vote by poll and announces the results by showing the number of votes cast for and against each resolution and the respective percentage to the audience at the general meetings.

REPORT OF CORPORATE GOVERNANCE

Dealing in Securities

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

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

Interested Person Transactions

The Company has adopted an internal policy in respect of any transaction with an interested person, which sets out the procedures for review and approval of such transaction.

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

Details of the interested person transactions entered into by the Group for FY2014 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 FY2014 (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

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

Material Contracts and Loans

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

DIRECTORS' REPORT

The directors are pleased to present their report 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 2014.

Directors

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

Xie Ding Zhong	Non-Executive Chairman
Xie Ming	Executive Director and CEO
Liang Gong Zeng	Executive Director and COO
Dai Feng Yu	Executive Director
Zheng Zhi Zhong	Executive Director
Lee Gee Aik	Lead Independent Director
Andrew Bek	Independent Director
Tan Min-li	Independent Director
Yang Chun Sheng	Independent Director

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, Cap. 50, an interest in shares of the Company and related corporations as stated below:

	Direct interest		Deemed interest	
Name of directors	**At the beginning of financial year**	**At the end of financial year**	**At the beginning of financial year**	**At the end of financial year**
The Company				
(Ordinary shares of the Company)				
Xie Ding Zhong	1,200,000	1,200,000	–	–
Liang Gong Zeng	–	–	45,600,000	44,700,000
Dai Feng Yu	–	–	41,200,000	41,200,000
Xie Ming	–	–	108,000,000	108,000,000
Andrew Bek	–	–	16,000,000	16,000,000

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

DIRECTORS' REPORT

Directors' interests in shares or debentures (cont'd)

Giant Yield Global Limited holds 44,700,000 shares and Liang Gong Zeng owns 25.41% of Giant Yield Global Limited with the remaining 74.59% held on trust by him for the 103 beneficiaries under a Trust Agreement. Dawn Vitality International Limited holds 41,200,000 shares and Dai Feng Yu owns 25.24% of Dawn Vitality International Limited with the remaining 74.76% held on trust by her for the 143 beneficiaries under a Trust Agreement. Able Gallery Ltd., a company wholly owned by Andrew Bek holds 16,000,000 shares. By virtue of Section 7 of the Companies Act, Liang Gong Zeng, Dai Feng Yu and Andrew Bek are deemed to have an interest in the Company through the shares held by Giant Yield Global Limited, Dawn Vitality International Limited and Able Gallery Limited respectively.

There was no change in any of the above-mentioned interests in the Company between the end of the financial year and 21 January 2015.

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

Director's contractual benefits

Except as disclosed in the financial statements, since the end of the previous financial year, no director of the Company has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the director, or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest.

Share option plans

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

Anchun Performance Share Plan 2014 ("Anchun PSP") and Anchun Employee Share Option Scheme 2014 ("Anchun ESOS")

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

On 30 December 2014, the Company has granted an aggregate of 1,700,000 share awards under the Anchun PSP to certain employees by way of transferring all its treasury shares to an employee benefit trust managed by a director-related company.

No options were issued by the Company or its subsidiary during the financial year. As at 31 December 2014, there are no options on the unissued shares of the Company or its subsidiary which were outstanding.

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

Audit Committee

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

DIRECTORS' REPORT

Auditor

Ernst & Young LLP have expressed their willingness to accept reappointment as auditor.

On behalf of the board of directors:

Xie Ming
Director

Dai Feng Yu
Director

25 March 2015

STATEMENT BY DIRECTORS

We, Xie Ming and Dai Feng Yu, being two of the directors of Anchun International Holdings Ltd., do hereby state that, in the opinion of the directors,

(i) the accompanying balance sheets, consolidated statement of comprehensive income, statements of changes in equity, and consolidated cash flow statement together with notes thereto are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2014 and the results of the business, changes in equity and cash flows of the Group and the changes in equity of the Company for the year ended on that date, and

(ii) 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.

On behalf of the board of directors:

Xie Ming
Director

Dai Feng Yu
Director

25 March 2015

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF ANCHUN INTERNATIONAL HOLDINGS LTD.

Report on the Financial Statements

We have audited the accompanying financial statements of Anchun International Holdings Ltd. (the "Company") and its subsidiary (collectively, the "Group") set out on pages 36 to 79, which comprise the balance sheets of the Group and the Company as at 31 December 2014, the statements of changes in equity of the Group and the Company and the consolidated statement of comprehensive income and consolidated cash flow statement of the Group for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss accounts and balance sheets and to maintain accountability of assets.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2014 and the results, changes in equity and cash flows of the Group and the changes in equity of the Company for the year ended on that date.

Report on Other Legal and Regulatory Requirements

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

Ernst & Young LLP
Public Accountants and
Chartered Accountants
Singapore

25 March 2015

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

(Amounts expressed in Renminbi)	Note	Group 2014	Group 2013
		Rmb'000	Rmb'000
Revenue	4	129,354	134,120
Cost of sales		(76,118)	(86,419)
Gross profit		53,236	47,701
Other item of income			
Finance and other income	5	11,457	8,909
Other items of expense			
Marketing and distribution expenses		(5,799)	(5,361)
Administrative expenses		(42,783)	(38,905)
Research expenses		(7,754)	(5,546)
Other expenses	6	(96)	–
Finance costs	7	(1,414)	(1,669)
Profit before tax	8	6,847	5,129
Income tax (expense)/credit	9	(1,600)	1,991
Profit for the year, representing total comprehensive income for the year attributable to owners of the Company		5,247	7,120
Earnings per share (Rmb cents):			
Basic	10	1.04	1.41
Diluted	10	1.04	1.41

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

BALANCE SHEETS

AS AT 31 DECEMBER 2014

(Amounts expressed in Renminbi)

	Note	Group		Company	
		2014	2013	2014	2013
		Rmb'000	Rmb'000	Rmb'000	Rmb'000
ASSETS					
Non-current assets					
Property, plant and equipment	14	121,783	122,613	–	–
Intangible assets	15	62	11	–	–
Land use rights	16	14,805	15,172	–	–
Deferred tax assets	17	153	153	–	–
Investment in subsidiary	13	–	–	75,000	75,000
Investment property	18	964	1,140	–	–
Prepayments	19	4,751	2,775	–	–
		142,518	141,864	75,000	75,000
Current assets					
Inventories	20	71,615	62,265	–	–
Trade and other receivables	21	99,442	70,113	35,802	35,773
Prepayments	19	6,655	3,176	80	83
Cash and cash equivalents	22	164,684	189,829	29,930	33,406
		342,396	325,383	65,812	69,262
Total assets		484,914	467,247	140,812	144,262
EQUITY AND LIABILITIES					
Current liabilities					
Trade and other payables	23	89,006	99,089	10,873	10,269
Advances from customers		52,785	35,006	–	–
Other liabilities	24	19,332	16,180	1,163	1,429
Provision for after-sale expenses	25	35	63	–	–
Income tax payable		5,034	3,434	–	–
		166,192	153,772	12,036	11,698
Net current assets		176,204	171,611	53,776	57,564
Non-current liabilities					
Deferred tax liabilities	17	100	100	–	–
		100	100	–	–
Total liabilities		166,292	153,872	12,036	11,698
Net assets		318,622	313,375	128,776	132,564
Equity attributable to owners of the Company					
Share capital	26	149,278	149,278	149,278	149,278
Treasury/employee benefit trust shares	26	(430)	(430)	(430)	(430)
Other reserves	27	117,895	115,880	–	–
Accumulated profits/(loss)		51,879	48,647	(20,072)	(16,284)
Total equity		318,622	313,375	128,776	132,564
Total equity and liabilities		484,914	467,247	140,812	144,262

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

(Amounts expressed in Renminbi)

	Attributable to owners of the Company				
	Total equity	Share capital (Note 26)	Treasury shares	Other reserves (Note 27)	Accumulated profits
	Rmb'000	Rmb'000	Rmb'000	Rmb'000	Rmb'000
2014					
Group					
Opening balance at 1 January 2014	313,375	149,278	(430)	115,880	48,647
Profit for the year, representing total comprehensive income for the year	5,247	–	–	–	5,247
Others					
Transfer to statutory reserve fund - safety production expenditure (Note 27)	–	–	–	1,048	(1,048)
Transfer to statutory reserve fund (Note 27)	–	–	–	967	(967)
Total others	–	–	–	2,015	(2,015)
Closing balance at 31 December 2014	318,622	149,278	(430)	117,895	51,879
2013					
Group					
Opening balance at 1 January 2013	306,255	149,278	(430)	113,785	43,622
Profit for the year, representing total comprehensive income for the year	7,120	–	–	–	7,120
Others					
Transfer to statutory reserve fund - safety production expenditure (Note 27)	–	–	–	1,125	(1,125)
Safety production expenditure incurred for the year (Note 27)	–	–	–	(14)	14
Transfer to statutory reserve fund (Note 27)	–	–	–	984	(984)
Total others	–	–	–	2,095	(2,095)
Closing balance at 31 December 2013	313,375	149,278	(430)	115,880	48,647

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

(Amounts expressed in Renminbi)

	Attributable to owners of the Company			
	Total equity	**Share capital (Note 26)**	**Treasury shares**	**Accumulated loss**
	Rmb'000	Rmb'000	Rmb'000	Rmb'000
2014				
Company				
Opening balance at 1 January 2014	132,564	149,278	(430)	(16,284)
Loss for the year, representing total comprehensive income for the year	(3,788)	–	–	(3,788)
Closing balance at 31 December 2014	128,776	149,278	(430)	(20,072)
2013				
Company				
Opening balance at 1 January 2013	136,333	149,278	(430)	(12,515)
Loss for the year, representing total comprehensive income for the year	(3,769)	–	–	(3,769)
Closing balance at 31 December 2013	132,564	149,278	(430)	(16,284)

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

CONSOLIDATED CASH FLOW STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

(Amounts expressed in Renminbi)

	Group	
	2014	2013
	Rmb'000	Rmb'000
Operating activities		
Profit before tax	6,847	5,129
Adjustments for:		
Depreciation of property, plant and equipment	12,903	12,832
Depreciation of investment property	176	176
Amortisation of intangible assets	12	66
Amortisation of land use rights	367	365
Write-back of allowance for impairment of trade receivables, net	(983)	(353)
Write down/(write-back) of inventory to net realisable value	3,912	(1,072)
Allowance for/(write-back of) impairment of prepayments	96	(1)
(Write-back of)/allowance for after-sale services	(28)	32
(Gain)/loss on disposal of property, plant and equipment	(566)	117
Finance costs	1,414	1,669
Finance income	(4,272)	(3,851)
Net foreign exchange (gain)/loss	(53)	387
Operating cash flows before changes in working capital	19,825	15,496
Changes in working capital		
Decrease/(increase) in:		
Inventories	(13,262)	10,428
Trade and other receivables	(28,346)	(18,200)
Prepayments	(3,575)	(1,098)
Increase/(decrease) in:		
Trade and other payables	8,132	568
Advances from customers	17,779	(13,994)
Other liabilities	4,821	4,192
Total changes in working capital	(14,451)	(18,104)
Cash flows generated from/(used in) operations	5,374	(2,608)
Interest received	4,272	3,851
Interest paid	(1,669)	(2,163)
Income taxes paid	–	(1,880)
Net cash flows generated from/(used in) operating activities	7,977	(2,800)

CONSOLIDATED CASH FLOW STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

(Amounts expressed in Renminbi)

	Note	Group 2014	Group 2013
		Rmb'000	Rmb'000
Investing activities			
Purchase of property, plant and equipment	A	(13,754)	(8,408)
Purchase of intangible assets - software		(63)	–
Proceeds from disposal of property, plant and equipment		727	5
Net cash flows used in investing activities		(13,090)	(8,403)
Financing activity			
Repayment of loans from former shareholders of a subsidiary		(20,085)	(21,600)
Net cash flows used in financing activity		(20,085)	(21,600)
Net decrease in cash and cash equivalents		(25,198)	(32,803)
Cash and cash equivalents at 1 January		189,829	223,019
Effect of exchange rate changes on cash and cash equivalents		53	(387)
Cash and cash equivalents at 31 December	22	164,684	189,829

A. Purchase of property, plant and equipment

		Group 2014	Group 2013
		Rmb'000	Rmb'000
Current year additions to property, plant and equipment (Note 14)		12,234	4,897
Less:	Payable to creditors	(2,455)	(1,999)
	Prepayments made in prior year	(2,775)	(83)
		7,004	2,815
Add:	Payments for prior year purchase	1,999	2,818
	Prepayments made in current year	4,751	2,775
Net cash outflow for purchase of property, plant and equipment		13,754	8,408

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENEDED 31 DECEMBER 2014

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 at 3 Church Street #12-02, Samsung Hub, Singapore 049483 and the principal place of business of the Group is located at No. 539, Lusong Road, Changsha National Hi-tech Industrial Development Zone, Changsha City, Hunan Province, PRC 410205.

The principal activity of the Company is that of investment holding and trading. The principal activities of the subsidiary are disclosed in Note 13.

2. Summary of significant accounting policies

2.1 *Basis of preparation*

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

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

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

2.2 *Changes in accounting policies*

The accounting policies adopted are consistent with those of the previous financial year except in the current financial year, the Group has adopted all the new and revised standards which are effective for annual financial periods beginning on or after 1 January 2014. The adoption of these standards did not have any effect on the financial performance or position of the Group and the Company.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENEDED 31 DECEMBER 2014

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

2.3 *Standards issued but not yet effective*

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

Description	Effective for annual periods beginning on or after
Amendments to FRS 19 *Defined Benefit Plans: Employee Contributions*	1 July 2014
Improvements to FRSs (January 2014)	
(a) Amendments to FRS 16 *Property, Plant and Equipment* and FRS 38 *Intangible Assets*	1 July 2014
(b) Amendments to FRS 24 *Related Party Disclosures*	1 July 2014
(c) Amendments to FRS 102 *Share Based Payment*	1 July 2014
(d) Amendments to FRS 103 *Business Combinations*	1 July 2014
(e) Amendments to FRS 108 *Operating Segments*	1 July 2014
(f) Amendments to FRS 113 *Fair Value Measurement*	1 July 2014
Improvements to FRSs (February 2014)	
(a) Amendments to FRS 103 *Business Combinations*	1 July 2014
(b) Amendments to FRS 113 *Fair Value Measurement*	1 July 2014
Amendments to FRS 16 *Property, Plant and Equipment: Clarification of Acceptable Methods of Depreciation and Amortisation*	1 January 2016
Improvements to FRSs (November 2014)	
(a) Amendments to FRS 19 *Employee Benefits*	1 January 2016
(b) Amendments to FRS 107 *Financial Instruments: Disclosures*	1 January 2016
FRS 115 *Revenue from Contracts with Customers*	1 January 2017
FRS 109 *Financial Instruments*	1 January 2018

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

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

FRS 109 *Financial Instruments* replaces FRS 39 *Financial Instruments: Recognition and Measurement*. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. FRS 109 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. The Company is currently assessing the impact of FRS 109 and plans to adopt the new standard on the required effective date.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENEDED 31 DECEMBER 2014

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

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

FRS 115 *Revenue from Contracts with Customers*

FRS 115 establishes a new five-step model that will apply to revenue arising from contracts with customers. Under FRS 115 revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in FRS 115 provide a more structured approach to measuring and recognising revenue.

The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under FRS. Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2017 with early adoption permitted. The Company is currently assessing the impact of FRS 115 and plans to adopt the new standard on the required effective date.

2.4 *Basis of consolidation and business combinations*

(a) Basis of consolidation

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

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

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

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

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

- de-recognises the assets (including goodwill) and liabilities of the subsidiary at their carrying amounts at the date when controls is lost;
- de-recognises the carrying amount of any non-controlling interest;
- de-recognises the cumulative translation differences recorded in equity;
- recognises the fair value of the consideration received;
- recognises the fair value of any investment retained;
- recognises any surplus or deficit in profit or loss;
- re-classifies the Group's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENEDED 31 DECEMBER 2014

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

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

(b) Business combination

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

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

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

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

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

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

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

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 rates 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENEDED 31 DECEMBER 2014

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

2.6 *Property, plant and equipment*

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

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

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

Assets under construction are not depreciated as these assets are not yet available for use.

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

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

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

2.7 *Intangible assets*

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

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

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

Computer software

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

2.8 *Land use rights*

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENEDED 31 DECEMBER 2014

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

2.9 *Investment properties*

Investment properties are properties that are either owned by the Group or leased under a finance lease that are held to earn rentals or for capital appreciation, or both, rather than for use in the production or supply of goods or services, or for administrative purposes, or in the ordinary course of business. Investment properties comprise completed investment properties and properties that are being constructed or developed for future use as investment properties. Properties held under operating leases are classified as investment properties when the definition of an investment property is met.

Investment properties are initially measured at cost, including transaction costs. Depreciation is computed on a straight-line basis over the estimated useful life of 20 years.

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

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

2.10 *Impairment of non-financial assets*

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

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

Impairment losses are recognised in profit or loss.

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

2.11 *Subsidiaries*

A subsidiary is an investee that is controlled by the Group. The Group controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENEDED 31 DECEMBER 2014

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

2.12 *Financial instruments*

(a) *Financial assets*

Initial recognition and measurement

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

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

Subsequent measurement

Loans and receivables

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

De-recognition

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

(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 non-derivative financial liabilities, directly attributable transaction costs.

Subsequent measurement

After initial recognition, financial liabilities that are not carried at fair value through profit or loss are subsequently measured at amortised cost using the effective interest rate 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 derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENEDED 31 DECEMBER 2014

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

2.13 *Impairment of financial assets*

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

Financial assets carried at amortised cost

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

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

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

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

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

2.14 *Cash and cash equivalents*

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

2.15 *Inventories*

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENEDED 31 DECEMBER 2014

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

2.16 *Provisions*

General

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

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

Provision for after-sale expenses

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

2.17 *Borrowing costs*

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

2.18 *Government grants*

Government grants are recognised when there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. Where the government grants relates to income, it is recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grant is intended to compensate. The grants are presented as a credit in profit or loss in "Finance and other income".

2.19 *Research costs*

Research costs are expensed as incurred.

2.20 *Employee benefits*

(a) *Defined contribution plans - pension benefits*

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

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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENEDED 31 DECEMBER 2014

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

2.20 *Employee benefits (cont'd)*

(a) *Defined contribution plans - pension benefits (cont'd)*

Singapore

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

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

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

Vesting conditions

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

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

2.21 *Leases*

(a) *As lessee*

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

(b) *As lessor*

Leases where the Group retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. The accounting policy for rental income is set out in Note 2.22(e). Contingent rents are recognised as revenue in the period in which they are earned.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENEDED 31 DECEMBER 2014

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

2.22 *Revenue*

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

(a) Sale of goods

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

(b) Rendering of services

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

(c) Interest income

Interest income is recognised using the effective interest method.

(d) Dividend income

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

(e) Rental income

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

2.23 *Taxes*

(a) Current income tax

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENEDED 31 DECEMBER 2014

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

2.23 *Taxes (cont'd)*

(b) Deferred tax

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

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

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

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENEDED 31 DECEMBER 2014

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

2.23 *Taxes (cont'd)*

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

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

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

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

2.24 *Share capital and share issuance expenses*

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

2.25 *Treasury shares*

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

2.26 *Contingencies*

A contingent liability is:

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

(b) a present obligation that arises from past events but is 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 measured 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, except for contingent liabilities assumed in a business combination that are present obligations and which the fair values can be reliably determined.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENEDED 31 DECEMBER 2014

3. Significant accounting judgments and estimates

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

3.1 *Judgements made in applying accounting policies*

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

Income taxes

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Significant judgement is involved in determining the Group-wide provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. The carrying amount of the Group's income tax payables, deferred tax assets and deferred tax liabilities at 31 December 2014 were Rmb 5,034,000 (2013: Rmb 3,434,000), Rmb 153,000 (2013: Rmb 153,000) and Rmb 100,000 (2013: Rmb 100,000) respectively.

3.2 *Key sources of estimation uncertainty*

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

(a) Impairment of loans and receivables

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

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

(b) Inventory related allowance

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENEDED 31 DECEMBER 2014

4. Revenue

	Group	
	2014	2013
	Rmb'000	Rmb'000
Sale of goods	115,456	124,221
Rendering of services	13,898	9,899
	129,354	134,120

5. Finance and other income

	Group	
	2014	2013
	Rmb'000	Rmb'000
Finance income		
Interest income on bank balances and deposits	4,272	3,851
Other income		
Government grants^	510	1,669
Sale of scrap materials and parts	1,204	1,222
Sale of equipment arising from research and development efforts	2,134	155
Rental income from investment properties (Note 18)	262	–
Net foreign exchange gain/(loss)	53	(387)
Write-back of prepayments	–	1
Write-back of allowance for impairment of trade receivables, net	983	353
Gain from contract penalty	1,473	2,019
Gain/(loss) on disposal of property, plant and equipment	566	(117)
Others	–	143
	11,457	8,909

^ During the financial year ended 31 December 2014 and 2013, the Company' subsidiary in the People's Republic of China received cash grants for distinguished enterprise and research and development from Changsha Finance Bureau High-Tech Zone.

6. Other expenses

	Group	
	2014	2013
	Rmb'000	Rmb'000
Allowance for impairment of prepayments, net	96	–

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENEDED 31 DECEMBER 2014

7. Finance costs

	Group	
	2014	2013
	Rmb'000	Rmb'000
Interest expense on:		
- loans from former shareholders of a subsidiary	1,414	1,669

8. Profit before tax

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

	Group	
	2014	2013
	Rmb'000	Rmb'000
Audit fees:		
- auditors of the Company	242	246
- other auditors	530	536
Non-audit fees:		
- auditors of the Company	145	148
Amortisation of land use rights	367	365
Amortisation of intangible assets	12	66
Write down/(write-back) of inventory to net realisable value	3,912	(1,072)
Operating lease expense	602	607
Depreciation of property, plant and equipment	12,903	12,832
Depreciation of investment property	176	176
Employee benefits expense (Note 11)	30,408	30,827
(Gain)/loss on disposal of property, plant and equipment	(566)	117
Write-back of allowance for impairment of trade receivables, net	(983)	(353)
(Write-back of)/allowance for after-sale services	(28)	32
Direct operating expenses arising from investment property (Note 18)	259	232
Inventories recognised as an expense in cost of sales (Note 20)	62,857	82,214

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENEDED 31 DECEMBER 2014

9. Income tax expense/(credit)

Major components of income tax expense/(credit)

The major components of income tax expense/(credit) for the years ended 31 December 2014 and 2013 are:

	Group	
	2014	**2013**
	Rmb'000	Rmb'000
Consolidated statement of comprehensive income:		
Current income tax:		
- Current income tax	1,600	1,622
- Overprovision in respect of previous years	–	(5,075)
Deferred income tax (Note 17):		
- Origination and reversal of temporary differences	–	1,462
Income tax expense/(credit) recognised in profit or loss	1,600	(1,991)

Relationship between tax expense/(credit) and profit before tax

The reconciliation between tax expense/(credit) and the product of profit before tax multiplied by the applicable corporate tax rate for the years ended 31 December 2014 and 2013 is as follows:

	Group	
	2014	**2013**
	Rmb'000	Rmb'000
Profit before tax	6,847	5,129
Tax at the domestic tax rates applicable to profit in the countries where the Group operates	951	657
Tax effects of:		
- Non-deductible expenses	772	1,061
- Deferred tax assets not recognised	2	1,474
- Income not subject to taxation	(125)	(108)
- Overprovision in respect of previous years	–	(5,075)
Income tax expense/(credit) recognised in profit or loss	1,600	(1,991)

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

Anchun International Holdings Ltd. (the "Company")

The Company is incorporated in Singapore and is subject to a tax rate of 17% for the financial year ended 31 December 2014 (2013: 17%).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENEDED 31 DECEMBER 2014

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

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

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

Given that Hunan Anchun has received the certificate of High and New Technology Enterprise since 2007, it enjoys the preferential income tax rate of 15% from 1 January 2007 to 31 December 2014.

10. Earnings per share

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

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

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

	Group	
	2014	**2013**
	Rmb'000	Rmb'000
Profit for the year attributable to owners of the Company used in the computation of basic and diluted earnings per share	5,247	7,120
Weighted average number of ordinary shares (excluding treasury/EBT shares) ('000) for basic earnings per shares computation	503,300	503,300
Weighted average number of ordinary shares (including EBT shares) ('000) for diluted earnings per shares computation	505,000	503,000
Basic earnings per share (Rmb cents)	1.04	1.41
Diluted earnings per share (Rmb cents)	1.04	1.41

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENEDED 31 DECEMBER 2014

11. Employee benefits expense

	Group	
	2014	2013
	Rmb'000	Rmb'000
Employee benefits expense (including directors):		
Salaries and bonuses	24,269	24,136
Welfare expense	1,623	1,388
Contribution to defined contribution plans	4,516	5,303
	30,408	30,827

12. Related party transactions

(a) ***Sale and purchase of goods***

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

	Company	
	2014	2013
	Rmb'000	Rmb'000
Sales of goods to a subsidiary	2	6

(b) ***Compensation of key management personnel***

	Group	
	2014	2013
	Rmb'000	Rmb'000
Salaries, bonuses and fees	3,800	5,060
Contribution to defined contribution plans	170	185
	3,970	5,245
Comprises amounts paid to:		
- Directors of the Company	2,895	3,656
- Other key management personnel	1,075	1,589
	3,970	5,245

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENEDED 31 DECEMBER 2014

13. Investment in subsidiary

	Company	
	2014	**2013**
	Rmb'000	Rmb'000
Unquoted equity shares, at cost	75,000	75,000

The Company has the following investment in a subsidiary:

Name of company	Country of incorporation	Principal activities	Proportion (%) of ownership interest	
			2014	**2013**
			%	%
Held by the Company:				
Hunan Anchun Advanced Technology Co., Ltd ("Hunan Anchun") [1]	PRC	High technology development and transfer of achievements for oil, coal, natural gas and biochemical industry; design, manufacture and general contracting for sale of chemical new technological process, new equipment integration; projects for energy saving and environmental protection; development and sale of software and electric products; manufacture and sale of chemical products (excluding dangerous products)	100	100

[1] Audited by Hunan Zhengyang Certified Public Accountants Co., Ltd for PRC statutory reporting purpose. Audited by Ernst & Young Hua Ming, Shenzhen office, for consolidation purpose.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENEDED 31 DECEMBER 2014

14. Property, plant and equipment

	Buildings	Machinery	Office equipment and furniture	Motor vehicles	Construction-in-progress	Total
	Rmb'000	Rmb'000	Rmb'000	Rmb'000	Rmb'000	Rmb'000
Group						
Cost:						
At 1 January 2013	89,808	86,439	4,574	3,047	4,222	188,090
Additions	1,664	861	204	–	2,168	4,897
Disposals	–	(285)	–	(140)	–	(425)
At 31 December 2013 and 1 January 2014	91,472	87,015	4,778	2,907	6,390	192,562
Additions	–	8,243	395	1,030	2,566	12,234
Disposals	(122)	(310)	(47)	(1,064)	–	(1,543)
Transfers	–	6,353	382	–	(6,735)	–
At 31 December 2014	91,350	101,301	5,508	2,873	2,221	203,253
Accumulated depreciation:						
At 1 January 2013	(18,536)	(34,008)	(2,356)	(2,520)	–	(57,420)
Depreciation charge for the year	(4,448)	(7,550)	(680)	(154)	–	(12,832)
Disposals	–	171	–	132	–	303
At 31 December 2013 and 1 January 2014	(22,984)	(41,387)	(3,036)	(2,542)	–	(69,949)
Depreciation charge for the year	(4,341)	(7,843)	(563)	(156)	–	(12,903)
Disposals	83	245	44	1,010	–	1,382
At 31 December 2014	(27,242)	(48,985)	(3,555)	(1,688)	–	(81,470)
Net carrying amount:						
At 31 December 2013	68,488	45,628	1,742	365	6,390	122,613
At 31 December 2014	64,108	52,316	1,953	1,185	2,221	121,783

Construction-in-progress

As at 31 December 2014, the Group's construction-in-progress relates to certain non-operationally ready machinery, with carrying amounts of approximately Rmb 2,221,000 (2013: Rmb 6,390,000).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENEDED 31 DECEMBER 2014

15. Intangible assets

	Group	
	2014	**2013**
	Rmb'000	Rmb'000
Cost		
At 1 January	557	557
Additions	63	–
At 31 December	620	557
Accumulated amortisation		
At 1 January	(546)	(480)
Amortisation charge for the year	(12)	(66)
At 31 December	(558)	(546)
Net carrying amount		
At 31 December	62	11

Intangible assets relate to computer software purchased from vendors and have an average remaining amortisation period of 3 years (2013: 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	
	2014	**2013**
	Rmb'000	Rmb'000
Cost		
At 1 January and 31 December	18,271	18,271
Accumulated amortisation		
At 1 January	(3,099)	(2,734)
Amortisation charge for the year	(367)	(365)
At 31 December	(3,466)	(3,099)
Net carrying amount		
At 31 December	14,805	15,172
Amount to be amortised:		
- Not later than one year	365	365
- Later than one year but not later than five years	1,460	1,461
- Later than five years	12,980	13,346

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENEDED 31 DECEMBER 2014

16. Land use rights (cont'd)

The Group has land use rights over three plots of state-owned land in the People's Republic of China (PRC) where the Group's PRC manufacturing and storage facilities reside. The land use rights are not transferable and have an average remaining tenure of 39 years (2013: 40 years). The amortisation of land use rights is included in the "Administrative expenses" line item in the consolidated statement of comprehensive income.

17. Deferred tax assets

Deferred tax as at 31 December relates to the following:

	Group			
	Consolidated balance sheet		Consolidated statement of comprehensive income	
	2014	2013	2014	2013
	Rmb'000	Rmb'000	Rmb'000	Rmb'000
Deferred tax liabilities:				
Undistributed earnings of subsidiary	(100)	(100)	–	–
Deferred tax assets:				
Others	153	153	–	(161)
Impairment loss on trade receivables	–	–	–	(1,301)
	153	153		
Deferred tax expense (Note 9)			–	(1,462)

Deferred tax assets not recognised

At the end of the reporting period, the Group has tax losses of approximately Rmb 109,000 (2013: Rmb 97,000) that are available for offset against future taxable profit of the Group, for which no deferred tax asset is recognised due to uncertainty of its recoverability. The use of these tax losses is subject to the agreement of tax authorities and compliance with certain provisions of the tax legislation.

Unrecognised temporary differences relating to investment in subsidiary

At the end of the reporting period, no deferred tax liability (2013: Nil) has been recognised for withholding tax that would be payable on the remaining undistributed earnings of the PRC subsidiary as the Group has determined that undistributed earnings of its PRC subsidiary will not be distributed in the foreseeable future. Such temporary difference for which no deferred tax liability has been recognised aggregates Rmb 70,056,000 (2013: Rmb 63,035,000) and the deferred tax liability is estimated at Rmb 3,502,800 (2013: Rmb 3,151,750).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENEDED 31 DECEMBER 2014

18. Investment property

	Group	
	2014	**2013**
	Rmb'000	Rmb'000
Balance sheet:		
Cost		
At 1 January and 31 December	3,711	3,711
Accumulated depreciation		
At 1 January	(2,571)	(2,395)
Depreciation charge for the year	(176)	(176)
At 31 December	(2,747)	(2,571)
Net carrying amount		
At 31 December	964	1,140
Fair value	9,804	8,555
Consolidated statement of comprehensive income		
Rental income from investment property:		
- Minimum lease payments	262	–
Direct operating expenses (including repairs and maintenance) arising from:		
- Rental generating property	259	–
- Non-rental generating property	–	232
	259	232

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

<u>Valuation of investment property</u>

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

The investment property held by the Group as at 31 December is as follows:

Description and location	**Existing Use**	**Tenure of land**
10th floor, Xiang Kai Shi Hua Tower, Changsha, PRC	Offices	Leasehold, 50 years lease from 2 August 1999

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENEDED 31 DECEMBER 2014

19. Prepayments

	Group		Company	
	2014	2013	2014	2013
	Rmb'000	Rmb'000	Rmb'000	Rmb'000
Non-current				
Prepayments relating to acquisition of property, plant and equipment	4,751	2,775	–	–
Current				
Prepayments to trade suppliers	5,636	1,668	–	–
Prepaid operating expenses	1,019	1,508	80	83
	6,655	3,176	80	83

20. Inventories

	Group	
	2014	2013
	Rmb'000	Rmb'000
Balance sheet:		
Raw materials	15,784	12,051
Work-in-progress	15,721	14,219
Finished goods	40,110	35,995
Total inventories	71,615	62,265
Consolidated statement of comprehensive income:		
Inventories recognised as an expense in cost of sales	62,857	82,214
Inclusive of the following charges:		
-Write down of inventory to net realisable value	4,267	88
-Write-back of inventory to net realisable value	(355)	(1,160)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENEDED 31 DECEMBER 2014

21. Trade and other receivables

	Group		Company	
	2014	2013	2014	2013
	Rmb'000	Rmb'000	Rmb'000	Rmb'000
Trade receivables	57,449	46,462	–	–
Bill receivables	40,390	22,372	–	–
VAT/GST receivables	18	18	18	18
Amount due from subsidiary (non-trade)	–	–	35,720	35,720
Other receivables	1,585	1,261	64	35
Total trade and other receivables	99,442	70,113	35,802	35,773
Add: Cash and cash equivalents (Note 22)	164,684	189,829	29,930	33,406
Less: VAT/GST receivables	(18)	(18)	(18)	(18)
Total loans and receivables	264,108	259,924	65,714	69,161

Trade receivables

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

Bill receivables

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

Amount due from subsidiary (non-trade)

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

Trade receivables that are past due but not impaired

The Group has trade receivables amounting to Rmb 23,823,000 (2013: Rmb 22,682,000) that were past due at the end of the reporting period but not impaired. These receivables are unsecured and the analysis of their ageing at the end of the reporting period is as follows:

	Group	
	2014	2013
	Rmb'000	Rmb'000
Trade receivables past due but not impaired:		
1 - 365 days	3,110	12,297
More than 365 days	20,713	10,385
	23,823	22,682

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENEDED 31 DECEMBER 2014

21. Trade and other receivables (cont'd)

Trade receivables that are impaired

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

	Group	
	2014	2013
	Rmb'000	Rmb'000
Trade receivables – nominal amounts	17,204	18,187
Less: allowance for doubtful receivables	(17,204)	(18,187)
	–	–
Movement in the allowance accounts:		
At 1 January	18,187	18,643
Charge for the year	3,080	5,493
Write-back of allowance	(4,063)	(5,846)
Written-off against allowance	–	(103)
At 31 December	17,204	18,187

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

Other receivables that are impaired

At the end of the reporting period, the Group has provided an allowance for impairment of Rmb 50,000 (2013: Rmb 50,000) against other receivables in respect of debtors which have defaulted on payment with nominal amount of Rmb 50,000 (2013: Rmb 50,000).

22. Cash and cash equivalents

	Group		Company	
	2014	2013	2014	2013
	Rmb'000	Rmb'000	Rmb'000	Rmb'000
Cash at banks and on hand	129,570	123,574	2,792	2,981
Short-term deposits	35,114	66,255	27,138	30,425
Cash and cash equivalents	164,684	189,829	29,930	33,406

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

Short-term deposits are made for varying periods between one and two months (2013: one and two months), and earn an average interest of 2.0% (2013: 2.0%) per annum based on the period deposited with the bank.

NOTES TO THE FINANCIAL STATEMENTS
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22. Cash and cash equivalents (cont'd)

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

	Group and Company	
	2014	2013
	Rmb'000	Rmb'000
Singapore dollars	2,792	2,970

23. Trade and other payables

	Group		Company	
	2014	2013	2014	2013
	Rmb'000	Rmb'000	Rmb'000	Rmb'000
Trade payables	15,987	9,707	–	–
Bill payables	4,870	5,716	–	–
Payables to suppliers of property, plant and equipment	2,455	1,999	–	–
Loans from former shareholders of a subsidiary	44,867	64,952	–	–
Amount due to subsidiary (non-trade)	–	–	10,873	10,269
Other taxes payable	873	856	–	–
VAT payable	11,325	9,676	–	–
Other payables	8,629	6,183	–	–
	89,006	99,089	10,873	10,269
Add: Other liabilities (Note 24)	19,332	16,180	1,163	1,429
Less: Other taxes payable	(873)	(856)	–	–
Less: VAT payable	(11,325)	(9,676)	–	–
Total financial liabilities carried at amortised cost	96,140	104,737	12,036	11,698

Trade payables

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

Bill payables

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

Loans from former shareholders of a subsidiary

Loans from former shareholders of the subsidiary, Hunan Anchun, are for working capital purposes. The tenure will be for a year from the date of disbursement of the loans, renewable on a yearly basis up to five years by the subsidiary. As at 31 December 2014, the loans amounted to Rmb 44,867,000 (2013: Rmb 64,952,000) and bear interest at rate of 2.5% (2013: 2.5%) per annum.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENEDED 31 DECEMBER 2014

23. Trade and other payables (cont'd)

Amount due to subsidiary (non-trade)

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

Other payables

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

24. Other liabilities

	Group		Company	
	2014	**2013**	**2014**	**2013**
	Rmb'000	Rmb'000	Rmb'000	Rmb'000
Accrued salaries and bonuses	9,487	6,006	553	471
Accrued operating expenses	3,624	4,336	610	958
Accrued interest payable	1,414	1,669	–	–
Accrued welfare expenses	4,807	4,169	–	–
	19,332	16,180	1,163	1,429

Accrued interest payable

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

25. Provision for after-sale expenses

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

26. Share capital and treasury/employee benefit trust shares

(a) ***Share capital***

	Group and Company			
	2014	**2014**	**2013**	**2013**
	No. of shares	Rmb'000	No. of shares	Rmb'000
Issued and fully paid ordinary shares				
At 1 January and 31 December	505,000,000	149,278	505,000,000	149,278

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENEDED 31 DECEMBER 2014

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

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

	Group and Company			
	2014	2014	2013	2013
	No. of shares	Rmb'000	No. of shares	Rmb'000
At 1 January and 31 December	(1,700,000)	(430)	(1,700,000)	(430)

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

The Company has adopted the Anchun PSP, which was approved by the shareholders at the Extraordinary General Meeting held on 29 April 2014.

On 30 December 2014, the Company has granted an aggregate of 1,700,000 share awards under the Anchun PSP to certain employees by way of transferring all its treasury shares to an employee benefit trust managed by a director-related company. The shares will be released to the employees at the conclusion of the three years vesting period under the Anchun Performance Share Plan 2014.

	Year of grant
	2014
No. of shares at grant date, representing total outstanding shares as at 31 December 2014	1,700,000

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

27. Other reserves

		Group	
		2014	2013
		Rmb'000	Rmb'000
(a)	Statutory reserve fund	37,975	37,008
(b)	Statutory reserve fund - safety production expenditure	3,195	2,147
(c)	Contribution from shareholder	1,725	1,725
(d)	Merger reserve	75,000	75,000
		117,895	115,880

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENEDED 31 DECEMBER 2014

27. Other reserves (cont'd)

(a) ***Statutory reserve fund***

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

	Group	
	2014	**2013**
	Rmb'000	Rmb'000
At 1 January	37,008	36,024
Transferred from accumulated profits	967	984
At 31 December	37,975	37,008

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

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

	Group	
	2014	**2013**
	Rmb'000	Rmb'000
At 1 January	2,147	1,036
Incurred during the year	–	(14)
Transferred from accumulated profits	1,048	1,125
At 31 December	3,195	2,147

(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. 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENEDED 31 DECEMBER 2014

28. Segment information (cont'd)

(ii) Chemical engineering and technology ("CET") Engineering Services

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENEDED 31 DECEMBER 2014

28. Segment information (cont'd)

	Catalyst Business	CET Engineering Services	CSC Business	Total
	Rmb'000	Rmb'000	Rmb'000	Rmb'000
Group				
31 December 2013				
Revenue				
External customers	17,766	9,899	106,455	134,120
Total revenue	17,766	9,899	106,455	134,120
Results:				
Segment gross profit	5,802	7,013	34,886	47,701
Finance income				3,851
Other income				5,058
Marketing and distribution expenses				(5,361)
Administrative expenses				(38,905)
Research expenses				(5,546)
Finance costs				(1,669)
Profit before tax				5,129
Depreciation and amortisation				13,439
Other material non-cash items				
Write-back of inventory to net realisable value				1,072
Write-back of allowance for impairment of trade receivables, net				353

<u>Geographical information</u>

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.

<u>Information about major customers</u>

During the financial year ended 31 December 2014, revenue from three (2013: two) major customers amount to Rmb 63,728,000 (2013: Rmb 41,610,000), arising from sales by the CET Engineering Services and CSC Business segments.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENEDED 31 DECEMBER 2014

29. Capital commitments

(a) *Capital commitments*

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

	Group	
	2014	**2013**
	Rmb'000	Rmb'000
Commitment in respect of purchase contracts entered into for:		
Property, plant and equipment	234	397

(b) *Operating lease commitments – as lessee*

In addition to the land use rights disclosed in Note 16, the Group has operating lease commitments with respect to the rental of motor vehicles, office and dormitory facilities. These leases have an average tenure of between one to three years (2013: one to three years) with no renewal option or contingent rent provision included in the contracts. There are no restrictions placed upon the Group by entering into these leases.

Operating lease payments recognised as an expense in the consolidated statement of comprehensive income for the financial year ended 31 December 2014 amounted to Rmb 602,000 (2013: Rmb 607,000).

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

	Group	
	2014	**2013**
	Rmb'000	Rmb'000
Not later than 1 year	597	458
Later than 1 year but not later than 5 years	223	191
	820	649

(c) *Operating lease commitments – as lessor*

The Group has entered into commercial property leases on its investment property. The non-cancellable leases have remaining lease terms of between two to three years (2013: Nil). All leases include a clause to enable upward revision of the rental charge on an annual basis on prevailing market conditions.

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

	Group	
	2014	**2013**
	Rmb'000	Rmb'000
Not later than 1 year	409	–
Later than 1 year but not later than 5 years	589	–
	998	–

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENEDED 31 DECEMBER 2014

30. Fair value of assets and liabilities

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

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date;

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and

Level 3 – Unobservable inputs for the asset or liability.

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

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

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

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

		2013	
	Note	**Significant observable inputs other than quoted prices (Level 2)**	**Carrying amount**
		Rmb'000	Rmb'000
Investment property	18	8,555	1,140

Determination of fair value

The fair value as disclosed in the table above is determined based on comparable market transactions that consider the sales of similar properties that have been transacted in the open market.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENEDED 31 DECEMBER 2014

31. Financial risk management objectives and policies

The Group and the Company is exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include interest rate risk, liquidity risk and credit risk. The board of directors reviews and agrees policies and procedures for the management of these risks. The audit committee provides independent oversight to the effectiveness of the risk management process. It is, and has been throughout the current and previous financial year, the Group's policy that no trading in derivatives shall be undertaken.

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.

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

(a) Interest rate risk

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

Sensitivity analysis for interest rate risk

At the end of the reporting period, if RMB and SGD interest rates had been 100 basis points lower/higher with all other variables held constant, the Group's profit net of tax would have been Rmb 1,400,000 lower/higher (2013: Rmb 1,614,000 lower/higher), arising mainly as a result of lower/higher interest income on floating rate cash at bank balances. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment, showing a significantly higher volatility as in prior years.

(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 exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. 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.

<u>Analysis of financial instruments by remaining contractual maturities</u>

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

(c) Credit risk

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

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis by the Group.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENEDED 31 DECEMBER 2014

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

(c) Credit risk (cont'd)

Excessive risk concentration

Concentration arise when a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry.

Exposure to credit risk

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

Financial assets that are neither past due nor impaired

Trade and other receivables that are neither past due nor impaired are with creditworthy debtors with good payment record with the Group. Cash and cash equivalents that are neither past due nor impaired are placed with or entered into with reputable financial institutions or companies with high credit ratings and no history of default.

Financial assets that are either past due or impaired

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

32. Capital management

The primary objective of the Group's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2014 and 31 December 2013.

As disclosed in Note 27, the Company's PRC subsidiary is required by the relevant laws and regulations of the PRC to contribute to and maintain non-distributable statutory reserve funds whose utilisation is subject to approval by the relevant PRC authorities. This externally imposed capital requirement has been complied with by the subsidiary for the financial years ended 31 December 2014 and 2013.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group includes within net debt, loans from former shareholders of a subsidiary, less cash and cash equivalents. Capital consists of equity attributable to owners of the Company less the above mentioned reserve fund.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENEDED 31 DECEMBER 2014

32. Capital management (cont'd)

	Group	
	2014	**2013**
	Rmb'000	Rmb'000
Loans from former shareholders of a subsidiary (Note 23)	44,867	64,952
Less: Cash and cash equivalents (Note 22)	(164,684)	(189,829)
Net surplus	(119,817)	(124,877)
Equity attributable to owners of the Company	318,622	313,375
Less: Statutory reserve fund (Note 27)	(37,975)	(37,008)
Less: Statutory reserve fund – safety production expenditure (Note 27)	(3,195)	(2,147)
Total capital	277,452	274,220
Gearing ratio	NA*	NA*

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

33. Authorisation of financial statements

The consolidated financial statements for the year ended 31 December 2014 were authorised for issue in accordance with a resolution of the directors on 25 March 2015.

STATISTICS OF SHAREHOLDINGS

AS AT 18 MARCH 2015

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

SHAREHOLDINGS HELD IN HANDS OF PUBLIC

Based on information available to the Company as at 18 March 2015, approximately 33.32% of the issued ordinary shares of the Company is held by the public and therefore Rule 723 of the Listing Manual is complied with.

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 - 99	0	0.00	0	0.00
100 - 1000	22	1.65	22,000	0.00
1,001 - 10,000	472	35.46	2,607,000	0.52
10,001 - 1,000,000	803	60.33	68,982,000	13.66
1,000,001 AND ABOVE	34	2.56	433,389,000	85.82
TOTAL	**1,331**	**100.00**	**505,000,000**	**100.00**

TWENTY LARGEST SHAREHOLDERS

	NAME	NO. OF SHARES	%
1	ACE SENSE HOLDINGS LIMITED	108,000,000	21.39
2	ORIENTAL EAGLE HOLDINGS LIMITED	51,100,000	10.12
3	GIANT YIELD GLOBAL LIMITED	44,700,000	8.85
4	DAWN VITALITY INTERNATIONAL LIMITED	42,900,000	8.50
5	INVENTIVE RESULT ENTERPRISES LIMITED	41,065,000	8.13
6	DBSN SERVICES PTE. LTD.	32,554,000	6.45
7	CHINA XLX FERTILISER LTD	19,600,000	3.88
8	UOB KAY HIAN PRIVATE LIMITED	17,171,000	3.40
9	MAYBANK KIM ENG SECURITIES PTE. LTD.	9,083,000	1.80
10	SKYVEN GROWTH OPPORTUNITIES FUND PTE LTD	8,460,000	1.68
11	SINGAPORE NOMINEES PRIVATE LIMITED	5,076,000	1.01
12	HUANG BAOJIA	4,200,000	0.83
13	BAO CHEN OR LU RONGLING	4,060,000	0.80
14	LIM POH CHOON	4,056,000	0.80
15	PHILLIP SECURITIES PTE LTD	3,963,000	0.78
16	GO POWER INVESTMENTS LIMITED	3,900,000	0.77
17	OCBC SECURITIES PRIVATE LIMITED	3,280,000	0.65
18	LIU DAN	2,721,000	0.54
19	MAYBANK NOMINEES (SINGAPORE) PRIVATE LIMITED	2,500,000	0.50
20	LIM & TAN SECURITIES PTE LTD	2,354,000	0.47
	TOTAL	**410,743,000**	**81.35**

STATISTICS OF SHAREHOLDINGS
AS AT 18 MARCH 2015

SUBSTANTIAL SHAREHOLDERS

	Direct Interest		Deemed Interest	
	No. of Shares	%	No. of Shares	%
Liang Gong Zeng[(2)]	–	–	44,700,000	8.85
Dai Feng Yu[(3)]	–	–	41,200,000	8.16
Xie Ming[(4)]	–	–	108,000,000	21.39
Ma Ong Kee[(5)]	–	–	32,554,000	6.45
Li Chun Yang[(6)]	–	–	51,995,000	10.30
Li Bin[(7)]	–	–	41,065,000	8.13
Xie Xing[(8)]	–	–	108,000,000	21.39
Giant Yield Global Limited	44,700,000	8.85	–	–
Dawn Vitality International Limited	42,900,000	8.50	–	–
Ace Sense Holdings Limited	108,000,000	21.39	–	–
Oriental Eagle Holdings Limited	51,100,000	10.12	–	–
Inventive Result Enterprises Limited	41,065,000	8.13	–	–
Strategic Capital Holdings Limited	32,554,000	6.45		

Notes:-

(1) Percentage calculated based on 505,000,000 voting shares of the Company as at 18 March 2015.

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

(3) Dai Feng Yu is deemed to be interested in 41,200,000 shares held by Dawn Vitality International Limited.

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

(5) Ma Ong Kee is deemed to be interested in 32,554,000 shares held by Strategic Capital Holdings Limited through DBSN Services Pte Ltd.

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

(7) Li Bin is deemed to be interested in 41,065,000 shares held by Inventive Result Enterprises Limited.

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

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Anchun International Holdings Ltd. (the "Company") will be held at Lower Level, Shenton Room, M-Hotel, 81 Anson Road Singapore 079908, on Wednesday, 29 April 2015 at 9:30 a.m., for the purpose of transacting the following businesses:-

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Report and the Audited Accounts for the financial year ended 31 December 2014 together with the Auditors' Report thereon. **(Resolution 1)**

2. To approve the payment of Directors' fees of S$280,000 for the financial year ending 31 December 2015 (FY2014: S$275,166). *[See Explanatory Note 1]* **(Resolution 2)**

3. To re-appoint Xie Ding Zhong as a Director of the Company pursuant to Section 153(6) of the Companies Act, Cap. 50. **(Resolution 3)**

4. To re-appoint Yang Chun Sheng as a Director of the Company pursuant to Section 153(6) of the Companies Act, Cap. 50. **(Resolution 4)**

5. To re-elect the following Directors retiring pursuant to the Company's Articles of Association:

   (i) Zheng Zhi Zhong (Article 88) **(Resolution 5)**
   (ii) Liang Gong Zeng (Article 89) **(Resolution 6)**
   (iii) Lee Gee Aik (Article 89) *[See Explanatory Note 2]* **(Resolution 7)**

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

AS SPECIAL BUSINESS

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

   General Share Issue Mandate

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

   (a) (i) allot and issue shares in the capital of the Company ("Shares"), whether by way of rights, bonus or otherwise; and/or

   (ii) make or grant offers, agreements or options (collectively, "Instruments") that might or would require Shares to be issued during the continuance of such authority or thereafter, including but not limited to the creation and issue (as well as adjustments to) warrants, debentures or other instruments convertible into Shares,

   at any time and upon such terms and conditions and for such purposes and to such persons as the Board may, in their absolute discretion, deem fit; and

   (b) issue Shares in pursuance of any Instrument made or granted by the Board while such authority was in force (notwithstanding that such issue of the Shares pursuant to the Instruments may occur after the expiration of the authority contained in this Resolution);

NOTICE OF ANNUAL GENERAL MEETING

provided that:

(1) the aggregate number of shares to be issued pursuant to this Resolution (including shares to be issued in pursuance of instruments made or granted pursuant to this Resolution) does not exceed 50% of the issued shares in the capital of the Company (excluding treasury shares) (as calculated in accordance with sub-paragraph (2) below) of which the aggregate number of shares to be issued other than on a pro rata basis to shareholders of the Company (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed 20% of the issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below);

(2) (subject to such manner of calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (1) above, the percentage of issued shares shall be based on the number of issued shares (excluding treasury shares) in the capital of the Company at the time of the passing of this Resolution, after adjusting for:

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

(bb) any subsequent consolidation or subdivision of shares;

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

(4) unless revoked or varied by the Company in general meeting, such authority conferred by this Resolution shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier." *[See Explanatory Note 3]*

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

BY ORDER OF THE BOARD

Wee Woon Hong
Lee Hock Heng
Company Secretaries

Singapore
10 April 2015

NOTICE OF ANNUAL GENERAL MEETING

Explanatory Notes:

1. The Ordinary Resolution 2 proposed in item 2 above is to seek approval for the payment of up to S$280,000 as directors' fees on a current year basis, that is for the financial year ending 31 December 2015. In the event that the amount proposed is insufficient, approval will be sought at next year's annual general meeting for payments to meet the shortfall.

2. Mr Lee Gee Aik will, upon re-election as Director of the Company, remain as the Chairman of the Audit Committee and a member of the Nominating Committee. He will be considered independent for the purposes of Rule 704(8) of the Listing Manual.

3. The Ordinary Resolution 9 proposed in item 7 above, if passed, will empower the Directors of the Company to issue shares up to 50% of the Company's issued share capital, with an aggregate sub-limit of 20% of the Company's share capital for any issue of shares not made on a pro-rata basis to shareholders of the Company.

Notes:

(i) A member of the Company entitled to attend and vote at the above Meeting may appoint not more than two proxies to attend and vote instead of him.

(ii) Where a member appoints two proxies, he shall specify the proportion of his shareholding to be represented by each proxy in the instrument appointing the proxies. A proxy need not be a member of the Company.

(iii) If the member is a corporation, the instrument appointing the proxy must be under seal or the hand of an officer or attorney duly authorised.

(iv) The instrument appointing a proxy must be deposited at the Registered Office of the Company at 3 Church Street, #12-02 Samsung Hub, Singapore 049483, not less than 48 hours before the time appointed for holding the above Meeting.

Personal Data Privacy:

"Personal data" in this notice has the same meaning as "personal data" in the Personal Data Protection Act 2012 ("**PDPA**"), which includes your and your proxy's and/or representative's name, address and NRIC/Passport No. By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's and its proxy(ies)'s or representative's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Annual General Meeting (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior express consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, (iii) undertakes that the member will only use the personal data of such proxy(ies) and/or representative(s) for the Purposes; and (iv) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty. Your and your proxy and/or representative's personal data may be disclosed or transferred by the Company to its subsidiaries, its share register and/or other agents or bodies for any of the Purposes, and retained for such period as may be necessary for the Company's verification and record purposes.

ANCHUN INTERNATIONAL HOLDINGS LTD.

Registration No. 200920277C
(Incorporated in the Republic of Singapore)

Important:

1. For investors who have used their CPF monies to buy the Shares, this report is forwarded to them at the request of their CPF Approved Nominees and is sent solely FOR INFORMATION ONLY.
2. This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

PROXY FORM
ANNUAL GENERAL MEETING

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

____ (Address)

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

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

and/or *

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

or failing him/her, the Chairman of the Annual General Meeting (the "**AGM**") of the Company as my/our* proxy/proxies* to attend and to vote for me/us* on my/our* behalf and, if necessary, to demand a poll at the AGM of the Company to be held at Lower Level, Shenton Room, M-Hotel, 81 Anson Road Singapore 079908, on Wednesday, 29 April 2015 at 9:30 a.m., and at any adjournment thereof.

(Please indicate with an "X" in the spaces provided whether you wish your vote(s) to be cast for or against the Ordinary Resolutions as set out in the Notice of AGM. In the absence of specific directions, the proxy/proxies will vote or abstain as he/they may think fit, as he/they will on any other matter arising at the AGM)

No.	**Resolutions**	**For**	**Against**
1.	Adoption of Directors' Report and Audited Accounts for the financial year ended 31 December 2014		
2.	Approval of Directors' fees for the financial year ending 31 December 2015		
3.	Re-appointment of Xie Ding Zhong as a Director		
4.	Re-appointment of Yang Chun Sheng as a Director		
5.	Re-election of Zheng Zhi Zhong as a Director		
6.	Re-election of Liang Gong Zeng as a Director		
7.	Re-election of Lee Gee Aik as a Director		
8.	Re-appointment of Ernst & Young LLP as Auditors and authorise the Directors to fix their remuneration		
9.	Authority to allot and issue of shares		

** Delete accordingly*

Dated this ____________ day of __________________ 2015.

Total Number of Shares held

____

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

IMPORTANT: PLEASE READ NOTES OVERLEAF

Notes :

1. Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 130A of the Companies Act, Cap. 50), you should insert that number of shares. If you have Shares registered in your name in the Register of Members, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Shares held by you.

2. A member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint not more than two proxies to attend and vote on his behalf. A proxy need not be a member of the Company.

3. The instrument appointing the a proxy or proxies must be deposited at the Company's registered office at 3 Church Street, #12-02 Samsung Hub, Singapore 049483, not less than 48 hours before the time appointed for the meeting.

4. Where a member appoints more than one proxy, he/she shall specify the proportion of his/her shareholdings to be represented by each proxy.

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

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

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

8. The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of a member whose Shares are entered against his/her name in the Depository Register, the Company may reject any instrument of proxy lodged if such member, being the appointor, is not shown to have Shares entered against his/her name in the Depository Register 48 hours before the time appointed for holding the meeting, as certified by the Depository to the Company.

Personal Data Privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member is deemed to have accepted and agreed to the personal data privacy terms set out in the Notice of Annual General Meeting dated 10 April 2015.

ANCHUN INTERNATIONAL HOLDINGS LTD.

Principal place of business:
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Changsha National Hi-tech Industrial Development Zone
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Telephone : 0731-88958633, 88958632
Facsimile : 0731-88958611