

**ANCHUN INTERNATIONAL HOLDINGS LTD.**

Co. Registration Number: 200920277C

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Principal Office: 539 Lusong Road, Changsha Hi-tech Development Zone,
Changsha, Hunan, China**Response to Queries from the SGX-ST regarding Full Year Results for FY2016 of Anchun International Holdings Ltd. (the “Company”)**

Please provide further information on the following in an announcement to be released via SGXNET by 5th April 2017. In your announcement, please disclose our questions and your corresponding answers to enable investors to understand the matters raised by the Exchange.

We refer to the announcement “Financial Statements and Related Announcement: Full Yearly Results” (the “Financial Results”) by Anchun International Holdings Ltd (the “Company”) on 27 February 2017.

Question 1: Under the Statement of Financial Position, the Group recorded Trade and Other Receivables amounting to RMB67.67million. Please disclose the following.

- a. A breakdown between the trade and other receivables including an aging schedule of the underlying trade and other receivables.
- b. The nature of the transactions that make up the significant amount of other receivables as well as details of the contracts relating to the pay-out of the other receivables.

Response:

- i) The breakdown of the RMB67.76 million recorded under Trade and Other Receivables.

Item by nature	31/12/2016 RMB'000	6months RMB'000	6-12months RMB'000	1-2years RMB'000	>2years RMB'000
Trade Receivables					
Receivables from sales	66,379	36,677	6,196	15,902	7,604
Other Receivables					
A. Operation cash advances	247	247			
B. Bid bonds	1,095	1,095			
C. Rental deposit	29			29	
D. VAT receivables	17	17			
Total	67,767	38,036	6,196	15,931	7,604

- ii) The details of the underlying transaction relation to “Other Receivables” as follows:
The Other Receivables consists of operation cash advance, bid bonds and rental deposit.
- A. Cash advances are rendered based on operational needs so that the Group’s employees do not need to bear too much expenses until a reimbursement cycle completes.
 - B. Most of bidding activities require the advance payment of bid bonds.
 - C. Singapore office rental deposit.

Question 2: On page 11 of the Financial Results, the Company disclosed revenue for catalyst sales decreased by RMB1.5 million in Q4FY2016 despite an overall increase of RMB3.1 million in revenue for catalyst sales for the full year of 2016 due to increased replacement frequency of catalyst to maintain plant productivity. Please provide a discussion on the factors that led the decrease in the catalyst sales in Q4FY2016 given that the Company has a new production capacity on stream in FY2015 and is in development of shift reaction catalyst to meet higher demands of the customers.

Response:

Typical catalyst lifetime in customers’ chemical plant varies from 3 to 10 years, therefore replacement cycle varies. The revenue of the Group’s catalyst segment of 1Q2016 to 4Q2016 is shown in the following table. Revenue variance from catalyst segment is because customers places orders when catalyst replacement need arises.

Financial Period	1Q2016 (RMB'000)	2Q2016 (RMB'000)	3Q2016 (RMB'000)	4Q2016 (RMB'000)	FY2016 (RMB'000)
Revenue from Catalyst Segment	3,823	8,768	4,736	3,317	20,644

Question 3: The Company’s Other Operating Expense increased by RMB4.1 million (607%) from RMB0.7 million in FY2015 to RMB4.8 million in FY2016 due to the increase in allowance for impairment of trade receivables. Please provide details of the customers and the basis for this allowance for impairment of trade receivables amounting to an increase of RMB4.1 million in the Company’s other operating expense. Please also disclose the steps that management has taken to recover these trade receivables and the status of any legal actions taken against the customers.

Response:

As the Group’s customers are primarily in People’s Republic of China, the slowdown of the China economy results in more payment delays and potentially higher default by customers. The management conducts monthly cross-functional meetings to assess the trade debtors’ ability to pay. At the end of the reporting period, the management determines trade receivables that are based on debtors’ payment default facts and financial difficulties. The Group has engaged legal actions against many debtors. Please refer to the breakdown of the FY2016 allowance for impairment of trade receivables and FY2016 received amount after legal actions.

The Group will continue its effort to actively assess debtors' ability to pay and seek legal necessary actions on receivable collections in FY2017.

Customer Name	FY2016 Allowance for Impairment of Trade Receivables (RMB'000)	FY2016 Received Amount after Legal Actions^① (RMB'000)
河北金万泰化肥有限责任公司	2,996	
河南晋开化工投资控股集团有限责任公司	1,881	
贵州开磷息烽合成氨有限责任公司	461	
安乡晋煤金牛化工有限公司	649	
临汾万鑫达焦化有限责任公司	129	
陕西龙门煤化工有限责任公司	127	
山东润银生物化工股份有限公司	-485	819 ^②
河南晋开集团郸城晋鑫化工有限公司	*-407	
唐山邦力晋银化工有限公司	*-318	
徐州丰成盐化工有限公司	-234	234
应城市新都化工有限责任公司	* -209	
内蒙古伊东集团九鼎化工有限责任公司	-113	200 ^②
Others	-220	262 ^②
Total	4,257	1,515

①.Representing reversal of allowance for impairment no longer required as the outstanding debts have been collected without management having to resort to legal actions

②.Including impairment made prior to FY2016 as well as collection from those outstanding amounts where no impairment was made.)

By Order of the Board

Xie Ming
Executive Director and CEO
7 April 2017