



ANCHUN INTERNATIONAL HOLDINGS LTD.

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RESPONSE TO SGX QUERIES

The Board of Directors (the "**Board**") Anchun International Holdings Ltd. (the "**Company**") and together with its subsidiary, Hunan Anchun Advanced Technology Co., Ltd. (collectively known as "**Group**") has on 16 August 2023 received the following queries from the Singapore Exchange Securities Trading Limited ("**SGX-ST**") in relation to the Group's unaudited condensed interim consolidated financial statements for the half year ended 30 June 2023 released on 10 August 2023 and sets out its response as follows:-

Question 1: The Group noted that during the financial period ended 30 June 2023, the Group has recognized impairment losses on receivables, net, on receivables arising from contracts with customers of RMB1,300,000 (30 June 2022: RMB434,000). Please disclose:

- (i) the reason for the significant increase by 41% in the impairment losses on financial assets to RMB 1.3 million;
- (ii) whether the impaired receivables arose from customers who are related parties to the Group;
- (iii) the underlying transactions which gave rise to the amounts owing of RMB 1.3 million; and
- (iv) whether these customers are major customers, whether the Company continues to transact with these customers, (and if so, what are the commercial reasons in doing so), and if these customers are still in operation.

Response:

- (i) The RMB1.3 million pertains to impairment losses arising from trade receivables. It represents the provision for expected credit loss ("ECL") for outstanding debts for the financial reporting period ended 30 June 2023. It is dependent on the aging of the trade receivables as at 30 June 2023 (30 June 2023). The amount is provided based on the ECL model in accordance with the SFRS (I) 9. The Group has established a provision matrix based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. The breakdown of impairment losses on receivables, net for 1HF2023 and 1HF2022 are as follows.

Number	Customer Name	1H2023 Outstanding Balance (Trade receivables)	Net impairment losses on trade receivables for 1H2023	Net impairment losses on trade receivables for 1H2022
		RMB'000	RMB'000	RMB'000
1	内蒙古庆华集团乌斯太精细化工有限公司	4,500	718	–
2	福建永荣科技有限公司	3,440	549	–
3	山东联盟化工股份有限公司	1,216	351	409
4	山西金象煤化工有限责任公司	3,054	344	(951)
5	山东晋煤明水化工集团有限公司	1,776	283	–
6	惠生工程（中国）有限公司	1,680	268	–
7	西安陕鼓动力股份有限公司工程技术分公司	868	222	149
8	河津市华源燃气有限公司	4,400	187	580
9	赛鼎工程有限公司	682	174	117
10	中国五环工程有限公司	621	159	102
11	浙江岩谷科技有限公司	419	130	151
12	鄂托克旗新航焦化有限公司	698	111	–
13	Other Customers sub-total (Each with net impairment losses on trade receivables for 1H2023 less than RMB100k)	22,186	(2,196)	(123)
Total		45,540	1,300	434

- (ii) There are no impaired receivables arising from customers who are related parties to the Group. All of the above customers are external customers.
- (iii) Please see the response to Question 1(i) above. The Company has provided for expected credit losses in accordance with SFRS (I) 9.

- (iv) Some of these customers are major customers. The breakdown is as follows. The Company will assess the financial position of the customers and look out for potential indicators of going concern or liquidity issues.

Number	Customer Name	Whether these customers are major customers	Whether the Company continues to transact with these customers	If so, what are the commercial reasons in doing so	If these customers are still in operation
1	内蒙古庆华集团乌斯太精细化工有限公司	No	Yes	Note A	Yes
2	福建永荣科技有限公司	Yes	Yes	N/A	Yes
3	山东联盟化工股份有限公司	No	Yes	Note A	Yes
4	山西金象煤化工有限责任公司	No	Yes	Note A	Yes
5	山东晋煤明水化工集团有限公司	No	Yes	Note A	Yes
6	惠生工程（中国）有限公司	Yes	Yes	N/A	Yes
7	西安陕鼓动力股份有限公司工程技术分公司	No	Yes	Note A	Yes
8	天津市华源燃气有限公司	No	Yes	Note A	Yes
9	赛鼎工程有限公司	Yes	Yes	N/A	Yes
10	中国五环工程有限公司	No	Yes	Note A	Yes
11	浙江岩谷科技有限公司	No	Yes	Note A	Yes
12	鄂托克旗新航焦化有限公司	No	Yes	Note A	Yes

Note A: Company has assessed the background of the customers and identified it as a business opportunity for the Company to grow.

Question 2: In the cash flow statement, we note that the cash generated/(used) from changes in contract assets changed from an inflow of RMB9.1 million in 1H2022 to a cash outflow of RMB7.4 million in 1H2023. Please reconcile this significant variance to the contract assets movements set out in Note 4.4 which only reflected a change from RMB 82.4 million as at 31 Dec 2022 to RMB 89.8 million as at 30 June 2023.

Response:

The cash outflow of RMB7.4 million in 1H2023 represents changes in one of the working capital items (in this case contract assets) during the 1H2023 between RMB 89.8 million as at 30 June 2023 and RMB 82.4 million as at 31 December 2022 disclosed in Note 4.4.

By Order of the Board

Zheng, ZhiZhong
Executive Director and Chief Executive Officer
18 August 2023