



ANCHUN INTERNATIONAL HOLDINGS LTD.

Co. Registration Number: 200920277C

Co. Address: 81 Anson Road, Suite 8.20, Singapore 079908

Principal Office: 539 Lusong Road, Changsha Hi-tech Development Zone,
Changsha, Hunan, China

RESPONSE TO SGX QUERIES

The Board of Directors ("**Board**") of Anchun International Holdings Ltd. ("**Company**", together with its subsidiary, "**Group**") has on 21 April 2021 received the following queries from the Singapore Exchange Securities Trading Limited ("**SGX-ST**") in relation to its Annual Report for the financial year ended 31 December 2020 ("**FY2020**") released on 8 April 2021 and sets out its response as follows:

Question 1: Listing Rule 1207(10C) requires the Audit Committee's comments on whether the internal audit function is independent, effective and adequately resourced. Please disclose the experience, track record, size of the IA firm and size of the engagement team, the experience and accreditation of the partner leading the IA review, the IA standards applied and the process for identifying the areas of review by the IA.

Response: Detailed information on Peking Certified Public Accountants LLP, is set out as follows:

1) Experience

The Peking Certified Public Accountants LLP has expertise and experience in performing the internal audit. In FY2019, there are 24 internal audit clients of listed companies of similar size and scale as the Company.

2) Size

Peking Certified Public Accountants LLP was founded in 1992 with the approval of the Ministry of Finance (China), and registered at the State Administration of Industry and Commerce with a capital contribution of RMB18.8 million and Mr. Hu Baihe as the principal partner.

As of December 31, 2020, Peking Certified Public Accountants LLP has 1,300 employees who are professionals in finance, accounting, audit, tax, IT, management consulting, including 463 certified public accountants (CPA), 13 senior CPAs, 16 CPA industry leaders.

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

3) Track Record

In FY2019, Peking Certified Public Accountants LLP reported 2% increase in revenue to RMB367.14 million and ranked 35 in Comprehensive evaluation of accounting firms published by CICPA.

In FY2019, the number of audit clients they have serviced is as follows:

Audit clients	Number
Audit annual reports of listed companies	34
Internal audit	30
Others#	4,236

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

4) Size of the engagement team

Audit team Members	Years of Audit Experience	Accreditation
Group Engagement Partner - Zhang Guang Qing	26	China Certified Public Accountant certificate
Group Engagement Quality Reviewer - Huang Xiang Jun	14	China Certified Public Accountant certificate
Engagement Quality Reviewer - Jiang Li Ping	25	China Certified Public Accountant certificate
Internal audit Manager - Wang Hua Bing	23	China Intermediate Accountants Certificate
Internal Audit Professional Staff - Li Ying Jie	6	China Assistant Accountants Certificate

5) Standards and Process for identifying the areas for review by the IA

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

The IA follows a 3-year plan cycle with the objective to cover key business operations of the Group in each cycle. The IA works in consultation with, but independent of management to identify and prioritise the key risk areas of concern. In carrying out the audit of the key risk areas identified, the IA audit procedures emphasize on testing those processes and transactions which in their opinion pose significant risk to internal controls and operations of the company concerned.

Question 2: Listing Rule 704(6) provides that an issuer must announce any material adjustments to its preliminary full-year results made subsequently by auditors. We note that there are material variances in the values for Cash flows generated from operations in the Company's full-year financial statements announced on 26 February 2021 (RMB6.59 million) versus the Annual Report (RMB13.68 million). Please explain the reason for the material variances and why the Company has not made an announcement in this regard.

Response: The Company wishes to clarify that there are no material variances between the unaudited and audited financial statements for financial year ended 31 December 2020.

The RMB6.59 million pertains to the cash flows generated from operations for the Second Half year of financial year ended 31 December 2020 and is not related to the Full Year financial result as disclosed in the Annual Report 2020.

Question 3: On page 55, it is disclosed that for Andrew Bek that "SGX-ST had on 14 October 2019 issued a show-cause letter to Andrew Bek with an opportunity to make representations for potential breaches of listing rules with respect to one of his past directorships held in another listed company in Singapore. SGX-ST had subsequently on 25 September 2020 issued a Public Reprimand against the said listed company and a few parties but Andrew Bek is not named in the said Public Reprimand". Please specifically disclose all details of the abovementioned matters. Please also provide the Nominating Committee's views in relation to these matters.

Response: The Company had on 18 February 2020, 27 February 2020, 11 May 2020 and 29 September 2020 announced the relevant updates relating to the disclosure made by Mr. Andrew Bek on his past directorship held in another listed company in Singapore pursuant to Rule 703(1) of the Listing Manual of the SGX-ST (collectively known as "**Earlier Announcements**").

Below are the pertinent points relating to the above subject matter together with the Nominating Committee ("**NC**")'s views as extracted from the Earlier Announcements made by the Company:

- i. Mr. Andrew Bek was the Non-Executive Director of China Environment Ltd ("**CEL**") during the period from 8 January 2008 to 15 July 2013 and Executive Director during the period from 16 July 2013 to 23 June 2016 and that Mr. Andrew Bek has received a show cause letter from SGX issued to himself on 14 October 2019 ("**Letter**") with an opportunity to make representations for potential breaches of listing rules with respect to one of his past directorships.
- ii. Upon receipt of the notification from Mr. Andrew Bek to the NC and the Board on 13 February 2020 that SGX had clarified that the Letter will constitute as part of the investigation by SGX, the matter was brought up to the NC for its deliberation at its meeting held on 26 February 2020.

- iii. After the NC Meeting held on 26 February 2020, a subsequent announcement was made on 27 February 2020 stating that following a representation by Mr. Andrew Bek that there had been no formal outcome of the investigation from SGX and pending the outcome of the investigation, the NC was of the view that there was no reason to call into question Mr. Andrew Bek's suitability to act as an independent director of the Company.
- iv. Mr. Andrew Bek had disclosed to the NC and the Board that the report lodged by CEL to the Commercial Affairs Department ("**CAD**") was specifically lodged against the ex-chairman and ex-CFO of CEL.
- v. Subsequent to the NC and Board meetings, it was disclosed that CEL had further announced on 26 February 2020 that the CAD had completed their review. Having considered the facts and circumstances, CAD would not be taking further action as there was insufficient evidence of a criminal offence committed in Singapore. CAD had forwarded the information to their China counterparts for their necessary action and will review its decision if there is additional evidence to substantiate the allegations.
- vi. Mr. Andrew Bek had represented to the NC and the Board that, at the material time, CEL's Executive Chairman, Chief Executive Officer and Chief Financial Officer respectively (collectively, the "**Management**") were primarily involved in the Group's day-to-day operations of the Group. Mr. Andrew Bek was responsible for overseeing the group's corporate strategies and corporate development. In this role, he focused on attracting strategic investment into CEL and was not involved in the day to day operations of CEL. In addition, a copy of the Letter has been provided to the NC and the Board by Mr. Andrew Bek together with Mr. Andrew Bek's response of 11 November 2019. This had been reviewed by the NC and the Board which have noted the gravity of the matters set out in the show cause letter as well as the position taken by Mr. Andrew Bek in denying committing any of the breaches.

These factors have been taken into consideration by the NC and the Board in its deliberation. In addition, the NC and the Board note that the formal outcome of the investigations by the SGX were still pending and accordingly, are of the view that there is no reason to conclude that Mr. Andrew Bek is not suitable to act as an independent director of the Company at this point in time. The NC and the Board also noted that Mr. Andrew Bek had competently discharged his duties as an independent director of the Company since his appointment. The situation will be closely monitored and any developments that may affect the NC's and the Board's position will be considered and occasion a review of Mr. Andrew Bek's suitability to continue as an independent director of the Company. Mr. Andrew Bek has also undertaken to inform the Board in writing of any developments and in addition further undertaken that, in the event of any finding by any regulatory authority in Singapore or elsewhere which is in anyway adverse to him, or if the Board in its absolute discretion, determines that, in view of any developments that have occurred,

his suitability to continue as a director has been called into question, he will resign from the Board, notwithstanding that he may not be legally disqualified from acting as a director.

- vii. Mr. Andrew Bek had subsequently informed the Company that SGX-ST had on 25 September 2020 issued Public Reprimand against CEL, their former Executive Chairman, former Executive Director and Chief Executive Officer and former Chief Financial Officer (“**Public Reprimand**”) and it was noted his name is not named in the Public Reprimand.

In addition to the above and as disclosed in the Annual Report 2020 (page 51), the Board has also considered among others, the recommendation of the NC and has reviewed and considered the contribution, performance, attendance preparedness, participation, independency and suitability of Mr. Andrew Bek for continued appointment as Independent Director of the Company and concluded that Mr. Andrew Bek possesses the experience, expertise, knowledge and skills to contribute towards the core competencies of the Board.

By Order of the Board

Zheng, ZhiZhong
Executive Director and Chief Executive Officer
23 April 2021