



ANCHUN INTERNATIONAL HOLDINGS LTD.

Co. Registration Number: 200920277C

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Response to Queries from the SGX-ST regarding Full Year Results for period ended 31 December 2018 (“FY2018”) of Anchun International Holdings Ltd. (the “Company”)

The Company has received the following queries on 15 March 2019 from the SGX-ST in relation to its “Full Year Results for period ended 31 December 2018” released on 28 February 2019 (the “**Announcement**”), and sets out its responses below.

Question 1: Please explain reason for the write-off of contract assets amounting to RMB6.97 million; disclose identity of the counterparties to these contracts; and whether the Company is still engaging them for other transactions.

Response:

The amount of RMB6.97 million is provision for impairment losses on contract assets instead of write-off. Under the new standard SFRS (I) 15, impairments are done on those CSC products that have been completed in previous years where customers requested for postponement due to their operation and payment schedule.

Number	Customer Name	FY2018 Outstanding Balance of Contract Assets (Provision for Impairment)	Whether still engaging them for other transactions.
		RMB'000	
1	内蒙古宏裕科技股份有限公司	6,297	No
2	湖南金宏泰肥业有限公司	677	No
Total Impairment of Contract assets		6,974	

Question 2: The Company had recorded a profit before tax of RMB9.86 million for 12 months ended 31 December 2018. Please clarify and reconcile the statement in paragraph 12 that “no dividend has been declared or recommended for FY2018 as the Company is in a net loss for FY2018.

Response:

The Company wishes to clarify that while the Group on a consolidated basis recorded a profit before tax of RMB9.86 million for FY2018, the Company had incurred a loss of RMB 2.7million for FY2018. The macro-economic environment, particularly government policies in relation to the issue of credit and provision of utility subsidies to the industry, have a large impact on the Group’s customers buying and investing decisions. This coupled with price fluctuations of nitrogen fertilizer and basic chemicals, the Group expects the next 12 months to continue to be challenging for the Nitrogen Fertilizer Industry and the majority of basic chemical producers in PRC. Notwithstanding the economic and market challenges, its subsidiary, Hunan Anchun Advanced Technology Co., Ltd, has recorded an increase in revenue from RMB 65.4 million in FY 2017 to RMB111.2 million in FY 2018, The Group’s efforts to diversify into non-fertiliser industries have seen some successes resulting in revenue of RMB37.3 million in FY 2018 representing 33.5% of total revenue. The Group will continue this diversification efforts and wishes to reserve cash to support these efforts. The Group will continue to review its cash flow requirements keeping in view the macro-economic environment and where its operating cash flow position allows, consider making appropriate dividend distributions to its shareholders.

By Order of the Board

Xie Ming
Executive Chairman
19 March 2019