

	<p>ANCHUN INTERNATIONAL HOLDINGS LTD.</p> <p>Co. Registration Number: 200920277C</p> <p>Co. Address: 81 Anson Road, Suite 8.20, Singapore 079908</p> <p>Principal Office: 539 Lusong Road, Changsha Hi-tech Development Zone, Changsha, Hunan, China</p>
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Response to Queries from the SGX-ST regarding Full Year Results for period ended 31 December 2017 (“FY2017”) of Anchun International Holdings Ltd. (the “Company”)

The Company has received the following queries on 15 March 2018 from the SGX-ST in relation to its “Full Year Results for period ended 31 December 2017” released on 1 March 2018 (the “**Announcement**”), and sets out its responses below.

Question 1: The Company disclosed that Other operating expenses increased by RMB12.0 million mainly due to “net of the increase of RMB12.4 million in the write-back of allowance for impairment of trade receivables from RMB4.2 million in 12M2016 to RMB16.6 million in 12M2017”,

- a) Please elaborate how the write back of allowance resulted in the increment of operating expenses.

Response:

The Group's other operating expenses and the movement of the other operating expenses are as follows:

Other operating expenses (RMB'000):	
For the financial year ended 31 December 2016	(4,763)
For the financial year ended 31 December 2017	(16,713)
Increase	(11,950)
Movement in the other operating expenses:	
Allowance for impairment of trade receivables (net of amount written back) during FY2016	(4,257)
Allowance for impairment of trade receivables (net of amount written back) during FY2017	(16,660)
Increase	(12,403)
Decrease of expenses incurred on delayed delivery to customers	453
Increase	(11,950)

b) Provide details of the customers and debts impaired amounting to RMB16.6 million.

Response:

Number	Customer Name	FY2017 (Allowance for impairment of trade receivables, net)
		RMB'000
1	阳煤集团太原化工新材料有限公司	4,846
2	山西晋煤华昱煤化工有限责任公司	2,000
3	河南晋开化工投资控股集团有限责任公司	1,881
4	华陆工程科技有限责任公司	1,810
5	山西天泽煤化工集团股份公司	1,600
6	河南心连心	1,245
7	中钢设备有限公司	983
8	河北金万泰化肥有限责任公司	942
9	安乡晋煤金牛化工有限公司	851
10	韩城市新丰清洁能源科技有限公司	530
Sub-total of Others (Forty Customers each with net allowance of trade receivables less than absolute RMB500k)		(28)
Total		16,660

Question 2: We note the Company disclosed that it faced declining sales in the Catalyst business and CSC business, please explain the reasons for the increased raw materials and provide details of its inventory obsolescence as exhibited by the allowance made of RMB4.16 million.

Response:

The completion cycle of our CSC business normally is between 3 to 9 months. Raw materials are purchased after the Group receives first payment from the customer. The increase of RMB 2.1 million in raw materials was mainly due to purchasing of raw materials to fulfill new orders received as commented in the following table.

Item by nature	12M2016	12M2017	12M2017 vs.12M2016 (Change)		Comments
	RMB'000	RMB'000	RMB'000	%	
Raw materials	8,094	10,159	2,065	26	Mainly due to materials purchased for contract order of 江苏海力 ammonia system(contract value of RMB6.3 million) and contract order of 山东联盟 CO shift system (contract value RMB7.2 million)

The (Write-back)/Allowance for inventory obsolescence are as follows:

Customer Name	FY2017 (Write-back)/Allowance for inventory obsolescence	Comments
	RMB'000	
甘肃武威荣华工贸集团有限公司	(98)	Write-back for utilization of previously impaired inventory items
江西省双强化工有限公司	3,469	Finished products and work-in-progress written-down due to contracts cancelled
河南华豫恒通化工有限公司	291	
衡阳春晖化工有限公司	86	
Other Customers	407	Mainly from impairment of work-in-progress due to customers' design change request or code and standard requirement by industry engineering design
Total	4,155	

By Order of the Board

Xie Ming
Executive Director and CEO
19 March 2018