

**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 Second Quarter Results (“2Q2019”) of Anchun International Holdings Ltd. (the “Company”)**

The Company has received the following queries on 20 August 2019 from the SGX-ST in relation to its “Unaudited Results for the Second Quarter Ended 30 June 2019” released on 13 August 2019 (the “**Announcement**”), and sets out its responses below.

**Question 1:** The Company reported Current asset – Investment increased from RMB20 million to RMB60 million as at 30 June 2019,

- a. To elaborate and breakdown on the type of investments amounting to RMB60 million and the reason for the increase from RMB20 million.

Response:

The investment products of RMB60 million as at 30 June 2019 were obtained from China Construction Bank of RMB45 million and Industrial and Commercial Bank of China of RMB15 million. These investment products are “Principal Guaranteed Investment Products 保本型理财产品”. Management seeks to balance yield and risk when purchasing these investment products which enjoy a higher return than fixed deposit.

The breakdown and variance of investments as at 30 June 2019 and 31 December 2018 are as follows:

Item by nature	30/06/2019	31/12/2018	30/06/2019 vs. 31/12/2018 (Change)	
	RMB'000	RMB'000	RMB'000	%
Industrial and Commercial Bank of China 中国工商银行保本型法人 35 天稳利人民币理财产品	15,000	20,000	(5,000)	(25)
China Construction Bank 中国建设银行 乾元周周利开放式保本理财产品	25,000	-	45,000	100
China Construction Bank 中国建设银行 乾元众享保本人民币理财产品	20,000	-	20,000	100
<b>Total investments</b>	<b>60,000</b>	<b>20,000</b>	<b>40,000</b>	<b>200</b>

- b. To clarify if the Company announced information required under Listing Rule 1010 relating to these investments. If not, kindly disclose accordingly.

Response:

Please see the response to Question 1 (a) above.

**Question 2:** The Company reported that Professional fees decreased by 58% from RMB1.58 million to RMB672,000 due to renewal fees for engineering design qualifications,

- a. Please elaborate how does the renewal of engineering design qualifications result in the significant drop in Professional Fees.

Response:

The Group sources professional work on government regulation requirements. Professional fees decreased by 58% from RMB1.58 million to RMB0.672 million due to decrease of government requirements for professional types and numbers to renewal of the fees for engineering design work.

**Question 3:** The Company stated that no dividend has been declared or recommended for the financial period ended 30 June 2019 as the Company is in a net loss for 2Q2019 and accumulated position. However, the Company has recorded a net profit of RMB4.79 million and 229% surge in profit for 2Q2019, and the Company is in accumulated profit position at RMB14.4 million as at 30 June 2019.

Response:

The Company wishes to clarify that while the Group on a consolidated basis recorded a profit before tax of RMB4.79 million for 2Q2019, the Company had incurred a loss of RMB0.79 million for 2Q2019. 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 48.7 million in 1H2018 to RMB74.1 million in 1H2019, The Group's efforts to diversify into non-fertiliser industries have seen some successes resulting in revenue of RMB28.8 million in 1H2019 representing 39% 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  
22 August 2019