



ANCHUN INTERNATIONAL HOLDINGS LTD.

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RESPONSE TO SGX-ST QUERY REGARDING THE COMPANY'S ANNUAL REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

Capitalised terms used herein, unless otherwise defined, shall have the meanings ascribed to them in the annual report of Anchun International Holdings Ltd ("AIHL") in relation to the financial year ended 31 December 2022 (the "Annual Report 2022").

The Board of Directors ("**Board**") of Anchun International Holdings Ltd. (the "**Company**", together with its subsidiary, "**Group**") has on 21 April 2023 refers to the following query raised by Singapore Exchange Securities Trading Limited ("**SGX-ST**") in relation to the Company's Annual Report 2022. The Company's response to the query is as follows:

SGX-ST Query:

Rule 710A(2) of the Listing Manual states that an issuer must describe in its annual report its board diversity policy, including the following:

- (a) the issuer's targets to achieve diversity on the board;
- (b) the issuer's accompanying plans and timelines for achieving the targets;
- (c) the issuer's progress towards achieving the targets within the timelines; and
- (d) a description of how the combination of skills, talents, experience and diversity of its directors serve the needs and plans of the issuer.

Please elaborate on the Company's specific targets for its board diversity policy, accompanying plans and timelines, and its progress towards achieving targets within the timelines, as required under Rule 710A(2).

The Company's response:

The Company has adopted the practices that are consistent with the intent of Principle 2 of the Code regarding our board diversity and board diversity policy.

The Board also places emphasis on ensuring gender representation and diversity. At present, the Board has three (3) out of eight (8) Directors who are female Directors, which represents 37.5% of the existing Board composition. It is higher than 21.5% female representation benchmark reported by the Council for Board Diversity ("**CBD**") for the Top 100 primary-listed companies on SGX-ST as at 31 December 2022 according to the Report issued by CBDⁱ released on 2 March 2023.

As disclosed in our Annual Report 2022, the Company has a diverse Board which consists of Directors of different genders, age, backgrounds, varied skills and other relevant qualities considered necessary for the effective governance of the Board. The relevant paragraph is reproduced below:

"At present, our Board is composed of individuals with varied backgrounds. We have representation from different genders (three female and five male directors), ages and backgrounds. The diverse Board members also bring in different skills and professional experiences. Our diversity of perspectives allows us to make decisions that are reflective of the needs and opinions of a wide range of stakeholders."

With regards to the Company's targets to achieve diversity on its Board, our Nominating Committee ("**NC**") has also assessed the current level of diversity on the Board to be satisfactory and thus, the Company takes the approach that maintaining a satisfactory level of diversity is an ongoing process. Accordingly, our current plan is to monitor and assess, alongside developments in our Group's operations, whether the current Board composition presents a satisfactory level of diversity and allows for effective collaboration between and contribution by the Directors.

This is addressed at pages 34-36 of our Annual Report 2022 (under the "Corporate Governance Report" and "Board Composition, Size and Diversity" sub-section of "Principle 2: Board Composition and Balance" section), and the relevant paragraphs reproduced below:

"The size and composition of the Board are reviewed at least annually to ensure that the Board has the appropriate mix of expertise, skills, knowledge and experience diversity for effective decision-making. The Board, in concurrence with the NC, is of the view that the current number of eight (8) Directors and the composition is appropriate and effective, taking into consideration the scope and nature of the Group's operations. No individual or small group of individuals dominate the Board's decision-making."

The Board's objective in its composition is to achieve a good mix of directors with diverse and appropriate professional background and experience to facilitate a robust decision-making process in the best interests of the Company and the Group.

According to the existing Board composition, the NC reviewed the existing attributes and competencies of the Board and is satisfied that the Directors as a group have the appropriate mix of expertise to lead and govern the Group effectively. The diversity of the directors' expertise and experience allows for the useful exchange of ideas and views providing a balance of views at Board and Board Committee meetings. The Board currently comprises three female (37.5%) and five male directors (62.5%) who, as a whole have relevant competence, in accounting, finance, legal or corporate governance, business management, relevant industry knowledge or experience, strategic planning and customer-based experience. The Board provides diversity of expertise, invaluable experiences and knowledge in areas such as accounting, finance, legal or corporate governance, business management and relevant industry knowledge. This diversity facilitates constructive debate on the business activities of the Company and enables Management to benefit from a diverse and objective set of perspectives on issues that are brought before the Board.

The Directors possess the appropriate balance and mix of skills, knowledge and experience (such as legal, accounting and industrial) to guide and assist the Board in its endeavours.

The NC, with the concurrence of the Board, is of the view that the current Board size is adequate, taking into account of the scope and nature of the Group's operations. In addition, the Board and the NC has taken into account, inter alia, the Directors' contributions, scope of work and the wide spectrum of skill and knowledge and are satisfied that the current Board's composition is appropriate for the Group.

The Board also believes that board diversity is more than just about gender diversity and embraces other factors such as a need for individuals with different backgrounds, skill sets, life experiences, abilities and beliefs for a better Board performance.

As such, the Company has established the Board Diversity Policy to ensure the diversity of the Board members and balance of skills. A diverse Board will include and make good use of differences in the skills, industry knowledge and professional experience, cultural and education background and other qualities of the Directors and does not discriminate on the ground of race, age, gender or religious belief. These differences will be taken into account in determining the optimum composition of the Board and when possible, should be balanced appropriately. The Board's policy in identifying directors is primarily to have an appropriate mix and diversity of members with complementary skills, core competencies and experience that could contribute positively to the Group. In reviewing the Board composition and succession planning, the NC considers the benefits of all aspects, including but not limited to age, gender, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service, and other factors that may consider relevant and applicable from time to time.

The Board takes the following steps to maintain or enhance the efficacy of Its composition: -

- (a) annual review by the NC to assess if the existing attributes and core competencies of the Board are complementary and enhance the efficacy of the Board; and*
- (b) annual evaluation by the Directors of the skill sets the other Directors possess, with a view to understand the potential gaps in the areas of expertise and competencies of the Board.*

The NC will consider the results of these exercises in its recommendation for the appointment of new directors and/or the re-appointment of incumbent directors. The NC will also continuously review the composition of the Board so that it will have the necessary competency to be effective. The NC will further consider other aspects of diversity such as professional and commercial experience, gender, age and other relevant qualities.

The NC will continue to review the terms of the Board Diversity Policy, where appropriate, to ensure its effectiveness and will recommend appropriate revisions or improvements to the Board for consideration and approval."

As disclosed in our Annual Report, the Company reviews its Board composition from time to time and at least on an annual basis. All appointments to the Board are based on merit and the NC will consider diversity factors including the candidate's skills, knowledge, experience, age, gender, length of service and any other relevant factors.

Based on the foregoing, the Company believes that the intent of Listing Rule 710A(2) has been met.

By Order of the Board

Zheng, ZhiZhong
Executive Director and Chief Executive Officer
24 April 2023

ⁱ https://www.councilforboarddiversity.sg/wp-content/uploads/2023/03/CBD-Report-Women-on-boards-of-listed-companies-statutory-boards-IPCs-as-at-end-Dec-2022_revised-24-Mar-2023.pdf