

	<p><b>ANCHUN INTERNATIONAL HOLDINGS LTD.</b></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 Third Quarter Results (“3Q2017”) of Anchun International Holdings Ltd. (the “Company”)**

The Company has received the following queries on 1 Dec 2017 from the SGX-ST in relation to its “Unaudited Results for the Third Quarter and Ended 30 Sep 2017” released on 13 Nov 2017 (the “**Announcement**”), and sets out its responses below.

**Question 1:** Please explain the 19% increase of Advances from customers from RMB34.6 million to RMB41.4 million, while the Revenue has dropped by 24% from RMB29.6 million to RMB22.6 million.

Response:

Advances from customers represent payments the Group received from customers in respect of contracts where the underlying revenues have not been recognized in accordance to the Group’s revenue recognition policy as set out in note 2.22 of the Group’s Annual Report for financial year ended 31 December 2016 (an extract of the relevant page of the Annual Report is annexed hereto as Annex A). According to the Group’s revenue recognition policy, the timing of the delivery of products and services as well as customer’s acceptance and commissioning progress affect the revenue recognition and correspondingly the advances from customers from quarter to quarter. Furthermore, typical contract completion cycle ranges from 6 to 18 months.

**Question 2:** Please provide breakdown of customers with debts outstanding and whether the Company is still trading with these customers.

Response:

Number	Customer Name	Whether still Trading with Group / expect to trade with Group in the near future	3Q2017 Outstanding Balance(Net trade receivables) more than 1 year	3Q2017 Outstanding Balance(Net trade receivables)	Actions taken by Group – See footnotes
			RMB'000	RMB'000	

1	山西晋煤无烟煤矿业集团有限责任公司 天溪煤制油分公司	Yes	-	12,388	A
2	阳煤集团太原化工新材料有限公司	No	6,827	6,827	A
3	山西晋煤华昱煤化工有限责任公司	No	3,510	6,245	A
4	安乡晋煤金牛化工有限公司	Yes	640	4,855	A
5	山西天泽煤化工集团股份公司	Yes	115	4,741	A
6	河北金万泰化肥有限责任公司	Yes	3,719	3,819	C
7	河南心连心	Yes	310	3,025	A
8	智胜化工股份有限公司	Yes	559	3,015	A
9	内蒙古伊品生物科技有限公司	Yes	-	2,754	A
10	陕西龙门煤化工有限责任公司	Yes	980	2,349	A
11	华陆工程科技有限责任公司	Yes	2,260	2,268	B
12	河南晋开化工投资控股集团有限责任公司	Yes	-	1,881	A
13	宜昌江峡船用机械有限责任公司	No	-	1,680	A
14	韩城市新丰清洁能源科技有限公司	Yes	-	1,670	A
15	中盐安徽红四方股份有限公司	Yes	-	1,012	A
16	中钢设备有限公司	Yes	983	983	A
17	湖北潜江金华润化肥有限公司	Yes	-	937	A
18	湖北碧弘盛科技有限公司	No	-	849	A
19	长治市郊区昌晋焦油化工有限公司	Yes	-	720	A
20	中石油大连分公司	No	680	680	A
21	河南金大地化工有限责任公司	Yes	-	630	A
22	邹平县宏利热电有限公司	No	-	481	A
23	河北华丰煤化电力有限公司	No	451	451	A
24	贵州开磷息烽合成氨有限责任公司	Yes	-	342	A
25	江苏华昌化工股份有限公司	Yes	-	326	A
26	内蒙古三聚家景新能源有限公司	No	-	300	A
27	西北化工研究院	Yes	-	295	A
28	湖北新鄂西化工有限公司	Yes	225	274	A
29	安徽金禾实业股份有限公司	Yes	-	257	A
30	Other Customers sub-total(Each with net trade receivables less than RMB250k)		256	1,158	
<b>Total trade receivables more than 1 year</b>			<b>21,515</b>		

## Notes:

- (A) – For these trade receivables accounts, management had staff made phone calls, sent out collection letters, and/or dispatched staff visit customers' sites for collection.

- (B) – For these trade receivables accounts, management has sent out Attorney Letter, expecting to file lawsuit in 2018.
- (C) – For these trade receivables accounts, the Court has adjudicated in favor of the Group following legal actions taken. Debtors shall pay full amount per contract in 2018.

**Question 3:** Please elaborate on the efforts taken by the management in recovering the debt aging more than a year.

Response:

Please see Notes A to C in the Company's response to Question 2 above.

**Question 4:** Please elaborate on the Company's policy on requiring advances from customers upon the signing of contract.

Response:

The Group enters into contracts particularly those for CSC customers with specific terms and conditions with typical progress payment milestones as follows:

- a) Upon contract initiation and/or material ordering;
- b) Upon delivery of the design package, chemical systems or customer services to customer;
- c) Upon the acceptance of the chemical systems by customer;
- d) Upon the successful commission of the chemical systems;
- e) Upon expiry of the warranty period which could be typically in 1 or 1.5 years after the successful commissioning of the chemical systems.

Actual terms and conditions agreed and contracted may vary from the above due to business considerations such as credit worthiness, size of contract, past experience with the customers, etc.

**By Order of the Board**

Xie Ming  
Executive Director and CEO  
5 December 2017

## Annex A

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

## 2. Summary of significant accounting policies (cont'd)

### 2.21 Leases (cont'd)

#### (b) As lessor

Leases in which the Group does not transfer substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. The accounting policy for rental income is set out in Note 2.22(f).

### 2.22 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is made. Revenue is measured at the fair value of consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty.

#### (a) Sale of goods

Revenue from sale of goods is recognised upon the transfer of significant risk and rewards of ownership of the goods to the customers, usually on delivery of goods. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

#### (b) Rendering of services

Revenue from providing chemical engineering and technology ("CET") engineering design services is recognised by reference to the stage of completion at the end of the reporting period. Stage of completion is determined by reference to costs incurred to date as a percentage of total estimated costs for each contract. Where the contract outcome cannot be measured reliably, revenue is recognised to the extent of the expenses recognised that are recoverable.

#### (c) Sale of scrap materials and parts

Sale of scrap items is recognised upon the transfer of significant risk and rewards of the scrap items to contracted party responsible for scraping, upon delivery of goods.

#### (d) Interest income

Interest income is recognised using the effective interest method.

#### (e) Dividend income

Dividend income is recognised when the Group's right to receive payment is established.

#### (f) Rental income

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms. The aggregate costs of incentives provided to lessees are recognised as a reduction of rental income over the lease term on a straight-line basis.