



**ANCHUN INTERNATIONAL HOLDINGS LTD.  
(Company No. 200920277C)  
(Incorporated in the Republic of Singapore)**

**MINUTES OF ANNUAL GENERAL MEETING ("AGM" or "MEETING") OF  
ANCHUN INTERNATIONAL HOLDINGS LTD. (THE "COMPANY")  
HELD VIA LIVE WEBCAST AND LIVE AUDIO-ONLY STREAM  
ON MONDAY, 25 APRIL 2022 AT 9:30 A.M. (SINGAPORE TIME)**

**PRESENT ONLINE REMOTELY: -**

Directors	:	1) Ms. Xie Ming (Non-Executive Chairman) 2) Mr. Zheng Zhi Zhong (Executive Director and CEO) 3) Ms. Dai Feng Yu (Executive Director) 4) Mr. Xie Ding Zhong (Non-Executive Director) 5) Ms. Tan Min-Li (Independent Director) 6) Professor He Ming Yang (Independent Director) 7) Mr. Lee Gee Aik (Lead Independent Director) 8) Mr. Andrew Bek (Independent Director)
Shareholders	:	As per log-in Attendance Lists
Invitees	:	As per log-in Attendance Lists
Chairman of the AGM	:	Ms Tan Min-Li

**1) CHAIRMAN OF MEETING'S WELCOME ADDRESS**

At 9:30 a.m., the AGM went LIVE and Ms. Tan Min-Li started by greeting all to the live audio-visual webcast and live audio-only stream ("**LIVE**").

Shareholders watching the LIVE would have pre-registered with the Company.

Ms. Tan Min-Li introduced herself as Independent Director of the Company, and that the Non-Executive Chairman of the Board, Ms. Xie Ming had appointed her to act as Chairman of the Meeting ("**Chairman**") to chair the AGM.

The Chairman also introduced each Board members who were visibly present online.

On behalf of the Board, the Chairman welcomed all to this AGM of the Company via a LIVE.

**2) QUORUM AND PROXIES**

There being a quorum, the Chairman called the Meeting to order.

The Chairman explained that as a precautionary measures due to the current COVID-19 situation in Singapore, this AGM was held by electronic means.



It was noted that all shareholders who wish to vote at the AGM have already appointed the Chairman to act as their proxy and the Chairman would vote in accordance with the voting instruction given by the shareholders based on the valid proxy form received by the Company. If the shareholders did not give any specific instruction for voting, it was also noted that these shares have been excluded from the total count of votes and the proxy form would also be treated as invalid.

**3) NOTICE OF MEETING**

It was noted that all pertinent information relating to the proposed resolutions were set out in the Notice of the AGM 8 April 2022 ("**Notice**") published via SGXNet and Corporate Website on 7 April 2022. The Notice was taken as read.

**4) QUERIES FROM SHAREHOLDERS**

The Chairman informed the Meeting that the Company had responded to the shareholders' queries received during the period from 8 April 2022 to 18 April 2022 via an announcement to SGXNet on 20 April 2022, of which a copy of the Company's announcement dated 20 April 2022 is annexed hereto as "Appendix I" for ease of reference.

**5) PROCEEDINGS OF MEETING**

It was also noted that pursuant to Rule 730A of the Listing Manual of the Singapore Exchange Securities Trading Limited ("**SGX-ST**"), all resolutions tabled at the AGM shall be voted by way of poll. As highlighted earlier, the Chairman appointed by the shareholders to vote in accordance with their voting instruction based on the valid proxy form received by the Company.

The Chairman informed the shareholders that Boardroom Corporate & Advisory Services Pte. Ltd. and DrewCorp Services Pte Ltd have been appointed as Polling Agent and Scrutineer respectively.

The Chairman further informed that the validity of the proxy forms submitted by the shareholders by the submission deadline of 9:30 a.m. on 23 April 2022 had been reviewed and the votes of all such valid proxies had also been counted and verified by the Scrutineer.

Prior to the announcement of the poll result on each resolution, the Chairman also informed that the shareholders, namely Mr. Liang GongZheng and Mr. Huang BaoJia, have agreed to act as proposer and seconder for all the resolutions tabled at this AGM.



**6) FORMAL RESOLUTIONS**

**6.1) RESOLUTION 1 – ADOPTION OF THE DIRECTORS’ STATEMENT AND THE AUDITED FINANCIAL STATEMENTS OF THE COMPANY FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021 TOGETHER WITH THE AUDITORS’ REPORT THEREON**

The Chairman then moved on to table the formal resolutions, the first Resolution being the adoption of the Directors’ Statement and audited financial statements for the financial year ended 31 December 2021 together with Auditors’ Report.

The Chairman announced the tabulated results of proxy votes submitted by shareholders for the Resolution 1 as follow: -

<b><u>Resolution 1</u></b>	<b><u>No. of Shares</u></b>	<b><u>Percentage (%)</u></b>
No. of votes casted “FOR”	28,980,900	100.00
No. of votes casted “AGAINST”	0	0.00
Total No. of votes casted	<u>28,980,900</u>	<u>100.00</u>

Based on the results of the poll, it was **RESOLVED**: -

*“That the Directors’ Statement and the Audited Financial Statements of the Company for the financial year ended 31 December 2021 together with the Auditors’ Report thereon be and are hereby adopted.”*

**6.2) RESOLUTION 2 – RE-ELECTION OF XIE MING AS DIRECTOR**

The Chairman informed the Meeting that Ms. Xie Ming is subject to retirement pursuant to Article 89 of the Company’s Constitution but is eligible to seek for re-election at this AGM. Upon her re-election as a Director of the Company, Ms. Xie Ming will continue to serve as Non-Executive Director cum member of Remuneration Committee.

The Chairman announced the poll results as follows:-

<b><u>Resolution 2</u></b>	<b><u>No. of Shares</u></b>	<b><u>Percentage (%)</u></b>
No. of votes casted “FOR”	28,980,900	100.00
No. of votes casted “AGAINST”	0	0.00
Total No. of votes casted	<u>28,980,900</u>	<u>100.00</u>

Based on the results of the poll, the Chairman declared that the Ordinary Resolution 2 for the re-election of Ms. Xie Ming as Director of the Company be hereby approved.



### **6.3) RESOLUTION 3 - RE-ELECTION OF XIE DING ZHONG AS DIRECTOR**

The Chairman informed the Meeting that Mr. Xie Ding Zhong is subject to retirement pursuant to Article 89 of the Company's Constitution but is eligible to seek for re-election at this AGM. Upon his re-election as a Director of the Company, Mr. Xie Ding Zhong will continue to serve as Non-Executive Director cum member of Nominating Committee.

The Chairman announced the poll results as follows:-

<b><u>Resolution 3</u></b>	<b><u>No. of Shares</u></b>	<b><u>Percentage (%)</u></b>
No. of votes casted "FOR"	28,980,900	100.00
No. of votes casted "AGAINST"	0	0.00
Total No. of votes casted	<u>28,980,900</u>	<u>100.00</u>

Based on the results of the poll, the Chairman declared that the Ordinary Resolution 3 for the re-election of Mr. Xie Ding Zhong as Director of the Company be hereby approved.

### **6.4) RESOLUTION 4 – RE-ELECTION OF HE MING YANG AS DIRECTOR**

The Chairman informed the Meeting that Professor He Ming Yang is subject to retirement pursuant to Article 89 of the Company's Constitution but is eligible to seek for re-election at this AGM. Upon his re-election as a Director of the Company, Professor He Ming Yang will continue to serve as Independent Director cum chairman of Nominating Committee and member of Remuneration Committee.

The Chairman announced the poll results as follows:-

<b><u>Resolution 4</u></b>	<b><u>No. of Shares</u></b>	<b><u>Percentage (%)</u></b>
No. of votes casted "FOR"	28,980,900	100.00
No. of votes casted "AGAINST"	0	0.00
Total No. of votes casted	<u>28,980,900</u>	<u>100.00</u>

Based on the results of the poll, the Chairman declared that the Ordinary Resolution 4 in relation to the re-election of Professor He Ming Yang as Director of the Company was approved.

### **6.5) RESOLUTION 5 – PAYMENT OF DIRECTORS' FEES FOR THE FINANCIAL YEAR ENDING 31 DECEMBER 2022**

The Chairman informed the Meeting that the proposed payment of Directors' fees was up to S\$346,000 for the financial year ending 31 December 2022 as set out in the Resolution 5.



The Chairman announced the poll results as follows:-

<b><u>Resolution 5</u></b>	<b><u>No. of Shares</u></b>	<b><u>Percentage (%)</u></b>
No. of votes casted "FOR"	27,380,900	100.00
No. of votes casted "AGAINST"	0	0.00
Total No. of votes casted	<u>27,380,900</u>	<u>100.00</u>

Based on the results of the poll, the Chairman declared that the Resolution 5 was carried and it was **RESOLVED**: -

*"That the payment of Directors' fees up to S\$346,000 for the financial year ending 31 December 2022 (FY2021:S\$346,000) be hereby approved."*

**6.6) RESOLUTION 6 – RE-APPOINTMENT OF MESSRS ERNST & YOUNG LLP AS AUDITORS OF THE COMPANY AND AUTHORITY TO DIRECTORS TO FIX THEIR REMUNERATION**

The Chairman informed the Meeting that the Resolution 6 was relating to the re-appointment of Messrs Ernst & Young LLP as the auditors of the Company and to authorise the Directors of the Company to fix their remuneration.

The Chairman announced the poll results as follows:-

<b><u>Resolution 6</u></b>	<b><u>No. of Shares</u></b>	<b><u>Percentage (%)</u></b>
No. of votes casted "FOR"	28,980,900	100.00
No. of votes casted "AGAINST"	0	0.00
Total No. of votes casted	<u>28,980,900</u>	<u>100.00</u>

Based on the results of the poll, the Chairman declared that the Resolution 6 in relation to the re-appointment of Messrs Ernst & Young LLP as the auditors of the Company was approved.

**6.7) RESOLUTION 7– AUTHORITY TO ISSUE SHARES**

The Chairman informed the Meeting that the Resolution 7 is to authorise the Directors to issue shares pursuant to Section 161 of the Companies Act 1967 and Rule 806 of the Listing Manual.

It was noted that the Resolution 7, if passed, will empower the Directors from the date of this meeting until the date of the next AGM to issue shares and convertible securities in the Company. The maximum number of shares which the Company may issue under this resolution shall not exceed the quantum set out in the Notice of this meeting.

The Chairman announced the poll results as follows:-

<b><u>Resolution 7</u></b>	<b><u>No. of Shares</u></b>	<b><u>Percentage (%)</u></b>
No. of votes casted "FOR"	28,980,900	100.00
No. of votes casted "AGAINST"	0	0.00
Total No. of votes casted	<u>28,980,900</u>	<u>100.00</u>



Based on the poll results, the Chairman declared the Resolution 7 was carried and it was hereby RESOLVED: -

*"That pursuant to Section 161 of the Companies Act 1967 of Singapore (the "**Companies Act**") and Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited ("**SGX-ST**"), authority be and is hereby given to the Directors of the Company to:*

- (a) (i) *issue shares in the Company (the "**Shares**"), whether by way of rights, bonus or otherwise; and/or*
- (ii) *make or grant offers, agreements or options (collectively, "**Instruments**") that might or would require Shares to be issued during the continuance of such authority or thereafter, including but not limited to the creation and issue (as well as adjustments to) warrants, debentures or other instruments convertible into Shares,*  
*at any time and upon such terms and conditions and for such purposes and to such persons as the Directors of the Company may, in their absolute discretion, deem fit; and*
- (b) *issue Shares in pursuance of any Instrument made or granted by the Board while such authority was in force (notwithstanding that such issue of the Shares pursuant to the Instruments may occur after the expiration of the authority contained in this Resolution);*

*provided that:*

- (1) *the aggregate number of shares to be issued pursuant to this Resolution (including Shares to be issued in pursuance of instruments made or granted pursuant to this Resolution) does not exceed 50% of the total number of Shares in the capital of the Company (excluding treasury shares and subsidiary holdings) (as calculated in accordance with sub-paragraph (2) below) of which the aggregate number of shares to be issued other than on a pro rata basis to shareholders of the Company (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed 20% of the total number of Shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below);*
- (2) *(subject to such manner of calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of Shares that may be issued under sub-paragraph (1) above, the total number of Shares (excluding treasury shares and subsidiary holdings) shall be based on the total number of Shares (excluding treasury shares and subsidiary holdings) in the capital of the Company at the time of the passing of this Resolution, after adjusting for:*
  - (a) *new shares arising from the conversion or exercise of any convertible securities;*



- (b) *new shares arising from exercising share options or vesting of share awards, provided the options or awards were granted in compliance with the Listing Manual; and*
- (c) *any subsequent bonus issue, consolidation or subdivision of shares;*
- provided such adjustment in sub-paragraphs (2) (a) and (b) above are only to be made in respect of new shares arising from the convertible securities, share options or share awards which were issued and outstanding or subsisting at the time of the passing of this Resolution;*
- (3) *in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Constitution of the Company;*
- (4) *unless revoked or varied by the Company in a general meeting, such authority conferred by this Resolution shall continue in force until the conclusion of the next AGM of the Company or the date by which the next AGM of the Company is required by law to be held, whichever is the earlier."*

#### **6.8) RESOLUTION 8 –RENEWAL OF THE SHARE PURCHASE MANDATE**

It was noted that the last item of the agenda of this meeting was relating to the renewal of share purchase mandate.

The Chairman informed the Meeting that the Resolution 8, if passed, will empower the Directors to make purchase (whether by way of Market Purchase or Off-Market Purchases on an equal access scheme) from time to time during Relevant Period (as hereinafter defined) of up to 10% of the total number of issued Shares (excluding treasury shares and subsidiary holdings) at prices up to but not exceeding the Maximum Price. The rationale for, the authority and limitation on, the sources of funds to be used for the purchase or acquisition including the amount of financing and the financial effects of the purchase or acquisition of Shares by the Company pursuant to the Share Purchase Mandate are set out in greater detail in the Letter to Shareholders dated 8 April 2022 accompanying the notice of AGM.

The Chairman announced the poll results as follows:-

<b>Resolution 8</b>	<b>No. of Shares</b>	<b>Percentage (%)</b>
No. of votes casted "FOR"	28,980,900	100.00
No. of votes casted "AGAINST"	0	0.00
Total No. of votes casted	<u>28,980,900</u>	<u>100.00</u>

Based on the poll results, the Chairman declared the Resolution 8 was carried and it was hereby RESOLVED: -

"That:

- (a) *for the purpose of Section 76C and 76E of the Companies Act 1967 of Singapore (the "**Companies Act**") and Rule 882 of the Listing Manual of the*



Singapore Exchange Securities Trading Limited ("**SGX-ST**"), the exercise by the Directors of the Company of all the powers of the Company to purchase or otherwise acquire ordinary shares in the capital of the Company ("**Shares**") not exceeding in aggregate the Prescribed Limit (as hereinafter defined), at such price or prices as may be determined by the Directors of the Company from time to time up to the Maximum Price (as hereinafter defined), whether by way of:

- (i) on-market purchase ("**Market Purchase**") transacted on the SGX-ST through the ready market trading system through one or more duly licensed dealers appointed by the Company for that purpose; and/or
- (ii) off-market purchase ("**Off-Market Purchase**") effected otherwise than on the SGX-ST in accordance with an equal access scheme(s) available to all Shareholders, as may be determined or formulated by the Directors of the Company as they consider fit, which scheme(s) shall satisfy all the conditions prescribed by the Companies Act,

and otherwise in accordance with all other laws and regulations, including the Companies Act and the Listing Manual of the SGX-ST as may for the time being, be applicable, be and is hereby authorised and approved generally and unconditionally, ("**Share Purchase Mandate**");

- (b) any Share that is purchased or otherwise acquired by the Company pursuant to the Share Purchase Mandate shall, at the discretion of the Directors of the Company, either be cancelled or held in treasury and dealt with in accordance with the Companies Act;
- (c) the Share Purchase Mandate shall, unless varied or revoked by the Company in general meeting, continue in force until its expiry on the earlier of:
  - (i) the date on which the next annual general meeting of the Company is or is required by law to be held;
  - (ii) the date on which the share purchases and acquisitions of Shares by the Company pursuant to the Share Purchase Mandate are carried out to the full extent mandated; or
  - (iii) the date on which the authority contained in the Share Purchase Mandate is varied or revoked by ordinary resolution of the Company in general meeting;
- (d) in this Resolution:

**"Average Closing Price"** means the average of the Closing Market Prices of a Share over the last five (5) market days, on which the Shares were transacted on the SGX-ST immediately preceding the date of the Market Purchase by the Company or, as the case may be, the date of the making of the offer pursuant to the Off-Market Purchase, and deemed to be adjusted, in accordance with rules of the SGX-ST for any corporate action that occurs during the relevant five-day period and the day on which the purchase are made;





**"Closing Market Price"** means the last dealt price for a Share transacted through the SGX-ST's Central Limit Order Book trading system as shown in any publication of the SGX-ST or other sources;

**"Date of the making of the offer"** means the day on which the Company make an offer for the purchase or acquisition of Shares from holders of Shares, stating therein the relevant terms of the equal access scheme for effecting the Off-Market Purchase.

**"Market Day"** means a day on which the SGX-ST is open for securities trading;

**"Maximum Limit"** means the number of Shares representing ten per cent. (10%) of the total number of issued Shares as at the date of the passing of this Resolution (excluding any Shares which are held as treasury shares and subsidiary holdings as at that date); and

**"Maximum Price"** in relation to a Share to be purchased or acquired, means the purchase price (excluding related brokerage, commission, applicable goods and services tax, stamp duties, clearance fees and other related expenses) to be paid for the Shares as determined by the Directors, which shall not exceed (i) in the case of a Market Purchase of a Share, one hundred and five per cent. (105%) of the Average Closing Price of the Shares; and (ii) in the case of an Off-Market Purchase of a Share, one hundred and twenty per cent. (120%) of the Average Closing Price of the Shares, in each case, excluding related expenses of the purchase or acquisition;

- (e) *the Directors and each of them be authorised, empowered to complete and do and execute all such things and acts as they or he may think necessary or expedient to give effect to this Resolution (including without limitation, to execute all such documents as may be required and to approve any amendments, alterations or modifications to any documents) as they or he shall think fit in the interests of the Company."*

## **CONCLUSION**

There being no other business to transact at this AGM, the Chairman thanked shareholders for their attendance and declared the AGM concluded at 9:45 a.m.

## **CONFIRMED:**

[Signed]

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**TAN MIN-LI**

Chairman of the Meeting


**ANCHUN INTERNATIONAL HOLDINGS LTD.**

Co. Registration Number: 200920277C

Co. Address 138 Cecil Street, #12-01A Cecil Court, Singapore 069538

Principal Office: 539 Lusong Road, Changsha Hi-tech Development Zone,

Changsha, Hunan, China

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**ANNUAL GENERAL MEETING TO BE HELD ON 25 APRIL 2022  
RESPONSES TO SUBSTANTIAL QUESTIONS FROM SHAREHOLDERS**

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The Board of Directors ("**Board**") of Anchun International Holdings Ltd. ("**Company**", together with its subsidiary, "**Group**") refer to the Notice of Annual General Meeting dated 8 April 2022 relating to the Annual General Meeting ("**AGM**") of the Company to be held by way of electronic means on 25 April 2022 at 9:30 a.m. and would like to provide the responses to substantial questions raised by its shareholders as follows:

**Question 1:** Projects were secured in Africa and Thailand. Are profit margins for overseas projects higher or lower than that of local ones? I believe that transportation costs and risks of overseas projects are generally higher. If so, why would Anchun want to venture overseas instead of building the local order book?

**Response:**

For these two projects secured, the contracting party is a Chinese EPC Contractor for one contract and a Chinese company who is the Plant Owner for the other. Both projects involve design and supply of the Group's proprietary chemical equipment. As part of risk mitigation, the terms of the contract require the Group only to deliver and hand over the contracted chemical equipment to a port in PRC.

Based on the terms of the Thailand contract, we will receive accumulated progress payment milestones of ninety-two percent (92%) from the customer after delivery of all of goods to Shanghai Seaport. For the project in Africa, the Group is preparing to commence work on the engineering and design services while the contract to supply chemical equipment is being re-negotiated following the changes to equipment specifications.

We continue to focus on the area within the scope of what we do best, which is the technology licensor and key proprietary equipment provider, not the EPC Contractor. For these two overseas projects, the scope of works are principally undertaken in our Changsha plant and will be delivered and handed over at a Chinese port.

**Question 2:** Given the uptick in order book, what is the current utilization rate of the company's manufacturing capabilities?

**Response:**

Due to the increase in orders, the Group has taken various measures to meet the needs of customer projects, such as increasing temporary workers, outsourcing

processing of non-core components, etc. At present, the Group's manufacturing capability is fully utilized.

**Question 3:** Does management expect the increase in order book to be sustainable in the near future?

**Response:**

Barring unforeseen circumstances, management expects to work hard to build on its order book pipeline. The Group will continue to provide its order book number as part of its results announcement.

**Question 4:** Are there any plans to utilize the balance RMB 60m of IPO proceeds for expansion of production facilities and capabilities?

**Response:**

Part of the IPO proceed was originally earmarked for expansion of production facilities by building a third plant on a 300mu land identified in the Changsha National Hi-tech Industrial Development zone. However, due to the tightening measures on land provision policy in China in 2015, the local authority notified the Group of increase in investment and taxes requirements for the 300mu land. The total overall cost of this plant investment project will have increased to RMB1,320 million. Furthermore, the Group will also incur additional development tax of approximately RMB30 million per year. Following these developments, the Group re-evaluated the proposed plant investment plan and decided not to proceed but to explore other alternatives.

The Covid pandemic over the past years has caused disruptions to businesses and affected the business environment, the Board will evaluate investment decisions when it has more clarity of the business environment. We are seeing a resurgence of Covid infections in PRC currently.

**Question 5:** Research expenses in 2021 amounted to RMB 13m, which is significantly higher compared to previous years. Does management expect research expenses in 2022 and 2023 to remain elevated, or fall back to levels similar to previous years?

**Response:**

Research and development ("R&D") activities are crucial to the sustainable development of the Company, and the Group has always attached importance to new technology research and development and new technical reserves to stay ahead of its competition. The amount of R&D expenses largely depends on the market demand, the Group's strategic investment direction, the cycle of the R&D project and the intensity of investment. The Group will continue to evaluate and monitor its R&D expenses to ensure that it builds value for the Company.

**Question 6:** Over the past few years, trade receivables have reduced while bills receivables have increased significantly. Was this a deliberate company strategy in contract negotiations with potential customers?

**Response:**

In China's business environment, bank acceptance bills are a relatively common payment method. It is commonly used in collecting payment for goods and paying suppliers. Accepting bank acceptance bills as a payment method for sales contract payment is also a strategy in our business operations. This can improve the Group's competitive position in the market. Generally, bank acceptance bills have lower credit risk as since they are issued by banks.

**Question 7:** Given the significant increase in fertilizer prices due to the Russia Ukraine conflict, what impact is there on Anchun's business in the short and medium term?

**Response:**

Fertilisers are essential to food security, which is the most fundamental need of all human being. The increase of fertilizer prices have positive effect on the demand of ammonia. Therefore, the Group is optimistic about the business outlook of this market segment, widening our corporate customer base by sourcing for more customers to gain entry into or enhance our presence in the targeted markets. A few years' effort has resulted in higher percentage of revenue and order book for the FY2021 than FY2020 from non-fertiliser industries. For all projects, we do cost and benefit analysis to make decision on whether or not to enter into a contract with customers and at what price. For overseas projects, we consider more risk mitigation factors in the short term and hopefully in the long term the driving force of efficient market commerce and logistics will win more odds over geopolitical frictions.

**Question 8:** Why is there no dividend declared for FY21 when the company had good cashflow for the year and also very high cash reserves?

**Response:**

The Singapore Companies Act requires a Company to either have profit for the year (i.e. FY 2021) or retained earnings as at 31 December 2021 to declare dividend for FY 2021. The Company recorded a loss before tax of RMB3.05 million for the full year ended 31 December 2021 ("**FY 2021**") with accumulated loss of RMB 34.6 million at 31 December 2021. It is the intention of the Company to reward our shareholders as and when its financial performance allows.

**Question 9:** Why did the company give a loss guidance for 2H 2021 just 2 weeks before the results when the actual turned out to be a profit for 2H 2021?

**Response:**

The Company wishes to clarify that the Group on a consolidated basis recorded a loss before tax of RMB2.38 million for FY2021, notwithstanding that the Group on a

consolidated basis recorded a profit before tax of RMB7.25 million for the second half ended 31 December 2021 ("H2 2021"). It was accordingly considered prudent by the Company to issue a profit guidance in view of the impending full year loss.

**Question 10:** How does the company mitigate the challenges of raw material prices and supply disruptions for its projects?

**Response:**

The Management is keenly aware of the cost pressures. They are closely monitoring and managing the challenges. Some of the measures taken to mitigate raw material price hikes and project supply disruptions are:

1. Strengthen the cooperation between the internal departments within the Company and improve the internal operation efficiency;
2. For long-term materials, purchase in advance;
3. Try to purchase materials in bulk;
4. For project delays, to further enhance communication with customers to gain their understanding on the status of the project implementation;
5. In the bidding stage, to manage the targeted profit margin by taking into consideration various factors, including the material costs' increase in the quotation; and
6. Strengthen communication with qualified suppliers and require suppliers to arrange production according to the company's project needs.

**Question 11:** Given that for the last 5 years, the company's domestic projects had only been profitable in FY2018 and FY2019, what steps do the company take to ensure that its overseas projects are profitable and how does it manage the jurisdiction risks?

**Response:**

Please refer to answer to Question 1 above.

**Question 12:** Given the company's excellent balance sheet, which has not been reflected in the stock price, why has the company not been more aggressive with its share buy-back? Can the company implement more measures to enhance shareholders' value?

**Response:**

The Company has undertaken share buy-backs over the years. The Group's Net asset value per share at 31 December 2021 was RMB 5.74 and as highlighted by the question, the Group has an excellent balance sheet. The Group will continue to build value for shareholders and explore ways to reward our shareholders in a sustainable manner.

**Question 13:** With its excellent balance sheet, will the company consider shedding its non-core assets, like its investment properties, to further enhance shareholder value?

**Response:**

The Group's investment properties as reported in note 18 to its FY 2021 Annual Report comprise of:-

- a) Office located at Xiang Kai Shi Hua Tower, Changsha;
- b) Manufacturing plant located at 65 Lufeng Road, Hi-Tech Industrial Development zone, Changsha; and
- c) Manufacturing plant located at 539 Lusong Road, Hi-Tech Industrial Development zone, Changsha.

The Covid pandemic over the past 2 years (and PRC is currently seeing a resurgence of Covid infections) has caused disruptions to businesses and the overall business environment. The Board will revisit this matter once there is clarity on the future business environment. Currently, the market condition is not conducive for asset disposal.

We will thoroughly review short-term and long-term financial impacts of all of our assets, taking in consideration of business development and local governmental city-planning measures and opportunities.

**By Order of the Board**

Zheng, ZhiZhong  
Executive Director and Chief Executive Officer  
20 April 2022