

	<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>
---	---

Response to Queries from the SGX-ST regarding Third Quarter Results for period ended 30 September 2018 (“3Q2018”) of Anchun International Holdings Ltd. (the “Company”)

The Company has received the following queries from the SGX-ST in relation to its “Unaudited Results for the Third Quarter Period Ended 30 September 2018” released on 13 November 2018 (the “**Announcement**”), and sets out its responses below.

Question 1: In relation to Finance and other income:

- a. Please provide the identities of debtors whose trade receivables are written off amounting to RMB7.5 million and to disclose whether the Company is still supplying goods to these customers.

Response:

Number	Customer Name	Net write-back of impairment of trade receivables	Whether still Trading with Group / expect to trade with Group in the near future
		RMB'000	
1	华陆工程科技有限责任公司	1,806	Yes
2	中钢设备有限公司	983	Yes
3	阳煤集团太原化工新材料有限公司	800	Yes
4	山西天泽煤化工集团股份公司	800	Yes
5	陕西龙门煤化工有限责任公司	500	Yes
6	韩城市新丰清洁能源科技有限公司	500	Yes
7	新疆中能万源化工有限公司	500	Yes
8	云南云维集团有限公司	249	No
9	内蒙古齐华矿业有限责任公司	231	No
10	江苏华昌化工股份有限公司	116	Yes
11	安徽金禾实业股份有限公司	114	No
12	山东润银生物化工股份有限公司	100	No
13	Other Customers' sub-total (Each Customer with net write-back of impairment of trade receivables of less than RMB100,000)	869	
Total Net write-back of impairment of trade receivables		7,568	

- b. Please clarify when were the sales relating to impaired trade receivables reported and why were they previously impaired?

Response:

Revenue is recognised according to the Group's revenue recognition policy. Further details of the policy is disclosed in paragraph 5 of "Unaudited Results for the Third Quarter and 9 months Ended 30 September 2018" announcement. Provision for impairment of receivables are done periodically based on the Group's provisioning policy. Additional considerations include the customer's industry influence, financial stability and past trading experience with the customers.

- c. Please explain the reason for the sudden repayment from these customers after such prolonged period.

Response:

We continue our intensive collection effort even after the provision for impairments are made. The timing of customers making payments depends on several factors. These include customer's improved cash flow (such as when loans are obtained), compliance with court orders or settlement agreements with us, and/or necessity of further technical assistance from the Group which incentivizes them to pay off the older debts.

Question 2: Please disclose the identities of debtors for the outstanding receivables over 2 years of RMB24.3 million and whether the Company is still supplying goods to these customers.

Response:

Number	Customer Name	3Q2018 Outstanding Balance(Trade receivables) more than 2 years	Whether still Trading with Group / expect to trade with Group in the near future
		RMB'000	
1	阳煤集团太原化工新材料有限公司	6,027	Yes
2	河北金万泰化肥有限责任公司	5,215	Yes
3	河南心连心	2,745	Yes
4	昊华集团宣化有限公司	1,007	No
5	云南云维集团有限公司	970	No
6	河南晋开化工投资控股集团有限责任公司	862	Yes
7	新疆中能万源化工有限公司	808	Yes
8	中石油大连分公司	680	No
9	河南晋开集团郸城晋鑫化工有限公司	602	Yes
10	陕西龙门煤化工有限责任公司	480	Yes
11	内蒙古伊东集团九鼎化工有限责任公司	387	Yes
12	河北省冀州市银海化肥有限责任公司	336	No
13	榆林环能煤化科技有限公司	267	Yes
14	山东润银生物化工股份有限公司	256	No

Number	Customer Name	3Q2018 Outstanding Balance(Trade receivables) more than 2 years	Whether still Trading with Group / expect to trade with Group in the near future
		RMB'000	
15	Other Customers sub-total (Each individual customer having Trade receivables of less than RMB250,000)	3,678	
Total Trade receivables more than 2 years		24,320	

Question 3: Please provide further breakdown and commentaries of the IPO proceeds in relation to expansion of sales and marketing capabilities and initiatives.

Response:

Items by nature	FY2017	FY2016	FY2015	FY2014	Total
	RMB'000				
Business and entertainment expenses	504	691	809	315	2,319
Travelling expenses	352	474	660	212	1,698
Bonus	257	587	811	-	1,655
Vehicle usage expenses	44	73	102	22	241
Meeting expenses	28	26	36	43	133
Office expenses	28	31	59	12	130
Telephone expenses	7	10	11	2	30
Total	1,220	1,892	2,488	606	6,206

The IPO proceeds we used in relation to expansion of sales and marketing capabilities and initiatives were mainly aimed for several purposes, being, *inter alia*:

- a. 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 revenue of RMB11.28 million for the 9M2018 from non-fertiliser industry (where we previously had no presence) representing 15.5% of total revenue. The Group's order book as of 30 September 2018 was approximately RMB164.48 million (30 June 2018: RMB133.69 million), out of which of RMB23.5 million is from non-fertiliser industries;
- b. To establish an effective reward system to incentivize sales and marketing personnel and build a strong sales and marketing team; and
- c. To market our key innovative technologies. We invested in considerable human resources and engaged additional time and energy to market our key technology such as isothermal CO shift technology.

By Order of the Board

Xie Ming
Executive Chairman
30 November 2018