

**ANCHUN INTERNATIONAL HOLDINGS LTD.**

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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 Third Quarter Results (“3Q2015”) of Anchun International Holdings Ltd. (the “Company”)**

**Question 1:** In paragraph 8 of the Company's 3Q2015 Results Announcement (“Announcement”), the Company announced that trade and other receivables amounted to RMB 67.813 million. Please disclose the following:

- i. A breakdown of the trade and other receivables by the type of receivables;
- ii. Elaborations on the nature of each of the items;
- iii. Reasons for the 14.8% increase in trade and other receivables when sales decreased by 35%.

Response:

- i) The breakdown of trade and others receivable by the type of receivables:

Item by nature	30/09/2015 RMB'000	31/12/2014 RMB'000	Change %
A. receivables from sales	66,002	57,449	14.9%
B. operation cash advances	845	635	33.0%
C. bid bonds	915	887	3.2%
D. rental deposits	51	81	-37.0%
Total	67,813	59,052	14.8%

- ii) Elaborations on the nature of each of the items

- A. Receivables from sales of goods and services from our three business segments.
- B. Cash advances are rendered based on operational needs so that the Company's employees do not need to bear too many expenses until a reimbursement cycle completes.
- C. Most of bidding activities require the advance payment of bid bonds.
- D. Singapore office rental deposits.

- iii) Reasons for the 14.8% increase in trade and other receivables when sales of 3Q decreased by 35%.

The Group's revenue decreased by RMB12.8 million or 35% from RMB37.1 million in 3Q2014 to RMB24.3 million in 3Q2015. Contracts are negotiated with customers based on individual projects and orders. Under competitive business environment, we strive to strike a balance between revenue volume and favorable contract terms (price and schedule of payments). The trade receivables from the sales increased by RMB 8.6 million or 14.9% at the end of 3Q2015 compared to that at the end of FY2014. In order to control the credit risks arising from sales contracts, the company carries out customers' business credit evaluation before contracts are signed, and also set up trade receivables follow-up and trade receivables collection performance review procedures. Most of the litigation against customers with aged receivables filed by the Group in 2015 has been settled with satisfactory outcomes. The group will continue to take measures to manage the collection of the receivables.

**Question 2:** In paragraph 8 of the Announcement, the company announced that "Revenue from our CSC Business decreased by RMB10.4 million or 15%" in the same period. We note that Gross Profit decreased by approximately 23%. Please elaborate on the reasons for the lower gross profit margins of CSC Business.

Response:

Revenue from our CSC Business decreased by RMB10.4 million or 15% from RMB67.9 million in 9M2014 to RMB57.5 million in 9M2015. The gross profit of our CSC business decreased by RMB6.5 million or 23% from RMB28.0 million in 9M2014 to RMB21.5 million in 9M2015. Prices are lowered in some cases mainly for two reasons: A) To keep market share and sales volume in highly competitive business environment; B) To aim for major development projects of strategic value to the Group, for example, to win a customer with high-volume selling potential or to promote a technology relatively new to a customer.

**Question 3:** In paragraph 8 of the Announcement, the Company announced increase in administrative expenses increase "was mainly attributable to allocation of overhead and land use rights tax in 3Q2015 compared to 3Q2014". Please elaborate on reasons for the increase in allocation of overhead and land use rights tax when sales revenue had decreased.

Response:

The allocation of overhead in the administrative expense depended on the plant production capacity utilization in 3Q2015. Since plant production capacity utilization is lower in 3Q2015 than in 3Q2014, there is more overhead allocated in the administrative expense in 3Q2015. The land use rights tax increase was attributable to the tax rate adjustment by the government in 2015.