



**ANCHUN INTERNATIONAL HOLDINGS LTD.**

Co. Registration Number: 200920277C

Co. Address: 81 Anson Road, Suite 8.20, Singapore 079908

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

**Response to Queries from the SGX-ST regarding First Quarter Results for period ended 31 March 2018 (“1Q2018”) of Anchun International Holdings Ltd. (the “Company”)**

The Company has received the following queries on 30 May 2018 from the SGX-ST in relation to its “Unaudited Results for the First Quarter Period Ended 31 March 2018” released on 11 May 2018 (the “**Announcement**”), and sets out its responses below.

**Question 1:** Please elaborate on the order book and details of the increase in Advances from customers.

Response:

The Group adopted FRS 115 on its effective date, being 1 January 2018. Under FRS 115, The Advances from customers have been reclassified to Contract liabilities on the Statement of Financial Position accordingly.

The company normally enters into contracts with customers where the terms and conditions are spelled out. Amongst the terms and conditions are payment terms. Typical progress payment milestones are as follows:

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; and
- 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.

The Group will receive advanced payment from the customer upon contract initiation and/or material ordering. A contract liability is recognized when the work has not yet performed been under the contract but has received advanced payment from the customer.

| Number                            | Customer Name   | 1Q2018<br>Contract<br>liabilities | FY2017<br>Contract<br>liabilities | 1Q2018 vs<br>FY2017<br>(Change) |
|-----------------------------------|---|-----------------------------------|-----------------------------------|---------------------------------|
|                                   |   | RMB'000                           | RMB'000                           | RMB'000                         |
| 1                                 | 石家庄双联化工有限公司   | 3,776                             | 3,776                             | -                               |
| 2                                 | 河北临港化工有限公司  | 3,483                             | -                                 | 3,483                           |
| 3                                 | 内蒙古宏裕科技股份有限公司   | 2,603                             | 2,603                             | -                               |
| 4                                 | 山东钢铁集团日照有限公司  | 1,846                             | -                                 | 1,846                           |
| 5                                 | 青海创新矿业开发有限公司  | 1,765                             | 1,765                             | -                               |
| 6                                 | 应城市新都化工有限责任公司   | 1,736                             | -                                 | 1,736                           |
| 7                                 | 湖北潜江金华润化肥有限公司   | 1,390                             | -                                 | 1,390                           |
| 8                                 | 山西天泽煤化工集团股份公司   | 1,058                             | -                                 | 1,058                           |
| 9                                 | 山西金象煤化工有限责任公司   | 839                               | 851                               | (12)                            |
| 10                                | 内蒙古天润化肥股份有限公司   | 834                               | -                                 | 834                             |
| 11                                | Other Customers sub-total(Each with Contract liabilities less than RMB800k) | 4,635                             | 12,099                            | (7,464)                         |
| <b>Total Contract liabilities</b> |   | <b>23,965</b>                     | <b>21,094</b>                     | <b>2,871</b>                    |

**Question 2:** Please discuss if the repayment of loans from former shareholders of a subsidiary amounting to RMB17.99 million is by a third party, if yes why does this result in a cash outflow in the Company's cashflow statement.

Response:

The repayment of loans from former shareholders of a subsidiary amounting to RMB17.99 million is not by a third party. These former shareholders refer to past shareholders of Hunan Anchun prior to the Restructure Exercise and IPO of the Company. The ending balances of the loans from former shareholders and cash outflow from FY2010 to 1Q2018 are listed below.

| Year    | Ending Balance of Loans from Former Shareholders (RMB'000) | Cash outflow from partial loan repayments (RMB'000) |
|---------|--|---|
| FY 2010 | 109,595  |   |
| FY 2011 | 95,152   | 14,443  |
| FY 2012 | 86,552   | 8,600   |
| FY 2013 | 64,952   | 21,600  |
| FY 2014 | 44,867   | 20,085  |
| FY 2015 | 22,488   | 22,379  |
| FY 2016 | 17,990   | 4,498   |
| FY 2017 | 17,990   | 0   |
| 1Q 2018 | 0  | 17,990  |

**Question 3:** Please disclose the identity of debtors for the outstanding Trade receivables aging more than 2 years amounting to RMB28.9 million, and whether the Company is still doing business with these customers.

Response:

| Number  | Customer Name  | Whether still Trading with Group / expect to trade with Group in the near future | 1Q2018 Outstanding Balance(Trade receivables) more than 2 year |
|---|--|--|--|
|   |  |  | RMB'000  |
| 1   | 河北金万泰化肥有限责任公司  | Yes  | 5,215  |
| 2   | 阳煤集团太原化工新材料有限公司  | Yes  | 4,846  |
| 3   | 内蒙古大唐鼎旺化工有限公司  | Yes  | 2,940  |
| 4   | 河南心连心  | Yes  | 2,745  |
| 5   | 河南晋开化工投资控股集团有限责任公司   | Yes  | 2,062  |
| 6   | 云南云维集团有限公司   | No   | 1,219  |
| 7   | 昊华集团宣化有限公司   | No   | 1,007  |
| 8   | 陕西龙门煤化工有限责任公司  | Yes  | 980  |
| 9   | 新疆中能万源化工有限公司   | Yes  | 808  |
| 10  | 河南晋开集团郸城晋鑫化工有限公司   | Yes  | 602  |
| 11  | 山西潞安焦化有限责任公司   | Yes  | 480  |
| 12  | 内蒙古伊东集团九鼎化工有限责任公司  | Yes  | 387  |
| 13  | 内蒙古齐华矿业有限责任公司  | Yes  | 350  |
| 14  | 河北省冀州市银海化肥有限责任公司   | No   | 336  |
| 15  | 山东润银生物化工股份有限公司   | No   | 306  |
| 16  | 安乡晋煤金牛化工有限公司   | Yes  | 271  |
| 17  | 榆林环能煤化科技有限公司   | Yes  | 267  |
| 18  | Other Customers sub-total(Each with Trade receivables less than RMB250k) |  | 4,055  |
| <b>Total Trade receivables more than 2 year</b> |  |  | <b>28,876</b>  |

*Notes:*

The nature of capital intensive and long life cycle of our products affect the frequency of repeat orders from our customers.

**Question 4:** Please elaborate if there are any steps taken to ensure recoverability of outstanding debts.

Response:

The Group conducts monthly reviews on the outstanding trade receivables with senior management, accounting, sale and business segment personnel. The management team have staff make phone calls and send out collection letters. Staff are dispatched to customers' sites for collection. Furthermore, Attorney Letters are sent out to debtors. And lawsuits are filed as last resort. The actions taken by the Company have resulted in successful collections.

**By Order of the Board**

Xie Ming  
Executive Chairman  
1 June 2018