



ANCHUN INTERNATIONAL HOLDINGS LTD.

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ANNUAL GENERAL MEETING TO BE HELD ON 26 APRIL 2021 RESPONSES TO SUBSTANTIAL QUESTIONS FROM SHAREHOLDERS

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 9 April 2021 relating to the Annual General Meeting ("**AGM**") of the Company to be held by way of electronic means on 26 April 2021 at 9:30 a.m. and would like to provide the responses to substantial questions raised by its shareholders as follows:

Question 1: Describe Anchun's financial performance over the past few years. What strategies have you put in place to maintain or accelerate the growth trajectory?

Response: The Group keeps strong cash and bank balances as at 31 December 2020, steady operational cash flow and paid dividends declared for financial year ended 31 December 2019 to shareholders during 2020. Against the backdrop of a difficult operating environment, the Group achieved a 34% surge in our healthy order book from approximately RMB86.8 million in FY2019 to RMB116.6 million in FY2020.

The Group has put in place customer development and industry diversification including the industry's first engineering, procurement and construction ("EPC") turnkey capability enhancement and rigorous talent recruitment and workforce training and development strategies to maintain and to achieve more growth in this market.

Question 2: What are the factors that are critical to Anchun's success against competition? What differentiates Anchun from competition?

Response: Today, the Group is a one-stop solutions provider offering a full scope of services ranging from design, manufacturing to system production and project management for our customer as well as a well-represented technology CO shift technology. Our technological innovation capabilities and customer service quality and agility are main success factors to create a unique competitive advantage for the Group in this market. We differentiating ourselves from our competitors with good track records in technological developments and customer service, operational reliability and comprehensive credentials.

Nevertheless, the Group is mindful of the current competitive business environment where the customers are also under pressure to sustain its business in a capital-intensive industry.

Question 3: What notable developments can shareholders expect from Anchun in the coming year(s)?

Response: Increasingly its emphasis by the Chinese government on environmental protection and energy saving policies will pave the way for demand of systems and solutions that reduce carbon emissions, energy consumption and air pollution. On this, the Group's outstanding innovation and multiple patented technologies and products which focus on energy conservation and pollution reduction results have meet the market's needs. One such example was the exploration of new applications for our hydrocarbon catalysts in the renewable and clean energy sectors which will contribute positively to profitability. In particular, Anchun's "iron ruthenium - catalytic" ammonia synthesis technology development package, which is the new area of safe, efficient and low energy consumption ammonia technology development, was awarded the first prize of science and technology progress in China Petroleum and Chemical Industry Federation, proving our strong research and development capabilities.

The current pandemic has also raised global concerns on food safety. The Group's ammonia and fertiliser industry customers are essential for global food supply. With the Chinese government's push to adopt more eco-friendly chemicals and technologies, we believe that more customers will seek to explore our environmentally-friendly and energy efficient patented technologies and integrated solutions in the agricultural sector. According to the China Petroleum and Chemical Industry Federation, China's chemicals output is forecast to post faster growth as the country's economy is expected to maintain a steady growth momentum.

As a major technology developer and reactor manufacturer in PRC, Anchun is focusing to grasp the favourable opportunity for PRC to be transformed to be more efficient and more environmentally-friendly in engineering systems and solutions.

Despite the current challenging conditions, we will continue to leverage on our capabilities and the markets we operate in, while diversifying into new sectors with new applications and uses of our proprietary technologies. We believe that we are on the right track to reap long-term economic benefits, as we strive to deliver sustainable value to our shareholders and other stakeholders as well.

Question 4: What are some of the key Environmental, Social and Governance factors that are material to the Group?

Response: The Group has successfully delivered off-gas re-utilization to not only control emission for customers but also create value by converting waste to products. We made inroads into coking industry, as we inked eight new orders from customers in coke-oven gas re-utilization industry, including the industry's first EPC turnkey contract worth approximately RMB29.5 million.

Key Environmental factors: At the Group, we have been adhering to local and international environmental guidelines. The Group is fully aware of its responsibility for nurturing the environment and lessening negative environmental consequences at our worksites and the environment where we operate. We monitor our energy at our work places to ensure that we use our resources economically, meaningfully and responsibly.

Key Social factors: Our employees' safety and health at the workplace is one of our top priorities, and our ultimate goal is to have a zero-accident workplace. Although the Groups staff strength is very small. The Group ensures compliance with labour and employment laws, including working hours. The Group embraces the philosophy of giving back to the community by encouraging proactive involvement in the Groups various corporate social responsibility initiatives and environmental conservation programs. Contributing time and resources, we are committed to aid the development and improvement of the society in which we live and work. The Group was not subject to any substantiated complaints or incidences of corruption, bribery, anti-competitive behaviour, data loss or privacy breaches from FY2018 to FY2020.

Key Governance factors: The Board and the Management of the Group are committed to the leading practices in corporate governance to ensure sustainability of the Group's operations. We believe that our constant drive for corporate excellence will allow us to establish a more transparent, accountable and equitable system, thereby increasing the value of the Group and its value to our shareholders.

For more details in relation to the Key Environment, Social and Governance, kindly refer to our Annual Report and Sustainability Report 2020 from page 19 to 21.

Question 5: What is Anchun's value proposition to its shareholders and potential investors? What do you think investors may have overlooked about Anchun's business?

Response: The Group's core proposition is to identify the evolving marketplace needs and provide technological and economical solutions to customers no matter it is grass-root production or a revamp. Such core competencies take years to build, strengthen and gains recognitions, therefore very costly to replace or not to have, which can be easily overlooked by investors when the overall financial performances of the Group are impacted by many factors such as the Group's core competencies and constraints, the point of current position of the industry growth cycle, the rising material and labor cost, customer's pricing power in a highly competitive market, the unprecedented geopolitical and business challenges, and the governmental fiscal and monetary policies.

Question 6: The company's business has generally been weak for many years and capacity utilization at low levels. Does management foresee any significant improvement in business environment in the next few years? What are the potential catalysts or business conditions that could allow the company to operate at close to full capacity again?

Response: The Group's operations is order based. Management makes decision on whether to entering a certain contract or not based on multiple factors such as the price of the contract, the marketplace showcase effect, cost estimates and capital investment and risks factors associated. Securing and completing a contract with a net positive profit margin takes rigorous management and operation control. Capacity utilization rate very often becomes the contract selection results after consideration of top-line and bottom-line effects.

Although the macro-economic environment in China, particularly government policies in relation to the issue of credit, have a large impact on the Group's customers buying and investing decisions due to the capital-intensive nature of our products and services, we continue to be in talks with our customers to review and promote our one-stop integrated solutions comprising design, engineering and project management to ensure their viability and cost-effectiveness.

By Order of the Board

Zheng, ZhiZhong
Executive Director and Chief Executive Officer
24 April 2021