	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

ANNUAL GENERAL MEETING TO BE HELD ON 25 APRIL 2022
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 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 assents, 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