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Issuer: Anchun International Holdings Limited

Stock code: BTX

Meeting details:

Date: 19 June 2020

Time: 9.30 a.m.

Due to the current COVID-19 pandemic, SIAS encourage shareholders to participate at AGMs via other means and not to attend any AGM physically. Where the AGM is webcast, they can stay on top of their investments by watching the webcast and submitting their question to the company in advance. Senior citizens should avoid attending AGMs altogether and stay home.

Q1. As noted in the CEO's message, the group has successfully diversified into non-fertiliser industries and generated revenue of RMB66.8 million (39% of total revenue) from such non-fertiliser industries. As at 31 December 2019, approximately half of the group's order book of RMB87 million came from non-fertiliser industries.

These non-fertiliser industries are in the fields of petroleum, petrochemical, natural gas, metallurgy, power, and environmental protection (page 5 of the annual report).

- (i) **How was the group able to successfully diversify to the other non-fertiliser industries (such as petrochemical, natural gas etc) as those industries appear to be as competitive as the fertiliser industry, if not more?**
- (ii) **What are the main differentiating factors that allow the group to stand out from the competitors? How strong is the group's proprietary intellectual property rights and patents?**
- (iii) The CEO had also mentioned the group is reaching out to the overseas market by tapping on international e-commerce website platform. **Can management elaborate in greater detail how it intends to branch out to overseas markets? Would this be for the catalyst segment?**

Q2. As detailed in Note 4 (page 93 – Revenue), contract assets as at 31 December 2019 increased by 63% to RMB102.5 million. Contract assets primarily relate to the group's right to consideration for work completed but not yet billed at reporting date for sale of equipment. Contract assets are transferred to receivables when the rights become unconditional.

- (i) **What is the typical length of a project/an order?**
- (ii) **What was the reason for the huge increase in contract assets as at 31 December 2019?**
- (iii) **Given the COVID-19 outbreak, and the disruption to businesses globally, how has the group finetuned its credit policies and practices?**

It was further disclosed that impairment loss on contract assets of RMB6.98 million was recognised in 2018 and none in 2019.

- (iv) **Are there terms and conditions (such as milestone payments, deposits) in the contracts to better manage the group's risks?**

For FY2019, the group had two major customers who accounted for RMB55.8 million (or approximately 50%) of the group's total revenue of RMB111.2 million.

- (v) **What are the profiles of the two major customers? Are they from the non-fertiliser industries?**

Q3. As shown on page 46 of the annual report, the group raised RMB133.5 million in its IPO in 2010.

UPDATE ON USAGE OF IPO PROCEEDS

As at 31 December 2019, the net proceeds from Group's initial public offering had been utilised in accordance with the intended purposes as follows:

Usage of IPO proceeds	Amount allocated (RMB'000)	Amount utilised (RMB'000)	Balance (RMB'000)
(A) Expand our production facilities and capacities	84,238	18,465	65,773
(B) Enhance our R&D capabilities and widen our range of innovative and cost-effective solutions	15,479	15,479	–
(C) Working capital purposes	33,772	22,074	11,698
Total	133,489	56,018	77,471

(Source: company annual report)

As shown in the table above, RMB65.8 million slated for the expansion of the group's production facilities remain unutilised. RMB11.7 million earmarked for working capital purposes remains unused as well.

- (i) **Would the board help shareholders understand its long-term strategic growth plans?**
- (ii) **What are the major growth opportunities in the next 18-24 months?**

The group has cash and cash equivalents of RMB108 million as at 31 December 2019. The group also has trade and other receivables and contract assets amounting to RMB160 million.

- (iii) **What is the level of working capital needed to support the group's operations?**
- (iv) **Has the board evaluated the current capital structure of the group, given the group's scale and growth prospect? If the group is over-capitalised, would the board consider a special dividend or a capital reduction to return the excess capital to shareholders?**

^Amid the global COVID-19 outbreak, issuers who choose to proceed with the AGM before 30 April 2020 must provide opportunities for shareholders to ask questions. Shareholders are encouraged to read the annual report and submit any questions they might have to the companies in advance. Issuers would then publicly address the questions at the general meeting via the issuer's website, through "live" webcast and on SGXNet.

Shareholders are welcome to use and/or adapt the questions prepared by SIAS and to forward them to the company.

Can't attend the AGM or view the webcast? Check out the latest questions on the annual reports of listed companies on [SIAS website](http://www.sias.org.sg)

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^ Joint Statement by Accounting and Corporate Regulatory Authority, Monetary Authority of Singapore and Singapore Exchange Regulation dated 31 Mar 2020 (<https://www.sgx.com/media-centre/20200331-acra-mas-and-sgx-regco-update-guidance-general-meetings>)