ANAN INTERNATIONAL LIMITED
(Incorporated in Bermuda)
(Company Registration no. 35733)

RESPONSE TO QUERIES BY
SINGAPORE EXCHANGE SECURITIES TRADING LIMITED ("SGX-ST")

SGX-ST raised certain queries to AnAn International Limited ("**Company**", and together with its subsidiaries, collectively "**Group**") in respect of the Company's Condensed Interim Consolidated Financial Statements for the Nine Months Period Ended 30 September 2023 ("**9M 2023**") released on 10 November 2023. The Board of Directors ("**Board**") of the Company responds to these queries as follows.

SGX Query 1

Page 11: Increase in staff costs in 9M 2023: USD3.88 million

SGX: We note that selling and distribution expense rose 15% or US$2.6 million in 3Q2023 and 15% or US$7.8 mil for 9M2023 which the Company explained is due to increased headcounts, despite the 17% or US$390 million decline in revenue in 9M 2023 due to decrease in sales volume. Please disclose the breakdown for the higher staff costs from salary increment and increased headcounts that amount to an increased cost of US$3.88 million. To also explain the reason for the increased headcounts and if any of the new hires are related to the Company's directors, key management and/or substantial shareholders.

Company's response to SGX Query 1

A breakdown and reasons of the increase in staff costs of US$3.88 million in 9M 2023 is as follows:

	US$'000
Salary increment	749
Increase in headcounts:	
- Due to new addition of petrol gas stations in 2023	1,496
- Due to full 9M 2023 impact of new acquired companies in 2022	337
- Due to impact of new acquired companies in 2023	178
- For other Dyneff Group companies' development	1,122
Total	3,882

The new hires are not related to the Company's directors, key management and/or substantial shareholders.

SGX Query 2

Page 12: Additions of property, plant and equipment: US$27.6 million

SGX: Please disclose the nature and breakdown of Dyneff Group's 29% addition to property, plant and equipment amounting to US$27.6 million mentioned on Page 12.

Company's response to SGX Query 2

A nature and breakdown of the additions of property, plant and equipment is as follows:

	US$'000
Land and buildings	10,381
Plant and machinery	5,131
Motor vehicles	1,374
Office equipment, furniture and fittings	430
Computers	498
Constructionin progress	9,741
Total	27,555

As at 30 September 2023, the Group has ongoing construction projects for new motorway gas stations with additional construction costs amounted to US$9,741,000. Included in this amount are costs incurred for land and buildings and plant and machinery.

SGX Query 3

Page 12: Addition of intangible assets: US$6.27 million

SGX: Please disclose the nature and breakdown of the additions of intangible assets that amount to US$6.27 million mentioned on Page 12 to US$23.9 million at 30 September 2023.

Company's response to SGX Query 2

A nature and breakdown of the additions of intangible assets is as follows:

	US$'000
Lease premium	33
Provisional Goodwill	5,921
Customer relationships	197
Software	77
Concessions and similar rights	43
Total	6,271

The addition of provisional goodwill mainly consisted of provisional goodwill amounting to US$4,291,000, arised from acquisition of the new subsidiary, France Habitat Enr SAS, as at 30 September 2023.

SGX Query 4

Page 12: Trade and other receivables: US$255.2 million

SGX: The Company explained that the increase in trade and other receivables by 20% to US$255.2 million in 30 September 2023 was mainly due to higher sales at the end of September 2023 and the debtor-sales outstanding ratio remained between 20 to 25 days when the Company's revenue had in fact declined by 17% to US$1,931.6 million in 30 September 2023. Please:
(i) explain the discrepancy:
(ii) disclose a breakdown of the Group’s receivables and provide the aging of the Group’s trade receivables;
(iii) elaborate on the nature of and provide details of the Group’s underlying transactions which resulted in other receivables outstanding and the terms of the transactions;
(iv) the Company’s plans to recover the trade and other receivables;
(v) whether they are major customer(s) and whether the Company continues to transact with these customer(s);
(vi) How long are the debts outstanding and in which period the sales were reported;
(vii) What were the actions taken to recover the trade and other receivables;
(viii) The Board’s opinion on the reasonableness of the methodologies used to determine the value of the impairment of the trade and other receivables; and
(ix) The Board’s assessment of the recoverability of the remaining trade and other receivables.

Company’s response to SGX Query 4

(i) The higher sales in particular month of September 2023, together with the the surge in oil prices during that month, boosted the trade receivables as at 30 September 2023. The revenue for the 9M 2023 does not directly correlate with the trade receivables as at cut off month.

(ii) A breakdown of the trade and other receivables is as follows:

		Aging Analysis (US$’000)		
	30 Sep 2023	Not past due	Past due less than 90 days	Past due more than 90 days
Trade Receivables:				
Trade receivables due from third parties	257,712	239,153	2,221	16,338
Allowance for impairment loss	(10,945)	-	-	(10,945)
	246,767	239,153	2,221	5,393
Trade receivables due from a related party	142,852	-	-	142,852
Allowance for impairment loss	(142,852)	-	-	(142,852)
	-	-	-	-

	30 Sep 2023	Not past due	Past due less than 90 days	Past due more than 90 days
		Aging Analysis (US$'000)		
Other Receivables:				
Margin account with broker	6,651	6,651	-	-
Assets construction in progress	145	145	-	-
Advances to suppliers	246	246	-	-
Prepayments	1,341	1,341	-	-
Deposits	120	120	-	-
	8,503	8,503	-	-
Total	255,270	247,656	2,221	5,393

(iii) The nature, details and terms of the Group's underlying transactions of its other receivables are set out in (ii) above. They were incurred as part of routine business operations.

(iv) The Company and the Group have internal processes and procedures in place to manage and recover trade and other receivables. This may include credit policies, invoicing procedures, and methods for monitoring outstanding payments.

(v) The Group deals only with companies with established relationship, and trades within the limit allowed determined by the Group's credit insurance policy.

(vi) The debtor-sales outstanding ratio is nornally between 20 to 25 days, representing the period during which the sales were reported.

(vii) The Group's credit department will communicate with customers who have outstanding payments, which may include sending regular reminders, emails, and making phone calls to inquire about payment status.

(viii) The Group has applied a strong and robust credit policy for decades, implementing strict procedures that have yielded positive results. The Group determines expected credit losses ("ECL") on an individual (debtor-by-debtor) basis. ECL is estimated based on historical credit loss experience, considering the past due status of debtors. This is adjusted as appropriate to reflect current conditions and estimates of future economic conditions.

(ix) The Group computes ECL using the probability of default from external rating agencies, where available. This calculation takes into account factors such as the industry, payment patterns, and historical loss rates in Europe. The Group does not expect significant credit losses beyond the amounts provided above.

SGX Query 5

Page 12: Trade and other payables: US$271.5 million

SGX: Please disclose the breakdown of trade and other payables amounting to US$271.5 million as at 30 September 2023. To also explain the reasons for the significant increase of this balance by 27% to US$271.5 million from 31 December 2022. To disclose the nature of the other payables and the underlying transactions which resulted in the outstanding balance and provide the aging of these other payables. To disclose whether the counterparties are related parties.

Company's response to SGX Query 5

The breakdown, nature and aging for the trade and other payables are as follow:

		Aging Analysis (US$'000)	
	30 Sep 2023	Payable within Oct 2023 to Mar 2024	Payable within Apr to Sep 2024
Trade Payables:			
Accounts payables	166,069	166,069	-
	166,069	166,069	-

		Aging Analysis (US$'000)	
	30 Sep 2023	Payable within Oct 2023 to Mar 2024	Payable within Apr to Sep 2024
Other Payables:			
Excise taxes payables	73,235	73,235	-
VAT payables	14,736	14,736	-
Gas supplies taxes payables	7,851	7,851	-
Employee and social obligations	6,511	6,511	-
Fixed assets payables	1,055	1,055	-
Advances from customers	1,239	1,239	-
Deferred revenue	161	161	-
Accrued subsidiary's directors' fee	373	373	-
Accrued professional fees and others	242	242	-
	105,403	105,403	-
Total	271,472	271,472	-

The significant increase in trade and other payables by 27% to US$271.5 million from 31 December 2022 was mainly due to higher purchase costs resulting from the surge in oil prices in September 2023. Additionally, shorter payment periods requested by suppliers in December 2022 also contributed a lower balances as at 31 December 2022, as compared to 30 September 2023.

There are no related parties in trade and other payables as disclosed in the table above.

SGX Query 6

SGX: Please disclose the segment information as required under SFRS(I) 8 Operating Segments.

Company's response to SGX Query 6

Operating Segments

The Group's business is organised and managed separately according to the nature of the services provided. The following table presents revenue and profit information regarding business segments for the nine months period ended 30 September 2023 ("**9M 2023**")

	Distribution US$'000	Wholesale US$'000	Corporate US$'000	Adjustments and eliminations US$'000	Total US$'000
9M 2023					
Revenue:					
External customers	1,929,837	-	-	-	1,929,837
Dividend income	1,769	-	-	-	1,769
Total revenue	1,931,606	-	-	-	1,931,606
Results:					
Segment results	21,029	906	441	(3,895)	18,481
Interest income	1,758	-	2	-	1,760
Finance expenses	(5,231)	(1)	-	-	(5,232)
Share of results of joint venture and associate	38	-	1,111	-	1,148
	17,594	905	1,553	(3,895)	16,159
Tax expense	(5,031)	-	-	-	(5,031)
Net profit/(loss) for the year	12,563	905	1,553	(3,895)	11,127
Segment assets:					
Segment assets	560,628	648	58,737	(74,219)	545,794
Investment in associates	10,202	-	4,367	(6,620)	7,949
Investment in joint ventures	11,783	-	26,554	7,487	45,824
Tax assets	-	-	-	1,278	1,278
Total assets	582,613	648	89,658	(72,074)	600,846
Segment liabilities:					
Segment liabilities	455,070	122,583	15,377	(141,468)	451,562
Tax liabilities	(1,671)	-	-	700	(971)
Total liabilities	453,399	122,583	15,377	(140,768)	450,591
Capital expenditure	28,260	-	-	-	28,260
Significant non-cash items:					
Depreciation and amortisation	8,337	45	191	-	8,573

	Distribution US$'000	Wholesale US$'000	Corporate US$'000	Adjustments and eliminations US$'000	Total US$'000
9M 2022					
Revenue:					
External customers	2,320,350	-	-	-	2,320,350
Dividend income	796	-	-	-	796
Total revenue	2,321,146	-	-	-	2,321,146
Results:					
Segment results	46,103	(686)	(1,865)	146	43,698
Interest income	299	-	1	-	300
Finance expenses	(2,998)	(2)	20	-	(2,980)
Share of results of joint venture and associate	90	-	608	-	697
	43,493	(688)	(1,237)	146	41,715
Tax expense	(12,147)	-	-	-	(12,147)
Net profit/(loss) for the year	31,345	(688)	(1,237)	146	29,567
Segment assets:					
Segment assets	464,487	337	56,228	(68,366)	452,687
Investment in associates	9,138	-	4,215	(1,733)	11,620
Investment in joint ventures	11,094	-	26,554	5,663	43,311
Tax assets		-	-	1,184	1,184
Total assets	484,721	337	86,996	(63,251)	508,803
Segment liabilities:					
Segment liabilities	375,296	123,155	13,751	(141,339)	370,865
Tax liabilities	11,666	-	-	649	12,315
Total liabilities	386,963	123,155	13,751	(140,689)	383,180
Capital expenditure	12,443	-	-	-	12,443
Significant non-cash items:					
Depreciation and amortisation	5,750	56	-	-	5,806

SGX Query 7

Page 10: Qualified opinion in FY2021 on energy certificate inventory and equity investment at fair value through other comprehensive income

SGX: The Company had mentioned that energy certificate inventory and equity investment at fair value through other comprehensive income as the basis for the qualified opinion in FY2021. Please provide the updates on the efforts taken to resolve each issue.

Company's response to SGX Query 7

The qualifieid opinion in FY2021 on energy certificate inventory stated by Group's auditor on not receive sufficient and appropriate audit evidence to complete their audit procedures as at date of FY2021 audit report was mainly due to audit timeline and cut off. The Board believes that it should be resolved in FY2022 audit with more time given for the Group's auditor's understanding on the topic and resolve the issue.

For another qualified opinion in FY2021 on the equity investment in Narbonnais Racing Club from a subsidiary amounted to US$57,000 stated by Group's auditor on not receive sufficient supporting documents to perform audit procedures, with no share certificate can be provided to Group audtors due to the shares were acquired more than a decade ago, the subsidiary will fully impair this investment in FY2022 in order to resolve the issue.

The Group's auditor is finalising the FY2022 audit and the Board is allocating additional time to address the issues. No qualified opinion, as mentioned above, is highlighted for the financial year 2022.

SGX Query 8

SGX: The Company mentioned that its French Subsidiary, Dyneff SAS ("Dyneff") had entered into the proposed acquisition of 100% equity interest in CPA SAS ("CPA")and France Habitat Enr SAS. ("FHE") Please provide an update of the two acquisitions by Dyneff and how much of the consideration have been paid for the respective acquisitions. Noting that the Group is deriving its main revenue from Dyneff Group, please also disclose more information on Dyneff:

(i) What is the Company's current shareholding interest in Dyneff?
(ii) What is Dyneff's principal business activities?
(iii) How does the acquisition of CPA and FHE that engages in wholesale distribution of refined petroleum products and installation of photovoltaic solar panels respectively benefit its core businesses?
(iv) What is the current size in terms of revenue, net profit and net asset value?
(v) How will it be financing both acquisitions that add up to a total consideration of EUR 15.5 million?
(vi) Will the Company and/or Dyneff Group be extending any financial support to Dyneff for the purpose of the acquisition? If so, to quantify the amount.

Company's response to SGX Query 8

For acquisition of CPA, the proposed transaction is still pending, awaiting fulfilment of conditions precedent, including clearances from French authorities. As of 30 September 2023, Dyneff has not paid any consideration for the acquisition.

As for the acquisition of FHE, the closing date of the proposed transaction has been determined, Dyneff has paid 80% of the pre-adjusted consideration amounting to EUR 4,848,000 as at 30 September 2023, in accordance with the share purchase agreement. The balance of the final consideration will be paid after both the Seller and Dyneff agree on adjustment accounts.

Please find summary of information on Dyneff as follows:

(i) The Company currently holds a 51% shareholding interest in Dyneff.

(ii) Dyneff's principal business is in the distribution of refined petroleum products in France and Spain.

(iii) The acquisition of CPA aims to strengthen Dyneff's geographical footprint in wholesale distribution, while the acquisition of FHE is intended to diversify Dyneff's core business and capitalise on the double digit growth each year in the heating, ventilation and air-conditioning market in France.

(iv) As at 31 August 2023, FHE reported revenue of EUR 5.9 million, a net profit of EUR 459,000 and a net asset value of EUR 790,000. The latest financials of CPA will be obtained once conditions precedent are fulfilled.

(v) The acquisition of CPA will be financed through internal funds and refinancing through banks. The acquisition of FHE will be primarily financed though banks.

(vi) The Company and Dynef Group will not extend financial support to Dyneff for the purpose of both acquisitions,

BY ORDER OF THE BOARD

Zang Jian Jun
Executive Director and Executive Chairman
28 November 2023