



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 Unaudited Financial Statements for the Period Ended 31 September 2021 released on 24 November 2021. The Board of Directors (“**Board**”) of the Company responds to these queries as follows.

SGX Query 1

Page 1: Gross profit: US\$23,321,000

Provide a discussion on the gross profit margins reported in 3Q 2021 and 9M 2021 in comparison with previous corresponding periods, and elaborate on the factors that affected gross profit margins.

Company’s response to SGX Query 1

The gross profit margin has been decreased from 5.7% to 4.4% in 3Q 2021 as compared to 3Q 2020. In 9M 2021, the gross profit margin has decreased from 5.3% to 4% as compared to 9M 2020.

The fluctuation in gross profit margin was generally due to changes in market condition e.g. France subsidiaries’ lower costs of inventory in 9M 2020, which was resulted from the change in market conditions impacted by the covid-19 pandemic. As the market condition is getting more stable in 9M 2021, the inventory costs have gone up substantially which has then resulted the decline in the gross profit margin.

Additionally, in 9M 2021, the operation has faced a stiffer market competition as disclosed in Q3 2021 announcement which has impacted the gross profit margin negatively by diminishing the gross profit per unit of sales.

SGX Query 2

Page 1: Selling and distribution expenses: US\$15,454,000

Provide a breakdown of these expenses in comparison to the previous corresponding period, and explain the material items.

Company's response to SGX Query 2

The breakdown of material selling and distribution expense items is as follows:

	<u>3Q 2021</u> <u>(US\$'000)</u>	<u>3Q 2020</u> <u>(US\$'000)</u>
Staff Cost	7,878	6,080
Depreciation	2,193	2,087
Security services, software license and other taxes	1,922	1,757
Rental, utilities, office supplies, advertising, insurance and telecommunication	1,512	1,377
Repair and maintenance expenses	1,851	722
Transport and travelling	98	55
	<u>15,454</u>	<u>12,078</u>

The material selling and distribution expense are staff cost, depreciation, software expenses and other repair and maintenance expenses of oil distribution equipment incurred by the subsidiaries in France and Spain. These expense items were calculated on an incurred or provisional basis.

The significant increase in staff cost in 3Q 2021 was due to the reason that the group has acquired new subsidiaries in France and its subsidiaries have undergone a business expansion with additional staffs which has boosted up the overall staff cost.

The same reason explains for the hike in depreciation expenses, rental expenses and software expenses. The France subsidiaries has extended its business perimeter with new work sites, which has caused the overall selling distribution expenses to increase.

Meanwhile on the repair and maintenance expenses, the increase during 3Q 2021 was due to the repair and maintenance for motor vehicles, oil depot and oil distribution equipment as the French subsidiaries gradually recovers from lockdown in 2020.

SGX Query 3

Page 2: Staff costs (including key management personnel compensation)

Staff costs increased 26% to US\$8,208,000 in 3Q 2021 and US\$23,815,000 in 9M 2021. Provide details on the staff costs in comparison to the previous corresponding period and explain the significant increase in costs

Company's response to SGX Query 3

The details of the staff costs are as follows:

	3Q 2021 <u>(US\$'000)</u>	3Q 2020 <u>(US\$'000)</u>	9M 2021 <u>(US\$'000)</u>	9M 2020 <u>(US\$'000)</u>
Staff costs (including key management personnel compensation)	8,208	6,356	23,815	18,935

As discussed in point number 2 above, the significant increase in staff cost in 3Q 2021 was due to the reason that France subsidiaries has undergo a business expansion with additional staffs which has boosted up the overall staff cost. During the current financial year, the business perimeter has been extended with six new petrol stations and 180 additional employees.

SGX Query 4

Page 3: Inventories: US\$108,884,000

“...in line with the increase of sale volumes and to maintain higher level of inventories to comply with the Loi d’Orientation de la Politique Energetique legislation in France...”

SGX: Elaborate on what these legislations require, and explain how this impacted the inventories level and gross profit.

Company’s response to SGX Query 4

The inventories consist mainly of petroleum products and energy savings certificates. These energy savings certificates accumulated by the Rompetrol France SAS and its subsidiaries (collectively, the “Dyneff Group”) are for the purposes of complying with the Loi d’Orientation de la Politique Energetique legislation in France. To elaborate, this is an environmental legislation that imposes energy saving requirements on all energy suppliers in France, either directly on their own plants and equipment or indirectly by supporting their clients to save energy. Failure to comply would result in penalties to the energy supplier. One of the ways that energy suppliers can prove their compliance with the Loi d’Orientation de la Politique Energetique legislation is to accumulate a certain number of energy savings certificates, which was what the Dyneff Group has done. The higher energy savings certificates would impact the costs of sales when consumed and reduces the gross profit.

SGX Query 5

Page 3: Trade and other receivables

Provide a breakdown of the US\$209,833,000 and US\$153,901,000 and explain the material items and items with material increases.

Company's response to SGX Query 5

Breakdown of the trade and other receivables is as follows:

	30 Sep 2021 (US\$'000)	31 Dec 2020 (US\$'000)
<u>Trade Receivables:</u>		
Trade receivables due from third parties	354,385	300,261
Allowance for impairment loss	(148,799)	(149,433)
	<u>205,586</u>	<u>150,828</u>
Trade receivables due from a related party	142,852	142,852
Allowance for impairment loss	(142,852)	(142,852)
	-	-
<u>Other Receivables:</u>		
Margin account with broker	3,405	2,242
Advances to suppliers	217	209
Deposits	83	117
Prepayment	127	183
Others	54	96
Accounts receivables- non trade	361	226
	<u>4,247</u>	<u>3,073</u>
Total	<u>209,833</u>	<u>153,901</u>

The overall increase in trade and other receivables was caused by the rise in trade receivables from third parties due to higher volume of sales and increase of unit price of petrol oil in September 2021 as compared to 31 December 2020.

SGX Query 6

Page 3: Trade and other payables: US\$235,241,000

SGX: Provide a breakdown, an ageing schedule in bands of 3 months with upper band disclosed, and explain for long outstanding items.

Company's response to SGX Query 6

The breakdown for the trade and other payables is as follow:

	30 Sep 2021	Payable within Oct to Dec 2021	Payable within Jan to Mar 2022	Payable within Apr to Jul 2022
	(US\$'000)	(US\$'000)	(US\$'000)	(US\$'000)
<u>Trade Payables:</u>				
Accounts payables	136,695	136,695	-	-
	<u>136,695</u>	<u>136,695</u>	<u>-</u>	<u>-</u>
<u>Other Payables:</u>				
Excise taxes payables	68,028	68,028	-	-
VAT payables	14,684	14,684	-	-
Taxes payables	8,451	8,451	-	-
Employee and social obligations	3,841	3,841	-	-
Accounts payables- non-trade	1,507	1,507	-	-
Accruals	1,294	655	506	133
Advances from customers	544	544	-	-
Other liabilities	177	177	-	-
Deferred revenue	20	20	-	-
	<u>98,546</u>	<u>97,907</u>	<u>506</u>	<u>133</u>
Total	<u>235,241</u>	<u>234,602</u>	<u>506</u>	<u>133</u>

There are no material long outstanding payables as disclosed in the table above.

SGX Query 7

Page 12: No dividend has been declared or recommended as the Company is in loss position.

Reconcile to the disclosure in the income statement that the Group made a profit of US\$4,282,000.

Company's response to SGX Query 7

Though the Group made a profit of US\$4,282,000 in 3Q 2021, the Company made a loss of US\$519,566 for the nine months ended 30 September 2021 and has accumulated losses of US\$148,227,000 as of 30 September 2021 (please refer to Page 3 of the Q3 2021 announcement). Hence, no dividend has been declared.

**For and on Behalf of the Board of
AnAn International Limited**

Shirley Tan
Company Secretary
29 November 2021