



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 Six Months Period Ended 30 June 2023 (“**1H 2023**”) released on 11 August 2023. The Board of Directors (“**Board**”) of the Company responds to these queries as follows.

SGX Query 1

Page 11: An increase in allowance for doubtful debts: USD3.83 million

SGX: The Company stated that there is an increase in allowance for doubtful debts of “USD3.83m as a result of a tendered contract customer in France refused to fulfill the tender contract via non-payment for the few gas deliveries by Dyneff Group”. Please disclose details relating to transaction including the nature of the contract, duration of the contract, its expiry date, the amount owed by the customer, the allowance provided for and whether the customer is a related party. Please also disclose the steps taken by the Company to recover the owed amounts and prevent further losses from this customer, as well as the Board’s opinion on the recoverability of the amounts owed by the customer.

Company’s response to SGX Query 1

The increase in allowance for doubtful debts of USD3.83 million was resulted from the allowance made for the natural gas deliveries and penalties imposed on a contracted customer in France. The penalties were incurred due to the customer’s unfair breach of contract, involving non-payment for several gas deliveries by Dyneff Group. The deliveries were part of natural gas supply contracts covering 26 sites from 1 October 2022 to 30 April 2023 and an additional 2 sites with extension until 30 September 2025. The amount owed by the customer was amounted to USD3.83 million, and it has been fully provided as at 30 June 2023 as a prudent measure. The customer is not a related party to the Group.

Dyneff Group has initiated direct mediation with the customer to resolve the outstanding invoices for these deliveries and recover the owed amounts. Additionally, Dyneff Group has sent demand letters through legal representation to protect its interest. To mitigate further losses, Dyneff Group ceased further deliveries as at 30 June 2023. Despite the outstanding debts has been fully provided for allowance, the Board will continue to work on their recovery, given that the customer has also defaulted on payments to other major suppliers concurrently. Dyneff Group intends to seek further legal advice and explore recovery option accordingly.

The Board will continue to monitor the situation and will provide further updates as and when necessary.

SGX Query 2

Page 6: Purchase of intangible assets, property, plant and equipment: US\$20.3 million

SGX: For 1H 2023, the Company reported “purchases of intangible assets, property, plant and equipment” amounting to USD20.3 million in its cash flow statement. Please provide a breakdown of the intangible assets, property, plant and equipment that were purchased and provide details regarding the rationale for the purchases, and the capacity added and capacity utilization, where relevant.

Company’s response to SGX Query 2

A breakdown of the purchases of intangible assets, property, plant and equipment in cash flow statement is as follows:

| | US\$'000 |
|--|----------|
| Additions of property, plant and equipment | 19,902 |
| Additions of right-of-use assets | 165 |
| Additions of intangible assets | 200 |
| Total | 20,267 |

The additions of property, plant and equipment is primary attributed to the construction of new petrol and gas stations during 1H 2023, aimed at expanding Dyneff Group’s geographical coverage of oil products distribution.

SGX Query 3

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

SGX: With regard to the “qualified opinion in FY2021 on energy certificate inventory and equity investment at fair value through other comprehensive income”, please disclose what steps have already been taken and what actions do the Board intend to take to resolve this issue. Please also disclose the implementation timeline for these procedures that will ensure that the audit issue will be resolved by the next audit.

Company’s response to SGX Query 3

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 auditors 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 has initiated the FY2022 audit with the Board's efforts to allocate more time for addressing the issues. The indicative timeline for completing the audit of the FY2022 financial statements is expected to be by or on 30 November 2023.

BY ORDER OF THE BOARD

Zang Jian Jun
Executive Director and Executive Chairman
4 September 2023