



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

RESPONSES TO SGX-ST'S QUERIES DATED 28 SEPTEMBER 2020

1. INTRODUCTION

The Board of Directors of Anan International Limited (the "**Company**") wishes to make a follow-up announcement in relation to the Company's previous announcements made on 25 September 2020 (the "**25 September 2020 Announcement**") and 2 October 2020 (the "**2 October 2020 Announcement**") following the signing of the final transaction documents by Dyneff with Nicolas Besson and Philippe Gschwind (the "**Sellers**") in relation to the acquisition of 70% of the issued and paid-up share capital in ANEO SAS (previously known as SARL ANEO) for which final transactional documents were signed on 22 December 2020 (the "**Acquisition**"). In the 2 October 2020 Announcement, the Company announced that it would address the queries raised by the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") on 28 September 2020 (the "**28 September 2020 Queries**") in relation to the Acquisition upon the signing of the final transaction documents.

Unless otherwise defined, capitalized terms used herein shall bear the same meaning ascribed to them in the 25 September 2020 Announcement and the 2 October 2020 Announcement.

2. THE COMPANY'S RESPONSES TO SGX-ST'S QUERIES

We set out each of the 28 September 2020 Queries in turn, and the Company's responses to the same.

Query 1: In relation to paragraph 2 of the 25 September 2020 Announcement, when was Target Company incorporated and when did operations commence? What is the track record of Target Company in the installation of heating systems and equipment, and for how long has it undertaken such business?

ANEO SAS, was incorporated on 30 September 2008, and its operations commenced on the same day as its incorporation.

It has performed installation of heating equipment and related maintenance services since then, building various expertise on the different types of heating systems which include air/air heating pumps, air/water heating pumps, photovoltaic panels, wood ovens, and oil boilers.

Query 2: In relation to paragraph 2 of the 25 September 2020 Announcement, provide further details on the business model of Target Company: for example, how are customers sourced, where are they located, are they once-off customers, how long are the contracts, how are payments collected for these services rendered, what are the credit terms, and whether there are any issues on collectability. What is the size of this business and based on the size and/or niche of Target Company, please elaborate on how it fits into part of the 5-year strategic plan implemented by the Dyneff Group.

ANEO SAS' customer portfolio is made of individuals and small professionals within 2 hours drive from its operating base. ANEO SAS performs heating system renewal services and associated maintenance. Maintenance services are generally contracted for a period of one year. Different credit terms will apply depending on whether the customer is an individual or a professional and comply with the credit terms generally applicable in this industry. The business line of ANEO SAS thus complements the core activities of the Dyneff Group, an energy group.

Query 3: In relation to paragraph 2 of the 25 September 2020 Announcement, provide a breakdown of the material items comprised in the NTA of EUR674,978, and whether the revenue from the profits reported by Target Company have been significantly collected.

As at 31 March 2020, the breakdown of the material items comprised in the NTA is as follows:

	EUR ('000)
Assets	228
Trade assets	1037
Cash	202
Liabilities	<u>(792)</u>
NTA	<u>675</u>

Revenue from the profits reported by ANEO SAS are collected according to their respective payment terms, and there has been no increase of late payments to date.

Query 4: In relation to paragraph 2 of the 25 September 2020 Announcement, the Company disclosed that net profit for Target Company for the year ended 31 March 2020 amounted to EUR501,897, and NTA & Equity book value amount to EUR674,978 as at 31 March 2020, while issued and paid up capital amount to EUR8,000. Please confirm if the remaining balance of EUR181,081 contribution to NAV was due to accumulated profit of Target Company. If so, please provide details for a better understanding of the factors that resulted in Target Company's profits surging to EUR510,897 in FYE 31 March 2021, when accumulated profits prior to FYE 31 March 2020 amounted to EUR181,081.

Below is a breakdown of the equity structure and net results for the financial years ending 31 March 2019 and 31 March 2020:

	31 March 2020	31 March 2019
	EUR	EUR
Share capital	8,000	8,000
Legal reserve	800	800
Retained earnings	303,883	219,427
Net result for the year	<u>362,295</u>	<u>90,456</u>
Equity	<u>674 978</u>	<u>318,683</u>

The results for 2020 and 2019 are as follows:

	31 March 2020	31 March 2019
	EUR	EUR
Net Profit Before Tax	501,897	112,620
Less: Income tax	<u>(139,602)</u>	<u>(22,164)</u>
Net Result for the year	<u>362,295</u>	<u>90,456</u>

The increase in the net result compared to the 2019 financial period is in fact due to internal performance in a fast growing market environment.

Query 5: In relation to paragraph 4.2 of the 25 September 2020 Announcement, per Listing Rule 1010(3), state the factors taken into account in arriving at the EUR280,000 Earn-Out and how it will be satisfied, including the terms of payment. Also elaborate on and disclose details of the financial indicators. When and how will the EUR280,000 be paid over the years 2021 and 2022?

The net consideration for the Acquisition has been agreed at EUR 2 310 000 and includes an Earn-Out of EUR 280 000 that is payable within three years following the signing of the Share Purchase Agreement. The payment of the earn out is subject to the achievement of certain financial performance objectives.

Query 6: In relation to paragraph 5 of the 25 September 2020 Announcement, per Listing Rule 1010(3), state the factors taken into account in arriving at the EUR2,310,000 Consideration and how it will be satisfied, including the terms of payment. Explain whether the EUR280,000 should be factored into the total consideration. Disclose and quantify the current cash balance held by the Dyneff Group.

The consideration of EUR 2,310,000 was derived after with the Sellers and taking into account various valuation methods commonly used in M&A transactions including EBITDA multiples and discounted future cash flows. With the exception of the Earn-Out, the remaining consideration was paid on the date on which the final transactional documents were signed.

As at 30 November 2020, the cash balance held by the Dyneff Group was EUR 17,600,000.

Query 7: In relation to paragraph 6 of the 25 September 2020 Announcement, provide details on the seller and track record of this party. Will it continue to hold the balance 30% and manage Target Company after the acquisition?

The Sellers are the two founders of ANEO SAS, being Nicolas Besson and Philippe Gschwind, as mentioned in paragraph 1 above.

By way of background, the Sellers have been operating in the industry in which ANEO SAS operates in for the past 12 years. They will continue to hold a minority stake of 30% in ANEO SAS and will continue to run the day-to-day operations of ANEO SAS after the Acquisition.

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

Shirley Tan
Company Secretary
27 January 2021