



ANAN INTERNATIONAL LIMITED

(Incorporated in Bermuda)
(Company Registration no. 35733)

RESPONSE TO QUERIES RAISED BY SINGAPORE EXCHANGE SECURITIES TRADING LIMITED (“SGX-ST”) ON THE COMPANY’S ANNUAL REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

The Board of Directors (“**Board**”) of AnAn International Limited (“**Company**”, and together with its subsidiaries, the “**Group**”) wish to provide the following information in response to the queries raised by the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) on 20 December 2023 to the Company’s Annual Report for the Financial Year ended 31 December 2022:

SGX-ST Query 1:

The Company mentioned on Page 12 of its FY2022 Annual Report that Mr Zang Jian Jun holds the position as the Company’s Executive Chairman and the Company currently does not have a Chief Executive Officer (“CEO”) with the Board and the Management will take a more direct involvement in the affairs of the Company pending the appointment of the new CEO in the interim. The Company further stated on Page 18 that the Company did not have any other key management personnel in FY2022 save for Mr Zang Jian Jun and Mr Shu Kwan Fong. Pursuant to Principle 3 of the Code of Corporate Governance 2018, please elaborate on how the Company has determined “the Chairman’s independence” and “separation of roles between the Chairman and CEO”, considering that Mr Zang Jian Jun, who is the Executive Chairman, is also one of the only two key management personnel of the company.

Company’s Response:

As of the date of this Annual Report, the current Board comprises the following four (4) Directors, three (3) of whom are non-executive and independent:

Mr. Zang Jian Jun	(Executive Chairman)
Mr. Siow Hung Jui	(Independent Director)
Mr. Toh Hock Ghim	(Independent Director)
Mr. Alila Amya Av	(Independent Director)

Pending the appointment of a new CEO, Mr. Zang Jian Jun, as the Executive Chairman, is primarily responsible for leading the Board, providing the overall leadership and strategic vision for the Group, including business strategy and planning, and business administration. As the Executive Chairman, with the assistance of the Chief Financial Officer (“CFO”) and the Company Secretary, he also ensures effective and comprehensive Board discussion on matters brought to the Board, including but not limited to:

- a. scheduling of meetings to enable the Board to perform its duties responsibly without interfering with the flow of the Group's operations;
- b. setting the agenda (in consultation with the CFO, and with the assistance of the Company Secretary) and ensuring adequate time is available for the discussion of all agenda items, particularly strategic issues;
- c. ensuring all Directors receive accurate, timely, and clear information;
- d. promoting active engagement and open dialogue among Directors and between the Board and Management;
- e. ensuring effective communication among stakeholders, the Board, and Management;
- f. leading the Group to achieve and maintain a high standard of corporate governance with the support of the Board, Management, and the Company Secretary.

The Board is of the view that there are sufficient safeguards and checks to ensure that the process of decision-making by the Executive Chairman is independent, and there is no compromise in accountability for the following reasons:

(a) the independent directors actively participate during Board meetings and challenge the assumptions and proposals of the Management unreservedly, both during and outside of Board meetings on pertinent issues affecting the affairs and business of the Group. Their views and opinions provide an alternative perspective to the Group's business, and they bring independent judgement to bear on business activities and transactions involving conflict of interest and other complexity.

(b) all major decisions made by the Executive Chairman of the Company are reviewed and approved by the Board.

Taking into consideration the current corporate structure, nature and the scope of the Group's operations, as well as the AC, NC, and RC consisting of all independent directors, the Board is of the view that there is an appropriate balance of power and accountability to ensure independent decision making.

SGX-ST Query 2:

Listing Rule 710 requires issuers to explicitly state, when deviating from the provisions prescribed in the Code of Corporate Governance 2018 (the "Code"), an explanation on how the practices it had adopted are consistent with the intent of the relevant principle. We note that the Company had not complied with:

(i) Provision 3.3 of the Code which provides that the Board has a lead independent director to provide leadership in situations where the Chairman is conflicted, and especially when the Chairman is not independent. The lead independent director is available to shareholders where they have concerns and for which contact through the normal channels of communication with the Chairman or Management are inappropriate or inadequate. Please further explain how has the company determined that the appointment of a Lead Independent Director is not considered by the Board to be necessary.

(ii) Provision 9.2 of the Code as the Company disclosed in its FY2022 Annual Report Page 19 that “the Board has also derived assurance from the Executive Chairman and Management a) that the financial records have been properly maintained and the financial statements give a true and fair view of the Company’s operations and finances; and b) regarding the adequacy and effectiveness of the Company’s risk management and internal control systems.” Please clarify how the practices the Company had adopted are consistent with the intent of Principle 9 by specifying the identities of the Management who had provided the aforementioned assurance, their respective roles and how they are in the position to provide such assurance.

Company’s Response:

(i) The Nominating Committee (“NC”) has reviewed the Board composition and having considered the Group’s current business scale and operations, and that three out of its four board members are Independent Directors, it is of the view that there is currently no need for a Lead Independent Director. The Independent Directors and the Executive Director, individually and collectively, are available to shareholders as a channels of communication between shareholders and the Board or Management. Nevertheless, the Board will consider the appointment of a Lead Independent Director to be in line with the Code of Corporate Governance 2018.

(ii) In addition to the Executive Chairman, the Board has also derived assurance from Mr Shu Kwan Fong (“Mr Shu”), a key management personnel. Mr Shu has been the CFO of the Group since 1 January 2022, and is responsible for the financial reporting and overall management of the finance function of the Group. He was involved in the presenting the financial results for the first quarter, second quarter/half year, third quarter and fourth quarter/full financial year ended 31 December 2022 on 13 May 2022, 10 August 2022, 10 November 2022 and 24 February 2023 respectively for the review and approval of the Audit Committee (“AC”) and the Board. Nothing has come to the attention of the AC and the Board that suggests the Group’s FY2022 financial records, as presented by Mr Shu, have not been properly maintained, and the financial statements do not provide a true and fair view of the Group’s operations and finances or that there were any internal control weaknesses identified.

SGX-ST Query 3:

Listing Rule 1207(18B) requires an explanation of how the issuer has complied with the following that include, inter alia, (b) the issuer ensures that the identity of the whistleblower is kept confidential and (c) the issuer discloses its commitment to ensure protection of the whistleblower against detrimental or unfair treatment. The Company had not provided any details in relation to the aforementioned under its whistle-blowing policy provided under Page 21 of its Annual Report. Please disclose accordingly pursuant to Listing Rule 1207(18B).

Company's Response:

The Company's whistle-blowing policy contains clear provisions on protection for whistleblowers, providing employees and any other persons with channels through which they may report any concern, irregularity or improper act committed by another employee of the Group. The whistle-blowing procedure allows complainants (including anonymous reporting) to raise their concerns in confidence and remain protected against reprisals within the limits of the law or victimisation for whistle-blowing in good faith. The Company will take all necessary measures to ensure that the whistle-blower's identity will be kept confidential unless required by the court or other regulatory authorities to make disclosure of the identity. The Company does not tolerate victimization of the whistle-blower or any employee who may be involved as witnesses to any investigation, nor does it allow any whistle-blower or witness to be subject to any reprisal. Disciplinary action will be taken against employees who victimise or take any form of reprisal against the whistle-blower or witnesses, and in appropriate cases, the relevant employees may be dismissed. Details of the whistle-blowing policy and the dedicated communication channels such as email addresses and postal address, have been made available to all employees. The AC may commission independent investigations of any suspected fraud or irregularity, that has or is likely to have a material impact on the Company's operating results or financial position, and it reviews the findings of such investigations. The AC is responsible for the oversight and monitoring of whistle-blowing.

SGX-ST Query 4:

Listing Rule 1207(10C) requires the Audit Committee's comments on whether the internal audit function is independent, effective and adequately resourced. Please also provide information on whether the head of the internal audit function team has the relevant experience and qualifications in heading the internal audit function and on his independence. Where the internal audit function for the Group (apart from its major subsidiary in France) is outsourced, please provide information on the accounting firm, details of its independence, the track record, relevant experience of accounting firm and the engagement team.

Company's Response:

The Group's revenue is wholly contributed from its major subsidiary, Dyneff Group, in France. The AC assesses that internal controls of Dyneff Group need to be reviewed annually among the Group's companies based on a risk-based approach. As disclosed on page 21 of the FY2022 Annual Report, the Group has appointed BDO France as Internal Auditors ("IA") of the Group for the purpose of reviewing the effectiveness of the Group's material internal controls. The internal auditor, BDO France, had met the standards set out by the Institute of Internal Auditors.

BDO France is the 7th largest advisory firm in France and employs more than 2000 people. BDO France provides a wide range of risk, audit, compliance, and advisory services.

The engagement team is headed by Mr Arnaud Naudan, led by Mr Theodore Sivan and includes a team of suitably qualified auditors. Mr Arnaud Naudan is the CEO of BDO France. Mr Theodore Sivan is the engagement director with more than 20 years experience in Business Risk Services, having gained past experience in top-tier advisory firms. He specialises in internal audit, risk and compliance, and is the director of the internal control practice within BDO France. All individual audit professionals are independent of the Management. The IA report directly to the Chairman of the AC. The IA conducted its audit reviews based on the internal audit plan reviewed and approved by the AC.

The AC is satisfied that the appointed IA is independent, has adequate resources to perform its function effectively and staffed suitably qualified and experienced professionals with the relevant experience.

SGX-ST Query 5:

The Company mentioned that the Company and its officers are not allowed to deal in before the announcement of the Company's full year financial results, and ending on the date of the announcement of the relevant results. Pursuant to Listing Rule 1207(19), please further disclose:

- (i) whether the Company and its officers are allowed to deal in the Company's securities before the announcement of the Company's quarterly and half year financial statements.
- (ii) the period before the announcement of the respective financial results that the Company and its officers are not allowed to deal in the Company's securities.

Company's Response:

The Company has adopted and ensures compliance with Rule 1207(19) of the Listing Manual of the SGX-ST with regards to dealing in the Company's securities by its Directors and officers. The Company, Directors and its officers are prohibited from dealing in the securities of the Company during the period commencing two weeks immediately preceding the announcement of the Company's quarterly financial results and one month immediately preceding the announcement of the Company's full year financial results and ending on the date of the announcement of such results on SGXNet, or when they are in possession of any unpublished price-sensitive information of the Group. Additionally, the Company, Directors, key management personnel and employees are expected to observe insider trading laws at all times even when dealing in securities within the permitted trading period. They are also discouraged from dealing in the Company's shares based on short-term considerations.

SGX-ST Query 6:

The Independent Auditor's Report stated, inter alia, that the Auditors issued a qualified opinion as they "were unable to carry out audit procedures to obtain sufficient and appropriate audit evidences on the Energy Certificate inventory, we were unable to ascertain completeness, accuracy, existence and valuation of Energy Certificate inventory" of a subsidiary that amounted to US\$34.2 million as at 31 December 2021. Please disclose what is the subsidiary and the nature of the item, "Energy Certificate inventory" classified under Inventories. To also explain why the Auditors are unable to "receive sufficient and appropriate audit evidence to complete our audit procedures as of the date" of the Company's FY2022 Annual Report and elaborate how the Company's internal controls can be considered adequate and effective with respect to the Energy Certificate inventory.

Company's Response:

The Energy Certificate inventory was owned by Rompetrol Group, who is 100% owning Dyneff Group in France.

As disclosed on page 82 of the Company's FY2022 Annual Report, the Group participates in a 'cap and trade' scheme in various countries. Under the scheme, at the beginning of each year the government in each country sets specific annual limits for emitting pollutants and grants the Group the respective number of energy certificates. The Group can settle its annual obligation created by the emission of pollutants only by surrendering energy certificates by a specified date, which is usually within 12 months after the reporting date. If the Group's annual emissions are below the limit, then it can sell the remaining certificates to other parties on a trading platform. Conversely, if the annual emissions exceed the limit, then the Group purchases additional certificates to settle its obligation. Historically, the Group has emitted less pollutants than its annual allocation of emissions certificates from the government and the carrying amount of energy certificates amounting to US\$24,663,000 (2021: US\$34,247,000) is reflected in Inventory as at 31 December 2022.

The Group recognises energy certificates as inventory. Emissions certificates received from the government are initially measured at fair value, which is determined based on the market price of certificates traded on the platform at that date. Emissions certificates purchased on the trading platform are initially measured at cost.

The qualified opinion stated by Group Auditor, RT LLP, pertains to the opening balance of Energy Certificate inventory, ie FY2021 Energy Certificate inventory. The FY2022 Energy Certificate inventory, amounted to US\$24.7 million as at 31 December 2022, is unqualified due to receiving sufficient and appropriate audit evidence. With this audit issue resolved and no further issues on opening balance of FY2023 Energy Certificate inventory for audit, the Board believes that the Company's internal controls can be considered adequate and effective with respect to the Energy Certificate inventory.

SGX-ST Query 7:

In its Announcement on 30 November 2023 in relation to Discrepancies between Unaudited and Audited accounts, the Company disclosed that the difference between the Audited and Unaudited accounts was due to, inter alia, the reclassification of US\$0.76 million impairment loss on receivables from third parties and US\$0.19 million bad debt written off from other operating expenses category. Please disclose:

- (i) the reason for the respective reclassifications;
- (ii) the reason for the impairment losses on receivables from third parties and the bad debt written off respectively;
- (iii) how the amount of impairment and bad debt was determined; and
- (iv) the Board's confirmation as to whether it is satisfied with the reasonableness of the methodologies used to determine amount of impairment and bad debt.

Company's Response:

(i) The respective reclassifications align with the adoption of International Financial Reporting Standard ("IFRS") 9, which lead to consequential amendments to International Accounting Standard ("IAS") 1. This change requires the impairment losses determined in accordance with IFRS 9 to be presented as a line item in the Statement of Profit or Loss and Other Comprehensive Income.

(ii) Impairment losses on receivables from third parties and the bad debts written off were a result of outstanding receivables were assessed as unlikely to be recovered, with no realistic prospect of recovery when evidence indicating that the debtor is in severe financial difficulty, respectively.

(iii) The amounts of impairment and bad debt were assessed by the Group's credit department on an individual (debtor-by-debtor) basis and determined in accordance with the Group's accounting policy and credit policy.

(iv) The Group has maintained 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.

SGX-ST Query 8:

Listing Rule 1207(6)(a) requires disclosure of the aggregate amount of fees paid to auditors, broken down into audit and non-audit services and if there are no audit or non-audit fees paid, to make an appropriate negative statement. In its FY2022 Annual Report Page 90, the Company had provided the aggregate amount of audit fees without the breakdown into audit and non-audit services. Please disclose accordingly pursuant to Listing Rule 1207(6)(a).

Company's Response:

As disclosed on page 21 of the Company's FY2022 Annual Report, the AC conducts a review of all non-audit services provided by the auditors and is satisfied that there were no non-audit services provided by the auditors which would affect the independence and objectivity of the external auditors. Therefore, no non-audit fees were paid to external auditors in FY2022.

SGX-ST Query 9:

Noted from the Company's FY2021 Annual Report announced on 15 June 2023 that the partner-in-charge appointed from RT LLP was Mr. Ravinthran Arumugam FCA with effect from 12 October 2021, which is different from the Company's FY2022 Annual Report that stated Mr. Kenneth Ng Boon Chong as being appointed as the partner-in-charge with effect from 12 October 2021. Please explain and reconcile the discrepancies in the appointment date of Mr. Kenneth Ng Boon Chong as partner-in-charge from RT LLP.

Company's Response:

The date of appointment refers to appointment of audit firm, Messrs RT LLP, as the auditors of the Company via the Special General Meeting held on 12 October 2021. Mr. Ravinthran Arumugam FCA is the audit partner-in-charge for 4 years for FY2018, FY2019, FY2020 and FY2021. Mr Kenneth Ng Boon Chong is the audit partner-in-charge for FY2022.

SGX-ST Query 10:

Noted that the Company had confirmed in its FY2022 Annual Report on Page 21 that they have met the requirements for Listing Rules 712, 715 and 716 and, the Company has multiple foreign subsidiaries companies, which are audited by multiple different auditors. Please elaborate on the considerations by the Audit Committee in assessing that the resources, expertise, experience and track record of the different auditing companies of its foreign-incorporated subsidiaries are adequate and effective. To also provide details on the size and years of experience of the audit professionals in the firm and the audit team in auditing subsidiaries of listed issuers and, disclose whether they had been inspected by any regulatory bodies and the outcome of such inspections.

Company's Response:

The Group's revenue is wholly contributed from its major subsidiary, Dyneff Group, in France. The AC assessed that Dyneff Group is the significant foreign-incorporated subsidiary. The AC engaged Ernst & Young France ("EY France") as the suitable auditing firm for this major subsidiary, as EY France belongs to one of the top four advisory and risk consultancy firms in the world. The engagement team involved in the audit of Dyneff Group is extremely experienced and has an in-depth knowledge of Dyneff Group, having served as external auditors for more than 10 years. The engagement team is led by partner, Mr Xavier Senent, and assisted by senior audit manager, Mr Brandon Gharnaout, and includes a team of suitably qualified auditors. No audit professionals in the engagement team had been inspected by any regulatory bodies. The Board and AC are satisfied that the appointment would not compromise the standard and effectiveness of the audit of the Group.

BY ORDER OF THE BOARD

Zang Jian Jun
Executive Director and Executive Chairman
22 December 2023