



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 December 2019 released on 25 February 2020. The Board of Directors (“**Board**”) of the Company responds to these queries as follows.

SGX Query 1

Page 1 – Revenue fell 17% to US\$1,679,514,000

The Company disclosed that this was due to zero revenue from the wholesale business (from US\$18.3 million in FY2018) and a decline of distribution business from US\$2 billion to US\$1.68 billion. Please disclose and explain the factors that caused the significant decline in distribution business from US\$2,006,553,000 in FY2018.

Company’s response to SGX Query 1

Zero revenue by reason of the wholesale business was due to a cessation of the Group’s wholesale business in Singapore. The decline in the distribution business from US\$2 billion to US\$1.68 billion arose from reduced trading margins of the Group’s business in France and Spain in the light of depressed global oil prices for FY2019.

SGX Query 2

Page 1 – Selling and distribution expenses remained unchanged from FY2018 – US\$47,299,000

- a) We note the significant decline of 17% in distribution and wholesale revenue. Why did this not result in a corresponding decline in selling and distribution expenses from US\$47,456,000 in FY2018?
- b) Provide a breakdown of material selling and distribution expense items, in comparison with FY2018. Explain how the charges for these material expense items were calculated.
- c) Disclose the identity of the parties that the material expense items were transacted with. Were any of these transactions with interested or related persons? If yes, please identify specifically and disclose how the terms were on normal commercial terms and not prejudicial to the interest of the Company and its minority shareholders.

Company's response to SGX Query 2

- a) The decline in revenue figures had no correlation to the selling and distribution expenses as the volume of sales remained high despite the selling price per unit of oil products being lower in FY2019.
- b) The breakdown of material selling and distribution expense items, in comparison with FY2018, is as follows:

	FY2019 <u>(US\$'000)</u>	FY2018 <u>(US\$'000)</u>
Staff Cost	22,750	23,335
Depreciation	8,427	6,303
Royalties, software license and other taxes	5,893	5,882
Custom, Environmental protection and others	4,878	5,403
Rental, Utilities, Office Supplies, Advertising, Insurance	4,474	5,813
Transport and Travelling	877	720
	<u>47,299</u>	<u>47,456</u>

The material selling and distribution expense are the staff cost, depreciation and royalties, software license and other taxes incurred by our subsidiaries in France and Spain. These expense items were calculated on an incurred or provisional basis.

- c) The material expenses were incurred mainly with staff and suppliers located in France and Spain. The Company confirms that the selling and distribution expense items did not arise from transactions with any interested or related persons.

SGX Query 3

Pages 1 & 10 – Other operating expenses: Allowances for receivables amounting to US\$22.23 million in FY2018

Please provide an update on the collections from these parties. Disclose the identities of the main debtors relating to this US\$22.23 million amount and the ultimate individual shareholders of these debtors. If no payments had been received in FY2019 from these parties, explain what steps were undertaken by the Board to ensure that they are following up on the collection for the receivables amounting to US\$22.23 million.

Company's response to SGX Query 3

The allowances for receivables amounting to US\$22.23 million comprised of receivables in the amount of US\$18.33 million due from Shanghai Huaxin Group (Hongkong) Limited and US\$3.88 million due from AnAn Group (Singapore) Pte. Ltd.

The ultimate individual shareholders of AnAn Group (Singapore) Pte. Ltd., the Company's immediate and ultimate holding company, are Mr Zang Jian Jun and Mr Ye Jian Ming. The Company is not in a position to comment upon the ultimate individual shareholders of Shanghai Huaxin Group (Hongkong) Limited.

The Company did not receive any payment from these 2 parties in FY 2019.

The Company had previously announced that the High Court of Hong Kong Special Administrative Region had issued a winding-up order against Shanghai Huaxin Group

(Hongkong) Limited on 3 September 2018, and that the Company will continue to monitor the liquidation proceedings in respect of Shanghai Huaxin Group (Hongkong) Limited.

In light of the announcement made by the Board of the Company on 10 April 2020, the Company will continue to pursue the repayment of the outstanding debt owed by AnAn Group (Singapore) Pte. Ltd.

SGX Query 4

Page 3 – Non-current assets: Rights-of-use assets – US\$7,213,000

Provide details of this item and disclose if the Company is undergoing any expansion plans. If yes, please provide details and explain how such expansion will be financed.

Company's response to SGX Query 4

The Rights-of-use assets in the amount of US\$7,213,000 refers to the Group's lease contracts for land and buildings used in its operations. This item was introduced in the light of the adoption of the new lease accounting standards under the IFRS 16 in FY2019. Other than the routine plans to bid or improve on the petrol stations and distribution channels that would be financed by internal cashflow generated by the Company's French subsidiary, the Group does not have any other expansion plans currently.

SGX Query 5

Page 3 – Current assets: Trade and other receivables – US\$163,033,000

- a) Provide a breakdown between trade and other receivables, and provide aging schedules for each.
- b) Disclose also the provisions made against the gross trade and other receivables in the respective aging schedules.
- c) Explain the nature of other receivables due to the Company, and disclose the identity of these other receivables debtors. Please elaborate on the nature of and details of each of the underlying transactions, including the contracted values, that resulted in these debts.
- d) Explain why trade receivables remain significant and have not been collected.

Company's response to SGX Query 5

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

	Ageing Analysis (US\$'000)			
	31 Dec 2019 US\$'000	Not past due	Past due less than 90 days	Past due more than 90 days
<u>Trade Receivables</u>				
Trade receivables due from third parties	165,535	151,887	4,823	8,825
Allowance for impairment loss	(4,313)	-	(108)	(4,205)
	<u>161,222</u>	<u>151,887</u>	<u>4,715</u>	<u>4,620</u>
Trade receivables due from a related party	142,852	-	-	142,852
Allowance for impairment loss	(142,852)	-	-	(142,852)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>Other Receivables:</u>				
Derivative financial assets	182	182	-	-
Margin account with broker	669	669	-	-
Advances to acquire stocks	275	275	-	-
Advances to suppliers	166	166	-	-
Deposits	185	185	-	-
Prepayment	108	108	-	-
Others	226	226	-	-
	<u>1,811</u>	<u>1,811</u>	<u>-</u>	<u>-</u>
Total	<u>163,033</u>	<u>153,698</u>	<u>4,715</u>	<u>4,620</u>

- b) The provisions made against the gross trade and other receivables are set out in (a) above.
- c) The nature of the other receivables is set out in (a) above. They were incurred as part of routine business operations.
- d) The total revenue from the distribution business of the Group's business in France and Spain was in the amount of US\$1.68 billion in 2019. As at 31 December 2019, the trade receivables due from third parties for the distribution business was in the amount of US\$165.5 million, representing about 10% of the total revenue for the relevant period. The distribution business's debtor-sales outstanding ratio of between 20 to 25 days is within the norms of business operations, and the relevant debts would be mainly recoverable.

SGX Query 6

Page 4 - Aggregate amount of the Group's borrowings and debt securities

In the table of unsecured borrowings, the Company disclosed a total amount of US\$31,796,000 as at 31 December 2019. Please provide a breakdown of the lenders for the amount of US\$31,796,000 and the terms of the loans.

Company's response to SGX Query 6

The breakdown is as follows:

	<u>US\$'000</u>
Bank loans at fixed rate between 0.5% to EURIBOR 12M+2%	17,529
Loan from a related party at EURIBOR +2%p.a	7,025
Lease liabilities (arise from New IFRS 16 Lease Standard)	7,242
Total	<u>31,796</u>

The bank loans were taken from the Company's French subsidiary from a few financial institutions in Europe. The related party loans were shareholder loans granted to Rompetrol France SAS by its minority shareholder.

SGX Query 7

Page 4 - Contingent liabilities

It was disclosed that "As at 31 December 2019, the Group has also given guarantees of US\$27.04 million in favour of certain counterparts for a subsidiary and a joint venture company." Please disclose:

- a) the identities and beneficial owners of these "certain counterparts" and the "joint venture"
- b) the reason why the Company has provided guarantees for the "certain counterparts".
- c) elaborate on the amount of US\$27.04 million of guarantees and the terms of the underlying loans;
- d) how the provision of these guarantees within the mandate of the Company's ordinary course of business; and
- e) whether there are any defaults or potential defaults in the underlying loans that the Company and the board is aware of. If yes, please provide details.

Company's response to SGX Query 7

- a) The identity of these "certain counterparts" are 5 oil product suppliers and the "joint venture" entity in question is EPPLN SAS. The Company is not in a position to comment on the beneficial owners of these suppliers or of its joint venture partner.
- b) These guarantees are provided to oil product suppliers to secure certain favourable buying conditions and payment terms.

- c) The amount of US\$27.04 million of guarantees was made up of bank guarantees in the amount of US\$18.86 million to the 5 oil product suppliers and a letter of support in the amount of US\$8.18 million in favour of EPPLNS SAS. The loans from the financial institutions in Europe were at prevailing interest rates.
- d) The guarantees were provided within the mandate of the Company's ordinary course of business.
- e) The Company and Board are not aware of any defaults or potential defaults in the underlying loan.

SGX Query 8

Page 11 – Review of the Group's financial position: Intangible assets – US\$9,260,000

- a) Explain the nature of the intangible assets in FY2019 amounting to US\$9.26 million. If these were not newly acquired, explain where they were re-classified from.
- b) Provide a breakdown of cost components and the basis for the intangible assets recognized.

Company's response to SGX Query 8

- a) The intangible assets comprise of lease premium, goodwill, software, land use rights, concessions and similar rights. In FY 2019, the increase of US\$502,000 from US\$8,755,000 in FY2018 was attributable to goodwill arising from the acquisition of 3 companies by the Company's French subsidiary.
- b) The breakdown of cost components is as follows:

	<u>US\$'000</u>
Lease Premium	33
Goodwill	8,526
Software	336
Land use rights	163
Concessions and similar rights	199
Total	<u>9,257</u>

The intangible assets were recorded in accordance with international accounting standards.

SGX Query 9

Page 12 – Significant trends and factors affecting the Group

The Company disclosed that “the High Court of Hong Kong Special Administrative Region had on 3 September 2018 made a winding-up order of Shanghai Huaxin Group (Hong Kong) Limited (“**CEFC HK**”), a former trading partner of Singapore AnAn Petrochemical & Energy Pte Ltd (“**SPE**”). The Liquidators and the Official Receiver had subsequently submitted their respective reports on the composition of the COI, together with the creditors' submissions to the Court on 14 May 2019 and 21 June 2019. The Official Receiver's report makes the preliminary recommendation to appoint the statutory maximum number of 7 members in the COI, of which SPE is one of the nominated candidates. On 19 September 2019 hearing, SPE

was not appointed as one of the COI. The Company would update when there was further progress on the liquidation.” Please elaborate on the following:

- (i) Disclose how much is the amount owing by CEFC HK to SPE.
- (ii) Disclose who are on the COI and why is SPE not permitted to be on the COI.
- (iii) Did SPE submit themselves to be represented on the COI? If not, to explain the Board’s view how they have acted in the interest of the Company to safeguard the interest of the Company and its minority shareholders.
- (iv) Explain the basis of the “statutory maximum number of 7 members in the COI, of which SPE is one of the nominated candidates”. Please disclose the amounts owing to each of the other members on the COI and the rationale why the Court did not allow SPE to be included in the 7 members of the COI.

Company’s response to SGX Query 9

- (i) The amounting owing by CEFC HK to SPE was in the amount of US\$142.85 million (equivalent to HK\$1,164.7 million).
- (ii) The members of the COI are CEFC Shanghai International Group Limited, China Development Bank Corp., Hainan Branch, Wise Source International Limited (In Liquidation), China Huarong International Holdings Limited, SPDB International Investment Management Ltd, LORWIN, and Harbour Vanguard Limited. The decision on the composition of the COI was decided by the Court of Hong Kong SAR taking into account the size of the creditor and the need to ensure diverse representation.
- (iii) Yes, SPE had submitted to be represented on the COI.
- (iv) The statutory basis for the COI having not more than 7 members is section 206(3) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, Cap. 32. The amounts owing to each of the other members of the COI are as follows:

<u>Name of COI</u>	<u>Amounts owing (HK\$ million)</u>
CEFC Shanghai International Group Limited	6,275.0
Wise Source International Limited (In Liquidation)	2,100.5
China Development Bank Corp., Hainan Branch	1,694.6
SPDB International Investment Management Ltd	918.5
China Huarong International Holdings Limited	889
LORWIN	415
Harbour Vanguard Limited	134.6

As mentioned at (ii) above, the decision on the composition of the COI was decided by the Court of Hong Kong SAR taking into account the size of the creditor and the need to ensure diverse representation.

SGX Query 10

Page 12 – Significant trends and factors affecting the Group

The Company disclosed that “In the last announcement, the Company has stated that AnAn Group was vigorously pursuing the appeal against the winding up order on the grounds that the alleged claim by VTB was disputed and accordingly, there should be no basis for a winding up order. On or around 22 March 2019, AnAn Group filed an application to adduce new evidence in the Appeal (“**Sum 33**”). The new evidence sought to be adduced is a valuation report prepared by Deloitte & Touche Financial Advisory Services Pte Ltd. AnAn Group seeks

to use the report to support its position that when VTB had issued the notice of default on or around 24 April 2018, the EN+ GDRs were significantly more valuable than what VTB had calculated them to be.” Please elaborate on the following:

- (i) AnAn Group is a controlling shareholder of the Company. Please provide specific details on why the Company is involved in the lawsuit with VTB, when this relates to a transaction by its controlling shareholder, and does not relate to the Company’s affairs.
- (ii) Explain how the AnAn Group’s lawsuit with VTB had implicated the Company. What is the amount sought by VTB from the AnAn Group and the amount sought from the Company? Quantify the values at risk to the Company, if any.
- (iii) Elaborate on the terms of the “EN+ GDRs” and how this is related to the “valuation report prepared by Deloitte & Touche Financial Advisory Services Pte Ltd”.
- (iv) How do the terms of the “EN+ GDRs” and the “valuation report prepared by Deloitte & Touche Financial Advisory Services Pte Ltd” affect the Company’s position? Please elaborate clearly.
- (v) It is stated that “Further, if the quantum of the debt was considerably lower than the US\$170m claimed by VTB in the statutory demand, it cannot be assumed that Anan would not be able to either top up the collateral or to pay off the reduced debt.” Please elaborate on what the US\$170 million refers to.
- (vi) In relation to (v) above, please explain why does the Company have to top-up? Were the terms approved by the Board of the Company? When was approval sought? Who were the directors on the Board of the Company who had approved this top-up arrangement? Who signed on behalf of the Company and who was aware of the agreement involving the Company?

Company’s response to SGX Query 10

We wish to clarify that the Company is not involved in the dispute between AnAn Group and VTB bank, and consequently, the Company is not in a position to comment upon the details of the dispute between AnAn Group and VTB bank.

By Order of the Board

Zang Jian Jun
Executive Director and Executive Chairman
20 April 2020