



Securities Investors Association (Singapore)

7 Maxwell Road #05-03 MND Building Annexe B Singapore 069111

Tel: (65) 6227 2683 Fax: (65) 6220 6614

Email: admin@sias.org.sg www.sias.org.sg

UEN No: S99SS0111B

GST Reg No: M90367530Y

Issuer: AnnAik Limited

Security: AnnAik Limited

Meeting details:

Date: 30 April 2019

Time: 10.00 a.m.

Venue: 52 Tuas Avenue 9, Singapore 639193

Company Description

AnnAik Limited is a Singapore-based investment holding company. The Company is engaged in manufacturing forged steel flanges, and distributing stainless steel pipes, flanges, buttwelded fittings, low/high pressure fittings, valves, stub ends and flat products. The Company is also engaged in providing environmental services in People's Republic China (PRC) and Singapore to governmental and commercial operators. The Company operates through four segments: distribution of stainless steel piping products; manufacturing of steel flanges; engineering construction of piping process system, and environmental business. The Company's environmental and engineering services business is involved in constructing and operating industrial wastewater treatment plants in PRC; providing consulting service in water resource management, including governmental and commercial operators in Singapore, and constructing and supplying rural wastewater treatment equipment in PRC.

(Source: http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=A52)

Q1. Would the board/management provide shareholders with better clarity on the following operational matters? Specifically:

- (i) Growth:** As seen on page 11 of the annual report, revenue from customers in Korea and India increased multiple fold. For Korea, revenue went up \$3.94 million to \$10.62 million while revenue from India increased from \$2.76 million to \$9.86 million. **How sustainable is the growth/level of sales in these two countries? Which products/sectors that contributed to this increase?**
- (ii) India:** In particular, how big is the market in India? Is this a potential key growth market for the group in the next few years?
- (iii) Distribution:** Despite revenue increasing by more than a quarter for the year, the distribution segment still recognised a loss of \$(1.90) million, an improvement of the loss of \$(3.39) million in FY2017. **Can management identify the key value drivers? What are the milestones/targets that the segment needs to achieve to turn profitable?**

Q2. The group has seven wastewater treatment plants and one fresh water supply plant in PRC under Build-Own-Transfer (“BOT”) or Build-Own-Operate (“BOO”) concept. The environmental business segment has been the stellar performer in the group’s businesses.

In FY2018, segment profit amounted to \$1.97 million while the associates contributed another \$1.97 million.

- (i) Is the group still looking to scale up its network of BOT/BOO plants?**
- (ii) What is the level of oversight and influence in the associated companies?** In Note 16 (page 106 – Investment in associates), the group has identified Environmental Development Co., Ltd (and its subsidiaries) and Shuanglin (Huzhou) Wastewater Treatment Co., Ltd (and its subsidiaries) as the material associates.
- (iii)** However, as noted in the Independent Auditor’s Report, the auditors have issued a qualified opinion as there is insufficient appropriate audit evidence for the audit of the associates.

The auditors have stated that following as the basis for qualified opinion:

The Group’s share of results of Shanghai Onway Development Co Ltd, an associated company, amounted to \$1,545,000 for the year ended 31 December 2018 were recognised based on the unaudited financial statements of the associated company. The carrying value of the associated company as at 31 December 2018 amounted to \$9,980,000.

We were unable to determine the appropriateness of the share of profits recognised for the year and the carrying value of the associated company as at 31 December 2018 as we were unable to obtain the necessary information and explanations from the auditors of the associated company to determine the

appropriateness and reliability of the financial statements used to compute the share of the results for the year.

Would the audit committee (AC) help shareholders understand the level of cooperation given to the auditors by the group's officers?

What were the efforts by the AC members to help the auditors to obtain the necessary information and explanations from the auditors of the associated company?

Would the AC be evaluating the choice of auditors for the group's associates?

Q3. The attendance of director at board and board committee meeting is shown in the table below. As can be seen, the executive directors were invited to the audit committee meeting.

Directors' attendance at Board and various Board Committees meetings:-

Name of Directors	Board		Audit Committee		Nominating Committee		Remuneration Committee	
	No. of Meetings Held	No. of Meetings Attended	No. of Meetings Held	No. of Meetings Attended	No. of Meetings Held	No. of Meetings Attended	No. of Meetings Held	No. of Meetings Attended
	Mr Ow Chin Seng	4	4	2	2*	1	1	1
Mr Ow Eei Meng, Benjamin	4	4	2	2*	1	-	1	-
Mr Ng Kim Keang	4	4	2	2*	1	-	1	-
Mr Ang Mong Seng ⁽¹⁾	4	1	2	1	1	1	1	1
Mr Lee Bon Leong	4	4	2	2	1	1	1	1
Mr Lim Geok Peng	4	4	2	2	1	1	1	1
Ms Tan Poh Hong ⁽²⁾	4	2	2	1	1	-	1	-

Notes:-

* Attendance by invitation

⁽¹⁾ Retired as Independent Director with effect from 30 April 2018.

⁽²⁾ Appointed as Independent Director with effect from 26 July 2018.

(Source: Company annual report)

- (i) Can the board help shareholders understand if it is the usual practice for non-board committee members (i.e. the executive directors) to attend the AC meetings?**
- (ii) Were there specific agenda items or reasons to invite the executive directors to all the AC meetings?**
- (iii) What is the dynamics of the AC meetings when the board committee members may be reviewing and discussing matters that are related to or affect the executive directors? Such AC meetings would have included agenda items on the audit/financial reporting/internal controls of the group.**



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(iv) Do the invited directors also actively participate in the discussions during the AC board committee meetings? If so, how are the AC board committee meetings different from the board meeting?

A copy of the questions for the Annual Report for the financial year ended 31 December 2017 could be found here:

<https://sias.org.sg/qa-on-annual-reports/?company=AnnAik%20Ltd&cid=6350,4581>

The company's response could be found here: -----