**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

**Stock code:** A52

**Meeting details:**
Date: 29 April 2020
Time: 10.00 a.m.

Due to the current COVID-19 pandemic, SIAS encourage shareholders to participate at AGMs via other means and not to attend any AGM physically. Where the AGM is webcast, they can stay on top of their investments by watching the webcast and submitting their question to the company in advance. Senior citizens should avoid attending AGMs altogether and stay home.

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

**Q1**. While the group reported an 8% decrease in revenue to $52.3 million for the financial year ended 31 December 2019, it benefitted from higher service income from the environmental business and higher construction revenue. In the chairman's message, it was said that "given the uncertain operating environment, the distribution division registered weaker growth" (page 3 of the annual report).

In Note 40(a) (page 107 – Segment information: Business segments; reproduced below), external revenue from distribution actually decreased by 33% to $29.8 million. Total revenue slipped by 35% and segment loss increased by 6% to $(2.025) million.

**Business segments**

| | Distribution | |
|---|---|---|
| | 2019 $'000 | 2018 $'000 (Restated) |
| **Revenue** | | |
| External revenue | **29,980** | 44,689 |
| Inter-segment revenue | **1,041** | 3,284 |
| Total revenue | **31,021** | 47,973 |
| **Result** | | |
| Segment results | **(2,025)** | (1,904) |

(Source: company annual report)

(i) **Can management help shareholders understand the group's competitive advantage in its distribution business?**

The segment has reported losses of $(4.35) million, $(6.26) million, $(3.39) million and $(1.90) million from FY15-FY18 respectively. The distribution segment last contributed a segment profit of $1.51 million in FY214.

(ii) **What are management's plans to make the distribution segment profitable?**

**Q2.** In his message, the chairman referred to the recently concluded Rights-cum-Warrants issue as "successful" (page 3).

Based on the company's announcement dated 9 October 2019, valid acceptances by shareholders of the company amounted to only 53.0%. This included the 20,659,470 Rights Shares with 20,659,470 Warrants or 32.4% from the undertaking shareholders, being Mr Ow Chin Seng, the executive chairman and CEO, who is also a controlling shareholder, and his spouse, Madam Low Kheng.

Excluding the undertaking shareholders, it is estimated that all other shareholders subscribed for only approximately 30% of the available Rights cum Warrants.

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

(i) **Has the company evaluated (ex-post) the low subscription rate by minority shareholders to the Rights cum Warrants issue?**

(ii) **Would the board, especially the independent directors, help shareholders understand if the board deliberated on the possible dilution to minority shareholders before the issue?**

**Q3.** In the financial year, the group's subsidiary company, LinXing Water Supply Co., Ltd. sold its property, plant and equipment with carrying amount of RMB8.63 million (equivalent to $1.67 million) that were used in its operations for a consideration of RMB16.2 million (equivalent to $3.14 million). This resulted in a gain of $1.47 million.

Subsequent to the sale of the property, plant and equipment, LinXing ceased its operations and became dormant. With the cessation of operations, the group also recognised an impairment loss for the goodwill related to LinXing amounting to $842,000 and wrote off a further $82,000 for the rights to draw water that was to support the operations.

The group's 85% stake in LinXing Water Supply Co., Ltd was recently acquired in FY2017.

(i) **What are the reasons for the cessation of operations at LinXing just two years after the group's acquisition?**

In the financial year, the group also made a step-up acquisition of 20% shareholding in ShuangLin (Huzhou) Wastewater Treatment Co., Ltd., to bring the group's effective stake to 62%.

(ii) **How does the group source for new wastewater treatment plants in the PRC?**

(iii) **Would the board help shareholders understand the strategic direction of the group's environmental business, in particular, the acquisition and divestment policies?**

^Amid the global COVID-19 outbreak, issuers who choose to proceed with the AGM before 30 April 2020 must provide opportunities for shareholders to ask questions. Shareholders are encouraged to read the annual report and submit any questions they might have to the companies in advance. Issuers would then publicly address the questions at the general meeting via the issuer's website, through "live" webcast and on SGXNet.

^ Joint Statement by Accounting and Corporate Regulatory Authority, Monetary Authority of Singapore and Singapore Exchange Regulation dated 31 Mar 2020 (https://www.sgx.com/media-centre/20200331-acra-mas-and-sgx-regco-update-guidance-general-meetings)

**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

**Shareholders are welcome to use and/or adapt the questions prepared by SIAS and to forward them to the company.**

**Can't attend the AGM or view the webcast? Check out the latest questions on the annual reports of listed companies on SIAS website**

**Join our mailing list here to receive latest news and upcoming events.**

**CONNECT WITH US**