



Securities Investors Association (Singapore)
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GST Reg No: M90367530Y0Y

Issuer: AnnAik Limited

Stock code: A52

Meeting details:

Date: 29 Apr 2024

Time: 10.00 a.m.

Venue: 52 Tuas Avenue 9, Singapore 639193

Q1. Would the board/management provide shareholders greater clarity on the following operational and financial matters? Specifically:

- (i) **Manufacturing of steel flanges: Can management help shareholders better understand the group’s manufacturing capacity for steel flanges and the utilisation rate in 2023? What is the estimated market share held by SHINSEI in Singapore?**
- (ii) **Trading: Can management provide further clarification on the “stop-start” strategy for the trading of steel and non-steel products business after cessation of business since September 2022? What factors contribute to any second thoughts regarding the continuation (or cessation) of the trading business?**
- (iii) **Environmental division (China): Has the group successfully applied and received approval for tariff adjustments for the eight BOT/BOO wastewater treatment plants in the past 1-2 years?**

Q2. The company has announced the disposal of its 51%-owned Pioneer Environmental Technology Pte. Ltd. (PET) which is primarily engaged in hazardous wastewater business. This decision was made to “limit risk exposure of the group in engineering, procurement and construction (“EPC”) projects in Singapore”.

As recently as June 2023, PET entered into a joint venture agreement with a partner to carry out the business of production, business development, marketing, and recovery of lithium batteries in Malaysia. In April 2023, PET incorporated a new company in India to provide environmental engineering services and new energy related businesses.

The consideration for PET was agreed at \$219,709.38, equivalent to the net asset value of the stake, even though PET has been profitable.

- (i) **Can management confirm whether it authorised PET’s expansion into the lithium business in Malaysia and environmental engineering in India despite having already made a decision on the disposal of PET?**
- (ii) **Does the board view the production and recovery of lithium battery business in Malaysia and the potential growth in environmental engineering services in India as not aligning with the group’s strategic direction?**

The company announced the proposed disposal of PET on 13 December 2023 on SGXNet. In the financial statements, the date of disposal was deemed to be on 30 September 2023, the date used to determine the net asset value of the Pioneer Group.

- (iii) **Has the disposal been completed? Is it a common practice to use an earlier date as the date of disposal in the financial statements? What was the reason for this arrangement?**
- (iv) **Has the company been released from the corporate guarantee, bank guarantee and financial support letter?**

Q3. The “impairment assessment of trade receivables” is a key audit matter (KAM) highlighted by the independent auditors in their report on the audit of the financial statements. Key audit matters are those matters that, in the professional judgement of the Independent Auditor, were of most significance in the audit of the financial statements of the current period.

As noted in the KAM, as at 31 December 2023, the group has net trade receivables of \$19.2 million. Even as revenue in the year declined by 42% to \$47.7 million in FY2022, trade receivables are higher at \$19.2 million compared to \$18.7 million in the previous year.

Note 40(a) further shows that \$13.7 million of the net trade receivables are from customers in China.

Credit risk concentration profile

The Group determines concentrations of credit risk by monitoring the country profile of its trade receivables on an on-going basis. The credit risk concentration profile of the Group’s trade receivables (net) at the balance sheet date is as follows:

	2023		2022	
	\$'000	% of total	\$'000	% of total
<i>By country:</i>				
Singapore	4,820	25%	5,937	32%
Malaysia	664	3%	261	1%
People’s Republic of China	13,734	72%	12,507	67%
	19,218	100%	18,705	100%

There were no customers who represented more than 5% of the total balance of trade receivables.

(Source: company annual report)

Based on Note 43 (Service concession arrangements), the total service concession revenue recognised in 2023 was \$13.34 million.

43. SERVICE CONCESSION ARRANGEMENTS

The Group has entered into several service concession arrangements within certain governing bodies and agencies of the People's Republic of China government to construct and operate wastewater treatment plants.

Group	Construction revenue \$'000	Operating income of wastewater treatment plants \$'000	Total service concession revenue \$'000
For financial year ended 31 December 2023	620	12,720	13,340
For financial year ended 31 December 2022	3,854	12,074	15,928

(Source: company annual report)

From Note 40(a) Credit risk: Trade receivables, it can be seen that approximately \$10.5 million of \$14.5 million in trade receivables is current, for other geographical areas (other than Singapore).

Other geographical areas:

2023	Current \$'000	Less than 30 days \$'000	30 to 60 days \$'000	61 to 90 days \$'000	More than 90 days \$'000	Total \$'000
Gross carrying amount	10,498	2,108	345	473	1,100	14,524
Loss allowance provision	11	15	38	24	38	126

(Source: company annual report)

- (i) **What are the reasons that \$10.5 million of trade receivables is considered current when the full year revenue is \$13.3 million?** One would assume that the wastewater treatment plants operate throughout the year.
- (ii) **Can the audit committee (AC) help shareholders better understand the billing practices of the wastewater treatment plants? Specifically, how frequently are customers billed under the Build-Own-Transfer (“BOT”) or Build-Own-Operate (“BOO”) business models that the plants operate under?**
- (iii) **Can the AC confirm that there are no significant hurdles in collecting the group’s debt from customers of the wastewater treatment plants in China?**

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



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