一合环保控股
ENVIRO-HUB HOLDINGS LTD
Let's Restore The Environment!
(Incorporated in the Republic of Singapore)
(Co. Reg. No.: 199802709E)

RESPONSE TO QUERIES FROM SGX-ST

The board of directors (the "**Board**") of Enviro-Hub Holdings Ltd. (the "**Company**", together with its subsidiaries, the "**Group**") refers to the queries raised by the Singapore Exchange Securities Trading Limited ("SGX-ST") on 6 March 2023 in relation to the Company's condensed interim financial statements for the financial year ended 31 December 2022 announced on 22 February 2023, and wishes to respond as follows: -

Query 1: Please explain why interest income amounted to only S$41,000 during the financial period ended 31 December 2022 when the Company has significant cash and bank balance amounting to S$15,543,000.

Company's Response:

Refer to Note 17 of the interim financial statements ("interim fs"), the Group's cash and cash equivalents as at 31 December 2022 comprised of 58% of fixed deposits and 42% of working capital set aside under current account which only earned a meagre interest of up to 0.6%.

Within the 58% of deposits, 19% of the cash were deposits pledged which fetched a marginal interest of 0.35% to 2.3%. The remaining placement made under fixed deposits only happened towards the end of November which explained a lower interest earned throughout the year despite a higher cash and bank balances shown as at 31 December 2022.

Query 2. On page 31 of the unaudited interim financial statement, it is disclosed that "The Group's gross profit decreased by $3.3 million or 36% from $9.2 million to $5.9 million and its gross profit margin decreased from 23% to 13% in FY2022 were due mainly to gross losses from healthcare and construction segment." Please explain the factors which led to the significant increase in cost of sales and decrease in the gross profit margins in FY2022.

Company's Response:

With the reference to page 33 of the interim fs, the Group has commented that the main factor that led to the decrease in the gross profit margins in FY2022 were due to:

(i) <u>Healthcare segment</u>
In FY2022, the rubber glove industry is experiencing overcapacity situation that led to the decrease of the gloves' Average Selling Price ("ASP"). Inevitably, the Group has recorded decreasing gross profit margin from the lower ASP and recognition of a write-down of inventories of $1,497,000 (refer page 8 and Note 8.1) to their net realisable value.

(ii) <u>Piling/Construction segment</u>
The decrease in gross profit margin was due mainly to the increasing material costs during the year, i.e. the increase of rebar and concrete prices by 12% and 6% respectively.

Query 3. On page 31 of the unaudited interim financial statement, it is disclosed that "The increased in other income for FY2022 was due mainly to provision of guaranteed income and higher fair value gain on investment properties.".
(i) Please explain the nature of this guaranteed income and the relationship of the Company with the party which provided the guarantee.
(ii) Please explain how the fair value gain on investment properties of $6,008,000 is being arrived at.

Company's Response:

(i) Provision of guaranteed income $3,070,000
The provision of the guaranteed income is in relation to the undertaking of Mr. Law Siau Woei ("LSW"), previous owner of the Company's subsidiary, Pastel Glove Sdn. Bhd. ("PGSB") as specify under Section 3.4 of the Company's EGM Circular dated 11 October 2021. LSW is liable to undertakes and make payment for the Net Losses After Tax ("NLAT") of PGSB, for any of the financial years under the Profit Guarantee Period from FY2022 to FY2024.

(ii) Fair value gain on investment properties $6,008,000
This is derived from the valuation gain of the Group's investment properties, located at 63 Hillview Avenue, Lam Soon Building.

Query 4. On page 31 of the unaudited interim financial statement, it is disclosed that, "The increase in trade and other receivables was due to recognition of undertaking of a controlling shareholder for PGSB's net losses (refer to Section 3.4 of the Company's EGM Circular dated 11 October 2021)." Section 3.4 of the EGM Circular states that, under the Sale and Purchase Agreement, LSW has undertaken to the Purchaser that, to the extent that PGSB incurs a NLAT for any of the financial years under the Profit Guarantee Period, he shall be liable to make payment to PGSB of an amount equal to the NLAT for that relevant financial year, within sixty (60) days after the audited accounts of PGSB for the relevant financial year has been provided to the Purchaser by PGSB (the "NLAT Undertaking").

Please explain the accounting treatment for the undertaking referred to above.

Company's Response:

In relation to LSW undertakes, the Group has recognised a provision for guaranteed income and other receivables of $3,070,000.

Query 5. Please disclose a breakdown of other payables amounting to $5,386,000 as at 31 Dec 2022. For other payables, please disclose the aging and nature of these other payables and whether the counterparties are related parties.

Company's Response:

The breakdown of other payables of $5,386,000 as follows:

Nature	Amount SGD	Aging
Non-trade payables	3,194,000	Non-trade payables repayable in 12 months
Amount due to a director of a subsidiary, LSW	2,192,000	To be fully net-off with the receivables from the undertakes as mentioned in Query 3 & 4 above

Query 6. It is disclosed on page 24 of the unaudited financial statements that, following a review of the net realisable value of inventories, the Group recorded an allowance for write-down of inventories of $1,497,000 (2021: a reversal of allowance for write-down of inventories of $239,000).
(i) Please disclose the amount of inventory write-off/ provision due to slow-moving inventory or obsolescence.
(ii) What is the general shelf/ product life of the Company's inventory?
(iii) Please opine on the reasonableness of methodologies used to determine impairment.

Company's Response:

(i) The allowance for write-down of inventories $1,497,000 was due to the impairment provided for recognition of inventories on hand down to their net realisable value (refer Company's response 2(i) above).

(ii) The general shelf life for gloves is 3 – 5 years. The inventories were written-down to their net realisable value due to decreasing ASP of gloves.

(iii) The Group measures its inventories at the lower of cost and net realisable value. The Group opined that the methodologies used to determine impairment is in accordance with approved accounting standard.

Query 7. Please explain why there was a decrease in finance cost from $2.32million in FY2021 to $1.85million in FY2022 when there was an increase in borrowings from $53.3m in FY2021 to $57.6m in FY2022.

Company's Response:

Finance costs decreased from $2.32 million in FY2021 to $1.85 million in FY2022 when there was an increase in borrowings from $53.3 million in as at 31.12.2021 to $57.6 million as at 31.12.2022 was due to the decrease of average monthly loan balance from $62.6 million in FY2021 to $47.1 million in FY2022.

	Average monthly loan balance		
S$ million	**First Half**	**Second Half**	**Full Year**
FY2021	79.7	45.4	62.6
FY2022	43.1	51.1	47.1

BY ORDER OF THE BOARD

Raymond Ng
Executive Chairman
8 March 2023