

ANNICA HOLDINGS LIMITED

(Incorporated in the Republic of Singapore)

(Company Registration No. 198304025N)

REPAYMENT OF THIRD TRANCHE CONSIDERATION IN RELATION TO THE DISPOSAL OF 350,000 ISSUED AND PAID UP ORDINARY SHARES IN THE SHARE CAPITAL OF GPE POWER SYSTEMS (M) SDN. BHD. – RESPONSES TO QUERIES FROM THE SINGAPORE EXCHANGE SECURITIES TRADING LIMITED

Reference is made to the announcements made on 26 July 2018, 29 October 2018, 15 January 2019, 15 February 2019, 2 May 2019, 20 May 2019 and 31 May 2019 in relation to the sale and purchase agreement dated 26 July 2018 (the “**Sale and Purchase Agreement**”) as amended and supplemented by a supplemental agreement dated 15 February 2019 entered into between Annica Holdings Limited (the “**Company**”) and Chong Shin Mun (the “**Purchaser**”) on the disposal by the Company of its entire shareholding interest of 350,000 ordinary shares in the share capital of GPE Power Systems (M) Sdn. Bhd. (“**GPE**”), representing 70.0% of the total number of issued shares in GPE (the “**GPE Announcements**”).

Unless otherwise defined, all capitalised terms used herein shall bear the same meaning ascribed to them in the GPE Announcements.

The Board of Directors (the “**Board**”) of the Company and together with its subsidiaries (the “**Group**”) would like to draw the attention of shareholders to the following responses that the Company provided in relation to queries raised by the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) on the matters raised in the GPE Announcements:

GPE DISPOSAL - THIRD TRANCHE CONSIDERATION

Queries from SGX – ST on 2 June 2019

*I refer to the Company's announcement on 31 May 2019. It was mentioned that the following discussions between the Company and the Purchaser, the parties have entered into a legally binding and enforceable letter agreement on 31 May 2019 (the “**Letter Agreement**”) to outline the headline terms of certain transactions pursuant to which the parties shall in good faith put in place for the satisfaction of the Outstanding Amounts.*

*Under the terms of the Letter Agreement, the Purchaser shall grant certain rights of control and sale to the Company in respect of 697,330 shares of the Company (the “**Controlled Shares**”) held by the Purchaser and/or by RHB Securities Singapore Pte. Ltd. (“**RHB**”), as nominee of the Purchaser. The Purchaser shall thereafter enter into definitive agreements (the “**Definitive Agreements**”) with the Company and if necessary, RHB, to carry out the intent and effect of the Letter Agreement.*

We have the following questions:

- (a) *The disposal of 70% in GPE to the Purchaser was for a consideration of S\$2m, of which S\$400k has been received to-date, and Third Tranche of S\$600k was due on 31 Dec 2018, while the*

remaining Fourth Tranche of S\$1m was to be paid on/before 1st anniversary of the Completion Date, i.e. 29 October 2019.

Since 31 Dec 2018, the Purchaser has failed to meet the various payment deadlines for the Third Tranche. This represents that the Third Tranche of S\$600k (30% of total consideration) has been outstanding for 5 months now since its initial deadline of 31 Dec 2018 (pursuant to the SPA).

In the announcement of 15 Jan 2019, the Company announced that it was in negotiations with the Purchaser to defer the payment timeline for the Third Tranche.

On 15 Feb 2019, the Company announced that the due date for the payment of Third Tranche Consideration be extended for another 4 months, i.e. up to 30 April 2018.

In the FY2018 Annual Report announced on 12 Apr 2019, the auditors have expressed that they are unable to obtain sufficient appropriate audit evidence with respect to the amounts of cash flows that can be received by the Group from the shares pledged and the personal guarantee. Accordingly, they were unable to obtain sufficient appropriate audit evidence to satisfy ourselves with respect to the expected credit loss of the receivable.

Following that, on 2 May 2019, the Company announced that it has issued a Letter of Demand on 2 May 2019, for the repayment of Third Tranche and its accrued interest by no later than 16 May 2019, failing which the Company will consider enforcing all of the rights of the Company under the security documents entered into.

On 20 May 2019, the Company announced that the Purchaser has asked the Company for more time to make payment.

Then on 31 May 2019, the Letter Agreement was entered into whereby the Purchaser shall grant certain rights of control and sale to the Company in respect of the Controlled Shares. We note however, that the previous close price of the Annica shares as at 31 May 2019 was at S\$0.001, so the Controlled Shares will amount to a value of only S\$697.33. It is also noted that such control over the Controlled Shares shall not be deemed to be an acquisition by the Company.

What are AC's views and justifications as to why such arrangements (the various deadlines provided above since 31 Dec 2018, and including the current Letter Agreement entered into) are in the best interests of the Company, given the prolonged delay in receipt of the repayment of Third Tranche?

Response: In connection with this query, we wish to inform you that there is an error to the number of Controlled Shares as set out in the announcement dated 31 May 2019. The number of Controlled Shares should be "697,330,000" instead of "697,330" as announced. The Company has released a clarification announcement on 3 June 2019 to correct this error.

Having taken into commercial considerations at the relevant time, the Audit Committee ("AC") and the Company had acceded to the Purchaser's request for deferment of payment to 30 April 2019, with interest. When the Purchaser failed to pay the Third Tranche Consideration on the deferred date of 30 April 2019, the Company promptly

issued a letter of demand on 2 May 2019 (“Letter of Demand”) with a 16 May 2019 deadline. Following the expiry of the deadline under the Letter of Demand, the Purchaser have agreed to provide the Controlled Shares to the Company with an aggregate value of S\$697,330, which will allow the Company to recover the Third Tranche Consideration (with interest) upon the sale of the Controlled Shares.

- (b) *In the latest financials disclosed by the Company, being the FY18 annual report, the net current assets and net assets of the Group is at S\$2.0m and S\$4.2m respectively, wherein S\$1.6m of the current Trade and Other Receivables (of S\$4.2m) pertains to Third Tranche and Fourth Tranche. Will the AC consider the outstanding Third Tranche and Fourth Tranche to be a material sum to the Group?*

Response: While the Third and Fourth Tranche Considerations represent a material sum, the AC is of the opinion that the outstanding Third Tranche Consideration will be satisfied (with interest) upon the sale of the Controlled Shares. Further, the AC is of the view that the Fourth Tranche Consideration is also adequately secured by the other securities pledged by the Guarantor.

- (c) *It was disclosed in the announcement of 26 Jul 2018 that as continuing security for the Balance Consideration (which includes the Third Tranche and Fourth Tranche), the Purchaser shall procure Tan Yock Chew to provide the Company with:*

- (1) *charge over 21,875 ordinary shares, fully paid, of Seri Beskaya Sdn. Bhd. (Company Registration Number 1161812-D), a company incorporated under the laws of Malaysia and having its registered office at 19-3, Jalan Tasik Selatan 3, Bandar Tasik Selatan, Kuala Lumpur, Wilayah Persekutuan, representing 14.58% of its entire issued share capital, held the Guarantor (the “Share Charge”); and*
- (2) *a personal guarantee in favour of the Company (“Personal Guarantee”).*

Please confirm if the procurement of the above securities have been completed and perfected.

Response: The Company engaged the services of Lim Jo Yan & Co, a Malaysian law firm, to assist on drafting of the securities documents. The Company has also entered into relevant ancillary documents relating to the Share Charge, including without limitation the procurement of duly executed by undated share transfer forms of 21,875 ordinary shares of Seri Beskaya Sdn Bhd (the “SBSB Shares”) to be held in escrow and a power of attorney in relation to the SBSB Shares.

The Guarantor has also provided the Company with a personal guarantee by way of a Guarantee and Indemnity Agreement dated 3 October 2018.

The relevant documentation for the above securities have been duly entered into but the securities have not been enforced to date.

- (d) *Has the AC considered the enforcing of the securities provided by the Purchaser in respect of the Balance Consideration? If yes, when will this take place? If no, please provide the AC’s considerations as to the decision.*

Response: In the event that the Purchaser fails to make payment of the Fourth Tranche Consideration on the due date as set out under the SPA, the Company will enforce the securities provided by the Guarantor at that time.

The AC has duly considered the enforcement of the securities now but is of the view that the prudent approach would be to take control of the Controlled Shares at this stage and that legal recovery through enforcement of the securities would be a last resort given the time and costs considerations.

The AC wishes to reiterate that the main objective is to recover all outstanding consideration from the Purchaser and that the Company's rights under the securities are reserved.

- (e) *It was mentioned in the announcement of 31 May 2019 that the Letter Agreement is to outline headline terms of certain transactions pursuant to which the parties shall in good faith put in place for the satisfaction of the Outstanding Amounts – please elaborate on such transactions to be put in place.*

Response: The Company is looking to enter into transactions or Definitive Agreements to give effect to section 2(a) – (d) of the announcement, which may include, but is not limited to the entering into of a power of attorney over the Controlled Shares, execution of delivery by the Purchaser to the Company of the Controlled Shares in scripted form, together with a signed but undated share transfer form and/or CDP form 4.2 (Request for Transfer of Securities) in respect of the Controlled Shares (and such other forms as shall be deemed necessary or desirable by the Company) in favour of the Company.

- (f) *Given that the Fourth Tranche of S\$1m, which represents 50% of the total consideration for the disposal, will be due in 4 months (i.e. 29 Oct 2019) and the Purchaser has expressed difficulty in repaying the Third Tranche, what are the AC's views and considerations as to the next steps put in place to safeguard the interests of the Company?*

Response: The Company will be taking control over the Controlled Shares which would satisfy the Third Tranche Consideration (with interest) in full.

With the control over the Controlled Shares, the securities (as set out above) will be left intact to satisfy the Fourth Tranche Consideration, if need be. As mentioned in our responses to SGX on 31 July 2018, based on the NTA of SBSB, SBSB is valued at about RM36 million on a 100% basis as at the date of the disposal announcement on 26 July 2018. At this value, the value of the SBSB Shares is equivalent to about RM5.25 million or approximately S\$1.73 million. Further the Guarantor, who also owns 50% of the shares in SBSB, has provided a personal guarantee to the Company.

The AC is therefore of the view that the interests of the Company are adequately safeguarded in view of the value of the securities put in place.

Queries from SGX-ST on 7 June 2019

1. *How long does the Company envisage it will take to realise the funds from the sale of the Controlled Shares?*

Response: The Purchaser is in the process of converting the Controlled Shares to script form, in order for the Company to control such shares by way of a share pledge. The conversion is expected to be completed in about one (1) month. Upon perfection of the additional security, the Company can and will take enforcement action to sell down the Controlled Shares, whilst at the same time working with the Purchaser to recover the Third Tranche Consideration in cash.

The Company expects to complete the sell down of the Controlled Shares in about three (3) months from the perfection of the security, subject to prevailing market conditions.

By Order of the Board

Sandra Liz Hon Ai Ling
Executive Director and Chief Executive Officer

9 June 2019

This announcement has been prepared by the Company and its contents have been reviewed by the Company's Continuing Sponsor, Stamford Corporate Services Pte. Ltd..

This announcement has not been examined or approved by the Singapore Exchange Securities Trading Limited ("SGX-ST") and the SGX-ST assumes no responsibility for the contents of this announcement, including the accuracy, completeness or correctness of any of the statements or opinions made or reports contained in this announcement.

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