ANNICA HOLDINGS LIMITED
(Incorporated in the Republic of Singapore)
(Company Registration No. 198304025N)

QUALIFIED OPINION BY THE INDEPENDENT AUDITOR ON THE AUDITED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

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1. FY2023 INDEPENDENT AUDITOR'S REPORT

Pursuant to Rule 704(4) of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") Listing Manual Section B: Rules of Catalist (the "**Catalist Rules**"), the Board of Directors (the "**Board**") of Annica Holdings Limited (the "**Company**" and together with its subsidiaries, the "**Group**") wishes to announce that the Company's independent auditor, PKF-CAP LLP (the "**Independent Auditor**"), has in its Independent Auditor's Report dated 11 April 2024 (the "**FY2023 Independent Auditor's Report**"), included a qualified opinion ("**Qualified Opinion**") in relation to the Group's audited financial statements and the Company's statement of financial position and statement of changes in equity for the financial year ended 31 December 2023 ("**FY2023**").

A copy of the FY2023 Independent Auditor's Report and the relevant notes to the financial statements are annexed to this announcement as "**Appendix I**".

The audited financial statements of the Group and of the Company for FY2023 and the FY2023 Independent Auditor's Report will also be found in the Company's annual report for FY2023, which will be released via the SGXNET and uploaded onto the Company's corporate website at https://annica.com.sg/ in due course.

2. THE QUALIFIED OPINION

The extracts of the Qualified Opinion included in the FY2023 Independent Auditor's Report are set out below:

*"**Qualified Opinion***

*We have audited the accompanying financial statements of Annica Holdings Limited (the "**Company**") and its subsidiaries (the "**Group**"), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2023, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group and statement of changes in equity of the Company for the financial year then ended, and notes to the financial statements, including material accounting policy information.*

*In our opinion, except for the effects of the matters described in the Basis for Qualified Opinion section of our report, the accompanying consolidated financial statements of the Group, the statement of financial position and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Companies Act 1967 (the "**Act**") and the Singapore Financial Reporting Standards (International) ("**SFRS(I)s**") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2023, and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and of the changes in equity of the Company for the financial year ended on that date.*

Basis for Qualified Opinion

1. *Consideration due from Ms Chong Shin Mun (the "**Purchaser**") for the disposal of a former subsidiary, GPE Power Systems (M) Sdn. Bhd. ("**GPE**") (Note 16) – Group and Company*

   As at 31 December 2023, consideration due from the disposal of GPE amounted to $Nil (2022: $225,000) after deducting allowance for impairment loss of $1,267,000 (2022: $933,000). During the year, there was an impairment loss recognised in profit or loss amounting to $334,000.

   The balance consideration due from the disposal is secured by a charge over shares of a private limited company and personal guarantee of a related party of the Purchaser. Management has assessed that a full allowance for impairment of $1,267,000 is required on the balance due from the Purchaser, due to uncertainty on the amount expected to be recoverable from a potential settlement arrangement with the Purchaser.

   We were unable to determine whether any adjustments might have been necessary in respect to the aforementioned allowance for impairment loss and the consideration due from the Purchaser recorded by the Group and the Company, and the related disclosures in the financial statements, for the year ended 31 December 2023 since we were unable to obtain sufficient appropriate evidence on the appropriateness of the opening balance of the carrying and recoverable amount of the aforementioned consideration due from the Purchaser as at 31 December 2022, and we issued a qualified opinion on the financial statements for the financial year ended 31 December 2022, on the same basis. As a result, we were unable to determine whether any adjustments might have been necessary in respect of the profit or loss for the current year reported in the statement of profit or loss and other comprehensive income and the net cash flows from operating activities reported in the statement of cash flows.

2. *Loan to a former subsidiary, GPE Power Systems (M) Sdn. Bhd. ("**GPE**") and amount due from a former subsidiary (GPE) (Note 16) - Group and Company*

   As at 31 December 2023, the Group and the Company have a loan to a former subsidiary (GPE) with a carrying amount amounted to $2,285,000 (2022: $2,910,000), after deducting allowance for impairment loss of $773,000 (2022: $Nil), and an amount due from a former subsidiary (GPE) amounted to $300,000 (2022: $300,000). During the year, there was an impairment loss recognised in profit or loss amounting to $773,000. During the current and prior financial years, no repayment has been made to the Group and the Company in respect to these receivables.

   Management has assessed that no further allowance for impairment loss is required on the outstanding balances.

   We are unable to obtain sufficient appropriate audit evidence to satisfy ourselves that no further allowance for impairment loss is required with respect to the above receivables as the latest financial information of GPE is not available to us at the date of this report. Furthermore, we are unable to obtain sufficient appropriate audit evidence with respect to the cash flows that can be received by the Group and the Company in settlement of these receivables. The financial statements for the financial year ended 31 December 2022 was qualified on the same basis.

*We conducted our audit in accordance with the Singapore Standards on Auditing ("**SSAs**"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority (ACRA) Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities (ACRA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.*

Material Uncertainty Related to Going Concern

We draw attention to Note 3.1 in the financial statements with respect to the Group's and the Company's ability to continue as going concerns. During the financial year ended 31 December 2023, the Group reported a net loss of $928,000 (2022: $1,677,000). As at 31 December 2023, the Group's and the Company's current liabilities exceeded their current assets by $828,000 (31 December 2022: net current asset of $613,000) and $4,652,000 (31 December 2022: net current liabilities of $2,008,000), respectively, and have a net capital deficiency of $492,000 (31 December 2022: net asset of $582,000) and $2,642,000 (31 December 2022: net capital deficiency of $41,000), respectively.

As stated in Note 3.1, these events or conditions, along with other matters as set forth in Note 3.1, indicate the existence of a material uncertainty that may cast significant doubt on the Group's and the Company's ability to continue as going concerns. Nevertheless, for the reasons disclosed in Note 3.1, the directors are of the view that it is appropriate for the financial statements of the Group and of the Company to be prepared on a going concern basis. Our opinion is not modified in respect of this matter."

3. BOARD UPDATES

Terms used and not otherwise defined in this announcement shall bear the same meanings as ascribed to them in the Company's announcements dated 1 March 2021, 9 March 2021, 14 April 2021, 20 April 2021, 20 October 2021, 25 February 2022, 13 May 2022, 24 June 2022 and 21 April 2023.

Notwithstanding the Qualified Opinion of the Independent Auditor, the Board wishes to update shareholders on the efforts taken by the Group to address the concerns to-date as set out below:

(i) In respect of the first basis for the Qualified Opinion, as disclosed in the Company's past announcements (including but not limited to the Company's announcement dated 13 April 2023 in relation to the Qualified Opinion of the Independent Auditor for the previous financial year ended 31 December 2022), the Company has continued to engage with the Purchaser to recover the Demanded Amounts and has stayed legal action against the Purchaser, given that such action may actually adversely impact any potential sale of the Purchaser's assets and the Purchaser's ability to satisfy the Demanded Amounts. Moreover, as of 24 June 2022, the Purchaser has since completed the transfer of, and successfully monetised, all the Controlled Shares under the 27 June 2019 Share Charge and all the Further Controlled Shares under the 12 December 2019 Share Charge and the 9 March 2020 Share Charge. The proceeds from such transfers, amounting to an aggregate of S$810,000, have been applied towards part payment of the outstanding Fourth Tranche Consideration owed by the Purchaser. The total amount outstanding from the Purchaser as at 11 April 2024 is S$1,295,546 (of which S$933,000 has been impaired as disclosed in the audited consolidated financial statements in the Company's annual reports for the financial years ended 31 December 2020, 31 December 2021 and 31 December 2022, and an additional S$334,000 has been impaired for the most recent financial year ended 31 December 2023).

(ii) In respect of the second basis for the Qualified Opinion, the outstanding payments due from GPE as at 11 April 2024 amount to S$3,398,485 (of which S$773,000 has been impaired for FY2023). The Purchaser, in her capacity as the majority shareholder and director of GPE, is negotiating the sale of certain of her and/or her associate's assets in order to settle such outstanding payments. The proposed sale of these assets involves several other stakeholders and the alignment of these transacting parties' interests requires time to resolve.

The Company is in the process of negotiating and finalising a settlement agreement, which is expected to be executed soon, in relation to the amounts due from GPE and the Purchaser. This full and final settlement of the amounts due from GPE and the Purchaser (pursuant to the aforementioned settlement agreement) is likely to be satisfied by way of the transfer of certain assets owned by Tan Yock Chew to the Company and/or one of its subsidiaries.

The Company will provide an update to shareholders as and when there are material developments in this regard and seek shareholders' approval if required under applicable laws.

The Board wishes to assure shareholders that the above matters are being monitored and reviewed continuously while the Company persists with its approach of constructive engagement with the Purchaser and GPE towards successful resolution.

The Board confirms that the impact of all outstanding audit issues on the financial statements have been adequately disclosed to date.

4. BOARD'S ASSESSMENT ON THE GROUP'S ABILITY TO CONTINUE AS A GOING CONCERN

For the reasons disclosed in Note 3.1 to the audited financial statements accompanying the annual report for FY2023 (the "**FY2023 Audited Financial Statements**"), the Board is of the view that it is appropriate for the financial statements of the Group and of the Company to be prepared on a going concern basis and, accordingly, suspension of trading of the Company's shares is not necessary.

For context, if the Group excludes the impairment loss on other receivables of S$1,107,000, the Group would have made a profit after tax of approximately S$179,000 in FY2023. The "reset and reshape" strategy in respect of our oil and gas equipment segment has resulted in marked improvements during FY2023 in terms of both revenue (S$15,838,000 in FY2023, representing an increase of 15% from S$13,800,000 in FY2022) and profit margin (35% in FY2023, representing an improvement of 15% from 20% in FY2022). In particular, the oil and gas equipment segment recognised an annual profit of S$2,108,000 in FY2023, as compared to S$185,000 in FY2022.The aforementioned segment is expected to continue to perform over the next 12 months on the back of a secured order book which is expected to be recognised by the end of the third quarter for FY2024. Meanwhile, the Group's green technology and renewable energy business segment is expected to contribute further to the Group during the next 12 months.

The Board of Directors is also of the view that no suspension in the trading of the Company's shares is necessary as (i) sufficient information has been disclosed to enable trading of the Company's shares to continue in an orderly manner and (ii) the Board has a reasonable expectation that the Group has adequate resources to continue operating as a going concern for at least the next 12 months, for the reasons cited above. The Board is also of the view that an interruption in trading of the Company's shares would affect the Group's ability to raise funds from the capital markets to support the expansion and growth of the Group's businesses, if so required.

5. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this announcement and confirm after making all reasonable enquiries that, to the best of their knowledge and belief, this announcement constitutes full and true disclosure of all material facts about the subject matter reported herein, and the Directors are not aware of any facts the omission of which would make any statement in this announcement misleading. Where information in this announcement has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in the announcement in its proper form and context.

By Order of the Board
ANNICA HOLDINGS LIMITED

Sandra Liz Hon Ai Ling
Executive Director and Chief Executive Officer

11 April 2024

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*This announcement has been reviewed by the Company's sponsor, Stamford Corporate Services Pte. Ltd. (the "**Sponsor**"). It has not been examined or approved by the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") and the SGX-ST assumes no responsibility for the contents of this announcement, including the correctness of any of the statements or opinions made or reports contained in this announcement.*

The contact person for the Sponsor is Mr Bernard Lui.
Tel: 6389 3000 Email: bernard.lui@morganlewis.com

EXTRACT

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ANNICA HOLDINGS LIMITED

Report on the Audit of the Financial Statements

Qualified Opinion

We have audited the accompanying financial statements of Annica Holdings Limited (the "**Company**") and its subsidiaries (the "**Group**"), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2023, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group and statement of changes in equity of the Company for the financial year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, except for the effects of the matters described in the *Basis for Qualified Opinion* section of our report, the accompanying consolidated financial statements of the Group, the statement of financial position and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Companies Act 1967 (the "**Act**") and the Singapore Financial Reporting Standards (International) ("**SFRS(I)s**") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2023, and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and of the changes in equity of the Company for the financial year ended on that date.

Basis for Qualified Opinion

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1. *Consideration due from Ms Chong Shin Mun (the "**Purchaser**") for the disposal of a former subsidiary, GPE Power Systems (M) Sdn. Bhd. ("**GPE**") (Note 16) – Group and Company*

   As at 31 December 2023, consideration due from the disposal of GPE amounted to $Nil (2022: $225,000) after deducting allowance for impairment loss of $1,267,000 (2022: $933,000). During the year, there was an impairment loss recognised in profit or loss amounting to $334,000.

   The balance consideration due from the disposal is secured by a charge over shares of a private limited company and personal guarantee of a related party of the Purchaser. Management has assessed that a full allowance for impairment of $1,267,000 is required on the balance due from the Purchaser, due to uncertainty on the amount expected to be recoverable from a potential settlement arrangement with the Purchaser.

   We were unable to determine whether any adjustments might have been necessary in respect to the aforementioned allowance for impairment loss and the consideration due from the Purchaser recorded by the Group and the Company, and the related disclosures in the financial statements, for the year ended 31 December 2023 since we were unable to obtain sufficient appropriate evidence on the appropriateness of the opening balance of the carrying and recoverable amount of the aforementioned consideration due from the Purchaser as at 31 December 2022, and we issued a qualified opinion on the financial statements for the financial year ended 31 December 2022, on the same basis. As a result, we were unable to determine whether any adjustments might have been necessary in respect of the profit or loss for the current year reported in the statement of profit or loss and other comprehensive income and the net cash flows from operating activities reported in the statement of cash flows.

EXTRACT

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ANNICA HOLDINGS LIMITED (cont'd)

Report on the Audit of the Financial Statements (cont'd)

2. *Loan to a former subsidiary, GPE Power Systems (M) Sdn. Bhd. ("**GPE**") and amount due from a former subsidiary (GPE) (Note 16) - Group and Company*

   As at 31 December 2023, the Group and the Company have a loan to a former subsidiary (GPE) with a carrying amount amounted to $2,285,000 (2022: $2,910,000), after deducting allowance for impairment loss of $773,000 (2022: $Nil), and an amount due from a former subsidiary (GPE) amounted to $300,000 (2022: $300,000). During the year, there was an impairment loss recognised in profit or loss amounting to $773,000. During the current and prior financial years, no repayment has been made to the Group and the Company in respect to these receivables.

   Management has assessed that no further allowance for impairment loss is required on the outstanding balances.

   We are unable to obtain sufficient appropriate audit evidence to satisfy ourselves that no further allowance for impairment loss is required with respect to the above receivables as the latest financial information of GPE is not available to us at the date of this report. Furthermore, we are unable to obtain sufficient appropriate audit evidence with respect to the cash flows that can be received by the Group and the Company in settlement of these receivables. The financial statements for the financial year ended 31 December 2022 was qualified on the same basis.

We conducted our audit in accordance with the Singapore Standards on Auditing ("**SSAs**"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority (ACRA) *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* (ACRA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 3.1 in the financial statements with respect to the Group's and the Company's ability to continue as going concerns. During the financial year ended 31 December 2023, the Group reported a net loss of $928,000 (2022: $1,677,000). As at 31 December 2023, the Group's and the Company's current liabilities exceeded their current assets by $828,000 (31 December 2022: net current asset of $613,000) and $4,652,000 (31 December 2022: net current liabilities of $2,008,000), respectively, and have a net capital deficiency of $492,000 (31 December 2022: net asset of $582,000) and $2,642,000 (31 December 2022: net capital deficiency of $41,000), respectively.

As stated in Note 3.1, these events or conditions, along with other matters as set forth in Note 3.1, indicate the existence of a material uncertainty that may cast significant doubt on the Group's and the Company's ability to continue as going concerns. Nevertheless, for the reasons disclosed in Note 3.1, the directors are of the view that it is appropriate for the financial statements of the Group and of the Company to be prepared on a going concern basis. Our opinion is not modified in respect of this matter.

EXTRACT

INDEPENDENT AUDITOR’S REPORT TO THE MEMBERS OF ANNICA HOLDINGS LIMITED (cont’d)

Report on the Audit of the Financial Statements (cont’d)

Other Information

Management is responsible for the other information. The other information comprises the information included in the Group’s 2023 Annual Report, but does not include the financial statements and our auditor’s report thereon. We have obtained all the other information prior to the date of this auditor’s report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. As described in the *Basis for Qualified Opinion* section of our report, we are unable to obtain sufficient appropriate audit evidence with respect to the allowance for impairment loss of the balance consideration due from Ms. Chong Shin Mun for the disposal of GPE, loan to GPE and amount due from GPE. Accordingly, we are unable to conclude whether or not the other information is materially misstated with respect to these matters.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Except for the matters described in the *Basis for Qualified Opinion* section and *Material Uncertainty Related to Going Concern* section, we have determined that there are no other key audit matters to be communicated in our report.

Responsibilities of Management and Directors for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and SFRS(I)s, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors’ responsibilities include overseeing the Group’s financial reporting process.

EXTRACT

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ANNICA HOLDINGS LIMITED (cont'd)

Report on the Audit of the Financial Statements (cont'd)

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

EXTRACT

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ANNICA HOLDINGS LIMITED (cont'd)

Report on the Audit of the Financial Statements (cont'd)

Auditor's Responsibilities for the Audit of the Financial Statements (cont'd)

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other Legal and Regulatory Requirements

In our opinion, except for the possible effects of the matters described in the *Basis for Qualified Opinion* section of our report, the accounting and other records required by the Act to be kept by the Company and by those subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Jonathan Lim Ryh Jye.

PKF-CAP LLP
Public Accountants and
Chartered Accountants

Singapore, 11 April 2024

EXTRACT

3. Critical accounting judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the end of the financial year. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

3.1 Critical judgements made in applying accounting policies

In the process of applying the Group's material accounting policies which are described in Note 2, management has made the following judgements that have the most significant effect on the amounts recognised in the financial statements (apart from those involving estimates which are dealt in the preceding paragraph).

Going concern

During the financial year ended 31 December 2023, the Group reported a net loss of $928,000 (2022: $1,677,000). As at 31 December 2023, the Group's and the Company's current liabilities exceeded their current assets by $828,000 (31 December 2022: net current asset of $613,000) and $4,652,000 (31 December 2022: net current liabilities of $2,008,000), respectively, and have a net capital deficiency of $492,000 (31 December 2022: net asset of $582,000) and $2,642,000 (31 December 2022: net capital deficiency of $41,000), respectively. These factors indicate the existence of a material uncertainty which may cast significant doubt on the Group's and the Company's ability to continue as going concerns.

Nevertheless, the Board of Directors are of the view that it is appropriate for the financial statements of the Group and of the Company to be prepared on a going concern basis as:

(1) The Group has prepared a 16-month consolidated cash flow forecast of the Group from 1 January 2024 and it showed that the Group and the Company will be able to generate sufficient cash flows in the next 16 months subsequent to 31 December 2023 to meet their financial obligations as and when they fall due, by taking into consideration the following:

- (a) Group activities is expected to generate positive cash flows for the Group and the Company in the next 16 months;
- (b) The Group's business in the green technology and renewable energy segment is expected to further contribute to the Group during the next 16 months; and
- (c) The Group had performed a reset on its oil and gas equipment segment and engineering segment, reshaping their strategic direction to serve other markets along the value chain in these segments. Further to the Group's resetting strategy, the Group is also considering streamlining its current operations by consolidating its business units and/or business segments to improve cost-efficiency and attain wider brand awareness.

(2) During the current financial year 2023, the Group generated net positive cashflows from operating activities.

EXTRACT

3. Critical accounting judgements and key sources of estimation uncertainty (cont'd)

3.1 Critical judgements made in applying accounting policies (cont'd)

Going concern (cont'd)

(3) Subsequent to 31 December 2023, the Group has obtained advances amounting to a total of $1,350,000 from the Company's CEO and key management personnel of the Group's subsidiaries.

(4) The Directors are actively evaluating and reviewing various corporate strategies, including fund raising, primarily for the Group's green technology and renewable energy segment, strategic acquisitions of suitable businesses as well as restructuring the Group's existing businesses or assets with a view towards enhancing and solidifying the earnings base of the Group.

Management continues to have a reasonable expectation that the Group has adequate resources to continue in operation for at least the next 12 months from the financial year ended 31 December 2023 and that the going concern basis of preparation of these financial statements remains appropriate.

The financial statements did not include any adjustments that may result in the event that the Group and the Company are unable to continue as going concerns. In the event that the Group and the Company are unable to continue as going concerns, adjustments may have to be made to reflect the situation that assets may need to be realised other than in the amounts at which they are currently recorded in the statements of financial position. In addition, the Group and the Company may have to provide for further liabilities that might arise and to reclassify non-current assets and liabilities as current assets and current liabilities.

Determination of functional currency

The Group measures foreign currency transactions in the respective functional currencies of the Company and its subsidiaries. In determining the functional currencies of the entities in the Group, judgement is required to determine the currency that mainly influences sales prices for goods and services and of the country whose competitive forces and regulations mainly determines the sales prices of its goods and services. The functional currencies of the entities in the Group are determined based on management's assessment of the economic environment in which the entities operate and the entities' process of determining sales prices of their goods and services.

*Critical judgements made in concluding the Group had control over H2 Energy Sdn. Bhd. ("**H2E**")*

As disclosed in Note 14 (a) in the financial statements, the Group had an effective equity interest of 49% (2022: 49%) in H2 Energy Sdn. Bhd. ("**H2E**"). The Group has assessed and determined that it has control of H2E even though it holds less than half of the voting rights of H2E, with the following factors and indicators that established the Group has sufficient rights to give it power over H2E:

a) The Group can, without having the contractual right to do so, appoint or approve H2E's key management personnel who have the ability to direct relevant activities (i.e. the activities that significantly affect the investee's returns) of H2E.

   The Chief Executive Officer, Finance Director and Technical Director of H2E are current employees and related parties of the entities within the Group. H2E depends on the Group for these key management personnel that have specialised knowledge of H2E's operations.

EXTRACT

3. Critical accounting judgements and key sources of estimation uncertainty (cont'd)

3.1 Critical judgements made in applying accounting policies (cont'd)

*Critical judgements made in concluding the Group had control over H2 Energy Sdn. Bhd. ("**H2E**") (cont'd)*

b) H2E's operations are dependent on the Group; this is evident as H2E depends on the Group to fund a portion of its operations and for the supply of manpower in relation to critical services for the operational, commercial, finance and administrative activities of H2E, including the supply of key management personnel.

c) A significant portion of H2E's activities either involve or are conducted on behalf of the Group, as H2E is one of the subsidiaries of the Group's engineering arm of the Renewable Energy and Green Technology business segment, and majority of H2E employees (including key management personnel) are from the Group.

EXTRACT

16. Trade and other receivables

	Group		Company	
	2023	2022	**2023**	2022
	$'000	$'000	**$'000**	$'000
Current				
Trade receivables - third parties	**2,493**	3,195	**–**	–
Less: Allowance for impairment [Note 33(b)]	**(25)**	(25)	**–**	–
	2,468	3,170	**–**	–
Other receivables:				
- A former subsidiary (GPE)	**300**	300	**300**	300
- Other receivables	**7**	8	**–**	–
	307	308	**300**	300
Loans to:				
- A former subsidiary (GPE)	**3,058**	2,910	**3,058**	2,910
- A former corporate shareholder of a subsidiary	**4**	4	**–**	–
Less: Allowance for impairment [Note 33(b)]	**(777)**	(4)	**(773)**	–
	2,285	2,910	**2,285**	2,910
Advances to:				
- Subsidiaries	**–**	–	**586**	383
	–	–	**586**	383
Consideration due from disposal of a subsidiary (GPE) from Ms Chong Shin Mun	**1,267**	1,158	**1,267**	1,158
Less: Allowance for impairment [Note 33(b)]	**(1,267)**	(933)	**(1,267)**	(933)
	–	225	**–**	225
Other recoverable	**150**	150	**150**	150
Less: Allowance for impairment [Note 33(b)]	**(150)**	(150)	**(150)**	(150)
	–	–	**–**	–
Lease receivables [Note 27(b)]	**–**	–	**136**	61
Security deposits	**187**	69	**34**	23
GST receivables	**7**	10	**3**	2
Tax recoverables	**142**	44	**–**	–
Advance billings from suppliers	**1,709**	5,155	**–**	–
Prepayments	**70**	56	**19**	6
	2,115	5,334	**192**	92
	7,175	11,947	**3,363**	3,910

EXTRACT

16. Trade and other receivables (cont'd)

	Group		Company	
	2023	2022	**2023**	2022
	$'000	$'000	**$'000**	$'000
Non-current				
Lease receivables [Note 27(b)]	**–**	–	**229**	–
Total	**7,175**	11,947	**3,592**	3,910

Trade receivables

Trade receivables are non-interest bearing and are generally on 30 to 90 days' terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

Other receivables due from a former subsidiary (GPE)

The amount due from a former subsidiary, GPE Power Systems (M) Sdn Bhd ("**GPE**") relates to management fee, is unsecured, interest-free and repayable on demand.

Loan to a former subsidiary (GPE)

The current amount of $3,058,000 (2022: $2,910,000) being loan to a former subsidiary, is unsecured and bears an interest rate of 8% (2022: 8%) per annum.

During the current financial year, $773,000 of allowance of impairment loss was recognised in the Group's and the Company's profit or loss for the estimated amount with uncertainty over its recoverability, after considering the value of certain assets proposed to be transferred in a potential settlement based on a valuation report dated 20 March 2024. Further details will be disclosed by the Company via SGXNet once the potential settlement has been finalised.

Loan to a former corporate shareholder of a subsidiary

Loan to a former corporate shareholder of a subsidiary is unsecured, interest-free and repayable on demand.

Advances to subsidiaries

Advances to subsidiaries are unsecured, interest-free and repayable on demand.

*Consideration due from disposal of a subsidiary (GPE) from Ms Chong Shin Mun (the "**Purchaser**")*

In 2018, the Group disposed its entire equity interest in GPE for a cash consideration of $2,000,000 to a director of GPE, Ms Chong Shin Mun. As at 31 December 2023, the gross receivables of $1,267,000 from Ms Chong comprised the extension fees and Fourth Tranche amounting to $235,000 and $810,000 respectively with accrued interest of $222,000 (31 December 2022: $1,158,000 which comprised the extension fees and Fourth Tranche amounting to $175,000 and $810,000 respectively with accrued interest of $173,000). The outstanding principal amount due from Ms. Chong Shin Mun of $810,000 (31 December 2022: $810,000) as at the reporting date is subject to interest rate of 6% (2022: 6%) per annum.

EXTRACT

16. Trade and other receivables (cont'd)

*Consideration due from disposal of a subsidiary (GPE) from Ms Chong Shin Mun (the "**Purchaser**") (cont'd)*

Balance consideration (including interest and other costs, charges and expenses incurred by the Company) due from the disposal of the subsidiary is secured against:

(a) a charge over 21,875 ordinary shares, fully paid, of Seri Beskaya Sdn. Bhd. ("**SBSB**"), a private limited company representing 14.58% of its entire share capital, held by a related party of the Purchaser, Tan Yock Chew; and
(b) a personal guarantee by Tan Yock Chew in favour of the Company.

In 2019,

- The Purchaser defaulted on the Fourth Tranche consideration amount of $1,000,000;
- Certain rights of control and sale of 697,330,000 Company's shares owned by the Purchaser ("**Controlled Shares**") were received towards satisfying the balance of Third Tranche consideration and interest; and
- The Group received approximately $420,000 from the sale of 420,000,000 Controlled Shares as partial settlement of the balance outstanding.

In 2020,

- The Group received 50,000,000 further controlled shares ("**Further Controlled Shares**") from the Purchaser to satisfy the outstanding amount under the Third Tranche consideration as at 31 December 2019;
- The Group received approximately $250,000 from the sale of 250,000,000 Controlled and Further Controlled Shares;
- On 2 March 2020, a Third Supplemental Letter agreement was entered between the Company and the Purchaser where the Purchaser shall:

  (i) pay a sum of $50,000 as part payment of the Fourth Tranche Consideration;
  (ii) continue to pay interest on the Fourth Tranche Consideration;
  (iii) pay further sum of $5,000 as an extension fee monthly in addition to (i) and (ii) above, commencing from the month of February 2020;

- On 30 April 2020, the Company and the Purchaser entered into a letter agreement ("**Settlement Agreement**") with the Purchaser and Tan Yock Chew (the "**Guarantor**") with the following key terms:

  (i) in the event of default in repayment of the Fourth Tranche Consideration, the Company shall be entitled the rights to enforce the share charge and to have the 21,875 ordinary shares of SBSB;
  (ii) the Company shall be granted with a put option to require the Guarantor and/or the Purchaser to purchase back SBSB shares from the Company;
  (iii) the Purchaser shall procure SBSB to enter into a deed of assignment of proceeds whereby SBSB shall assign unto the Company 50% of SBSB's rights, title, interest, benefit, advantages and remedies which SBSB may have in under or arising out of the sale of all, or any, of the production lines currently housed in a factory lot including all the sale proceeds thereof and other monies payable or to become payable thereunder as satisfaction of the outstanding Fourth Tranche Consideration, accrued interest, extension fees and all other costs; and
  (iv) the Purchaser and Guarantor shall continue to be liable to the Company for the shortfall amount after (i) to (iii) above under the Settlement Agreement, which shall be immediately payable on demand.

- On 23 June 2020, the Company and Purchaser entered into further definitive agreements under which the Purchaser granted certain rights of control and sale to the Company in respect of an additional 62,670,000 Further Controlled Shares held by the Purchaser in the Company.

EXTRACT

16. Trade and other receivables (cont'd)

*Consideration due from disposal of a subsidiary (GPE) from Ms Chong Shin Mun (the "**Purchaser**") (cont'd)*

In 2020, (cont'd)

- $933,000 of allowance of impairment loss was recognised in the Group's and the Company's profit or loss for the estimated amount with uncertainty over its recoverability, after considering the cash flows that are expected to be recovered through the potential sale of the remaining Controlled Shares and Further Controlled Shares of 140,000,000 shares valued at $140,000.

In 2021,

- On 20 October 2021, the Purchaser had completed the transfer of 37,330,000 Controlled Shares under the 27 June 2019 Share Charge, 50,000,000 Further Controlled Shares under the 12 December 2019 Share Charge, and 12,670,000 Further Controlled Shares under the 9 March 2020 Share Charge to an independent third-party investor;
- The Group had received a total of $100,000 from the said sale of Controlled Shares and Further Controlled Shares, and the same has been applied towards part payment of the outstanding Fourth Tranche Consideration owed by the Purchaser.

In 2022,

- On 26 July 2022, the Purchaser has completed the transfer of the remaining 40,000,000 Controlled Shares under the 27 June 2019 Share Charge to an independent third-party investor for a consideration of $40,000.

In 2023,

- A further $334,000 of allowance of impairment loss was recognised in the Group's and the Company's profit or loss for the estimated amount with uncertainty over its recoverability, after considering the value of certain assets proposed to be transferred in a potential settlement based on a valuation report dated 20 March 2024. Further details will be disclosed by the Company via SGXNet once the potential settlement has been finalised.