

ANNICA HOLDINGS LIMITED

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

RESPONSES TO SGX-ST'S QUERIES 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. – FOURTH TRANCHE CONSIDERATION

1. INTRODUCTION

The board of directors (the “**Board**”) of Annica Holdings Limited (the “**Company**” and together with its subsidiaries, the “**Group**”) refers to the following:

- (a) The Company’s announcement made on 26 July 2018 in relation to the conditional sale and purchase agreement (“**SPA**”) entered into between the Company and Chong Shin Mun (the “**Purchaser**”) on the proposed disposal (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; and
- (b) The Company’s announcements made on 29 October 2018, 15 January 2019, 15 February 2019, 2 May 2019, 20 May 2019, 31 May 2019, 9 June 2019, 27 June 2019, 19 July 2019, 13 August 2019, 27 August 2019, 3 October 2019, 5 October 2019, 11 November 2019, 12 November 2019, 9 December 2019, 15 December 2019 and 4 February 2020; and
- (c) The Company’s announcement made on 2 March 2020 in relation to, *inter alia*, the Third Supplemental Agreement which the Company has entered with the Purchaser to amend and supplement the SPA (the “**2 March Announcement**”),

(collectively, the “**Earlier Announcements**”).

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

The Board wishes to inform shareholders that the Company has received queries from the SGX-ST on 3 March 2020 in relation to, *inter alia*, the 2 March Announcement and is providing its responses to these queries in this announcement.

2. THE QUERY

2.1 SGX-ST’s Query:

On Annica, given the sale of GPE, the Fourth Tranche payment of S\$1m was due on 29 Oct 2019. The Company had previously disclosed on 11 November 2019 that the Fourth Tranche Consideration is 11.2% of the Group’s total assets and 21.4% of the Group’s net assets as at 30 Jun 2019.

On 12 November 2019, it was disclosed that the Company has issued service of the Letter of Demand on the Purchaser and the Guarantor. The Letters of Demand have demanded payment of a total sum of S\$1,000,000.00 from the Purchaser and/ or the Guarantor by no later than 26 November 2019. Should the Purchaser and/or the Guarantor fail to satisfy the sums demanded under the Letter of Demand, the Company intends to and shall enforce all of the Company's rights under the Security Documents and/ or commence legal proceedings against the Purchaser and/or the Guarantor for the recovery of the same without further reference to the Purchaser or the Guarantor.

On 16 December 2019, the Company responded to our queries and stated that for the principal amount of the outstanding balance consideration, if the Purchaser is unable to come up with a viable settlement plan by 4 February 2020, the Company can still enforce the Share Charge and the Personal Guarantee at that time.

On 4 February 2020, the Company disclosed that the Company had received the Proposed Final Settlement Plan where the Purchaser has agreed to pay the Fourth Tranche Consideration to the Company in instalments as follows: (i) S\$350,000 by 6 March 2020; (ii) S\$450,000 by 30 September 2020; and (iii) S\$200,000 by 28 February 2021; and interest at 6% per annum to be accrued on a daily basis. The Board was reviewing and deliberating the Proposed Final Settlement Plan.

Yesterday, on 2 March 2020, the Company announced that following further negotiations between the Purchaser and the Company in relation to the Proposed Final Settlement Plan, the Purchaser had, on 25 February 2020, sought an extension of time up to 30 April 2020 to provide a revised settlement plan ("Revised Settlement Plan") for the Board's consideration in relation to the Fourth Tranche Consideration (the "Extension"). The Company had agreed to the Extension on the considerations stated in the announcement and entered into a third supplemental letter agreement (the "Third Supplemental Agreement") with the Purchaser to amend and supplement the SPA.

- a) How much of the Fourth Tranche remains outstanding, inclusive of interest?*
- b) How many Controlled Shares and Further Controlled Shares does the Company have in control currently, and how much is it worth? Does the Company legally own these shares? Can the Company sell these shares in repayment of Fourth Tranche? If so, why did the Company decide not to do so?*
- c) Why did the Company not accept and proceed with the Proposed Final Settlement Plan received on 4 February 2020? What happened and led to the Purchaser having to seek an extension on 25 February 2020, for up till 30 April 2020, to provide a Revised Settlement Plan?*
- d) Can the Board and AC please explain how the granting of further extension of time to the Purchaser till 30 Apr 2020 is in the interest of the Company?*

Company's Response:

- (a) As at the date of this announcement, the Fourth Tranche Consideration with the accrued interest (6% per annum) amounting to an aggregate of S\$1,021,012 remains outstanding. For the avoidance of doubt, this excludes the Extension Fee which was negotiated with the Purchaser and announced on 2 March 2020.*

- (b) As at the date of this announcement, the Company has completed the sale of a total of 470,000,000 Controlled Shares for an aggregate consideration of S\$470,000. Please see the table below for a breakdown of the balance of Controlled Shares and Further Controlled Shares (collectively known as the “**Shares**”) and their value as at 4 March 2020.

	<u>Balance as at 4 March 2020</u>	<u>Value S\$</u>
Controlled Shares:		
- Third Tranche Consideration with interest	619,726,000	619,726
- Excess	77,604,000	77,604
Total Controlled Shares	697,330,000	697,330
Controlled Shares sold to date	(470,000,000)	(470,000)
Balance Controlled Shares	227,330,000	227,330
Further Controlled Shares:		
- Interest for Fourth Tranche Consideration	50,000,000	50,000
- First Part Payment	50,000,000	50,000
- Two monthly Extension Fees (for February and March 2020)	10,000,000	10,000
- Excess	2,670,000	2,670
Balance Further Controlled Shares	112,670,000	112,670
Total Unsold Shares (excluding Controlled Shares which have been sold to date)	340,000,000	340,000

For the avoidance of doubt, as disclosed in the 2 March Announcement, the 62,670,000 Further Controlled Shares (in aggregate value of S\$62,670) is intended to cover the Extension Fees for February and March 2020 as well as the First Part Payment.

We wish to further clarify that while the Company does not legally own these shares, all the Purchaser’s rights to and control over the Shares have been assigned to the Company. All amounts paid to or received or recovered by the Company or any nominee(s) in exercise of their rights under the Further Definitive Agreements will be directly applied in or towards the discharge of the Fourth Tranche Consideration, Interest, Extension Fee and all costs and expenses (including legal fees on a full indemnity basis) incurred by the Company in connection with the exercise of its rights thereunder, as the Company may in its absolute discretion, think fit, with any surplus being paid free of any interest to the Purchaser or any other person who may be entitled to it. The Company is currently engaging with various potential investors to sell the remaining Shares.

- (c) We wish to clarify that the Proposed Final Settlement received on 4 February 2020 was subject to the Board’s deliberation and approval. Upon the Board’s advice, the Company had proposed to the Purchaser to include an additional S\$10,000 monthly extension fee on top of and up to the date of full repayment of the Fourth Tranche Consideration and Interest. The Purchaser subsequently offered, in response, a S\$5,000 monthly extension fee instead and S\$50,000 as First Part Payment in good faith, which is to be satisfied by way of the Further Controlled Shares, in return for an extension of time until 30 April 2020 to furnish a Revised Settlement Plan.

- (d) The Board and AC have deliberated this matter and have made a decision in the best interest of the Company to allow the further extension of time based on commercial judgement. It is the Board's and AC's view that the Purchaser has largely performed her payment obligations to-date and has demonstrated intent and desire to settle the matter amicably. Furthermore, through active and constructive engagement with the Purchaser, the Company has managed to fully recover the First and Second Tranche Consideration and a substantial portion of the Third Tranche Consideration in addition to having obtained further security by way of the Controlled Shares and Further Controlled Shares. Having considered the matter at length, the Board and AC are of the opinion that pursuing legal recovery at this juncture would incur indeterminate costs and time to recover the outstanding Consideration for the Company. However, in the event that the Purchaser fails to provide the Company with an acceptable Revised Settlement Plan by 30 April 2020, the Company shall proceed to initiate the requisite legal action without further reference to the Purchaser.

3. CAUTION IN TRADING

Shareholders are advised to exercise caution in trading their shares as there is no certainty or assurance as at the date of this announcement that all or any of the abovementioned projects will be completed. The Company will make the necessary announcements when there are further developments on the above.

Shareholders and potential investors are advised to read this announcement and any further announcements by the Company carefully. Shareholders should consult their stockbrokers, bank managers, solicitors, accountants or other professional advisers if they have any doubt about the actions they should take.

By Order of the Board

Sandra Liz Hon Ai Ling
Executive Director and Chief Executive Officer

4 March 2020

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.

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