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

RESPONSES TO SIAS'S QUERIES IN RELATION TO THE COMPANY'S ANNUAL REPORT FOR FY2023

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1. INTRODUCTION

The board of directors (the "**Board**" or "**Directors**") of Annica Holdings Limited (the "**Company**" and together with its subsidiaries, the "**Group**") refers to the Company's announcements published on the SGXNET on 12 April 2024 (collectively, the "**Announcements**") in relation to: (i) the Company's annual report for the financial year ended 31 December 2023 ("**Annual Report FY2023**"); (ii) the qualified opinion by the independent auditor of the Company on the audited financial statements of the Group for the financial year ended 31 December 2023 ("**Independent Auditor's Qualified Opinion Announcement**"); and (iii) variances between the audited and unaudited financial statements of the Group ("**FS Variances Announcement**") for the financial year ended 31 December 2023 ("**FY2023**").

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

The Board wishes to inform shareholders that the Company has received queries from the Securities Investors Association (Singapore) ("**SIAS**") on 21 April 2023 and is providing its responses to these queries below.

2. SIAS'S QUERIES

2.1. Query 1: Would the board/management provide greater clarity on the following operational and financial matters? Specifically:

(i) Oil & Gas equipment: What is the expected utilisation rate of Panah Jaya Makmur Sdn Bhd ("PJM")'s new one-acre facility, which is four times larger than the previous facilities? Are fixed costs anticipated to increase significantly? Could management provide insight into the range of brands distributed or carried by PJM, and which products and brands contributed the most to the group's revenue in 2023?

<u>Company's Response:</u>

What is the expected utilisation rate of Panah Jaya Makmur Sdn Bhd ("PJM")'s new one-acre facility, which is four times larger than the previous facilities?

The utilisation of the floorspace in the new facility (an authorised Plidco International, Inc. ("**PLIDCO**") service centre and ECITB approved training facility), in terms of percentage breakdown, can be summarised as follows: approximately 1% as office space; approximately 78% for training, workshop and warehouse areas (including areas for logistical loading/unloading operations); and (iii) the balance 21% for roads and vehicle car parks.

The utilisation rate of the training, workshop and warehouse floorspace for the first quarter of 2024 is at approximately 60% to 65%. The previous facility (the world's first PLIDCO Authorised Service Centre established in February 2019) had previously faced challenges in terms of sufficient temporary storage space, particularly when multiple clients' goods arrived at the facility simultaneously. As the revenue generated by PJM from the sale of PLIDCO products improved in FY2023, a larger facility was sought to accommodate the expected demand and to provide for greater floorspace (including temporary storage space).

Are fixed costs anticipated to increase significantly?

The monthly fixed costs for the new facility is approximately S$15,000 (mainly attributable to rental expense). This is approximately S$7,000 more than the monthly fixed costs for the previous facility.

Could management provide insight into the range of brands distributed or carried by PJM, and which products and brands contributed the most to the group's revenue in 2023?

PJM mainly distributes products from PLIDCO, Natural Gas Solutions N.A. LLC and Offspring International Ltd.

Out of the range of brands distributed by PJM, PLIDCO's products were the highest contributor to the Group's revenue in FY2023. A majority of these products were PLIDCO Split+Sleeves (pipe repair clamps).

(ii) Engineering services: Does the group employ permanent staff for engineering services division? What types of projects did the group actively bid for in 2023?

<u>Company's Response:</u>

Does the group employ permanent staff for engineering services division?

Yes – in FY2023, the Group had two (2) permanent staff for the operation of its engineering services division.

What types of projects did the group actively bid for in 2023?

Generally speaking, the Group actively bids for projects involving the supply of valves, actuators (pneumatic, electric and hydraulic), pneumatic control systems, pump skids, pigging, hydraulic tools, and personal protection equipment within the oil and gas industry. The Group mainly deals with contractors of offshore platform projects in the Southeast Asia region.

In FY2023, the Group had bid for several platform projects with Vietsovpetro JV. in Vietnam and with Malaysia Marine and Heavy Engineering Sdn. Bhd. in Malaysia. We also cooperate with partners from China to bid for international projects in the United Arab Emirates and other Middle East countries. The Group's engineering services division has a secured order book of S$717,000 as at the date of this announcement.

(iii) Green technology (GT): Has the board set a timeline for the GT segment to produce results from the rural electrification project? HT Energy initiated the project in 2017 or earlier. What is the total investment made by HT Energy thus far, and will the board review the group's ongoing commitment to the project?

<u>Company's Response:</u>

Has the board set a timeline for the GT segment to produce results from the rural electrification project?

The timeline for the rural electrification project for the GT segment (i.e. the Pilot Project) is as follows:

Date	**Activities**
8 March 2017	H2 Energy Sdn Bhd (formerly known as "HT Energy (S) Sdn Bhd") ("**H2 Energy**") was incorporated in Sarawak.
14 March 2018	H2 Energy received a consent letter from the Malaysia Ministry of Health ("**MOH**") for the implementation of the Pilot Project at Long Loyang Clinic.
February to July 2020	The pilot power module, the predecessor of the H2E1 System, arrived at the Long Loyang Clinic in mid-February 2020. However, due to the adverse weather on site and the imposition of the Movement Control Order ("**MCO**")

	in Malaysia, the installation of the solar panels were delayed. The installation of the pilot power module was later completed in July 2020.
August 2020 to December 2021	Due to the challenges associated with securing the on-site presence of both our in-house technical team from Singapore and the Chinese technicians from our manufacturer in China during the MCO, the pilot power module was only running up to 70% of operational capacity.
12 April 2022	The Pilot Project was officially launched and commenced, and ran for a 3-month period.
8 August 2022	Official launch of the H2E1 System (the rebranded and improved pilot power module) at the Long Loyang Clinic, which was attended and officiated by YB Datuk Haji Julaihi Bin Haji Narawi, Minister of Utilities and Telecommunications Sarawak.
14 November 2022	H2 Energy completed the compilation of the data from the Pilot Project for the purposes of preparing a project report for presentation to the MOH and the Sarawak State Health Department.
December 2022 to present	H2 Energy received an invitation from the MOH to discuss the commercialisation of the Pilot Project and the potential rolling out of the H2E1 System to 29 rural clinics. H2 energy is presently in negotiations with the MOH.
Second quarter of 2024	Expected commercialisation of the Pilot Project
Third quarter of 2024 onwards	Expected timeline for securing revenue-generating projects relating to the H2E1 System.

What is the total investment made by HT Energy thus far, and will the board review the group's ongoing commitment to the project?

As at 31 December 2023, H2 Energy has spent approximately S$432,000 on operating expenses since its incorporation in 2017. We are, however, unable to disclose the investment costs in relation to the Pilot Project due to commercial sensitivity as we are in the process of negotiating a contract with the MOH.

The Board is of the view that the Group should maintain its commitment to the commercialisation of the Pilot Project and, more generally, to grow the GT segment. The Board is confident that the GT segment will be a valuable contributor to the Group's revenue in the future.

(iv) Renewable energy (RE): The group participated in the second Request for Proposal (RFP2) issued by the Energy Market Authority of Singapore (EMA) to appoint licensed electricity importers to import up to 4GW of low carbon energy, as part of EMA's plan to decarbonise the energy sector. Can management elaborate further on the group's value proposition? If successful, what capital and human resources investment would be needed?

Company's Response:

Can management elaborate further on the group's value proposition?

As disclosed in the Annual Report FY2023, the Company has entered into a non-binding memorandum of understanding (the "**MOU**") with Calypte Holding Pte. Ltd. ("**CHPL**") to collaborate and participate in the RFP2 issued by the EMA, for the purposes of importing low carbon energy into Singapore from Malaysia and Indonesia (subject to the issuance of a full electricity importer license by the EMA to the Company). For further information on the MOU (including the rationale for entering into the MOU), please refer to the Company's announcements dated 21 October 2022 and 22 November 2023 (collectively, the "**MOU Announcements**"). Due to commercial sensitivity and confidential agreements with our respective partners, we are unable to disclose further information on this matter apart from those already announced. Nevertheless, for clarification, the Group is positioning itself as an importer and not a generator of such low carbon energy. The Company will provide an update to shareholders as and when there are material developments.

If successful, what capital and human resources investment would be needed?

If successful, the current major capital commitment is limited to the performance bonds stipulated by the EMA (as disclosed in the MOU Announcements), details of which are set out in the RFP2 which is accessible at the following URL: https://www.ema.gov.sg/partnerships/calls-for-proposals/proposals/second-request-for-proposal-to-appoint-licensed-electricity-importers. Notwithstanding the foregoing, the Company will require its partner(s) to provide back-to-back performance bonds in favour of the Company.

If we are awarded with the project, the construction of the low carbon energy power plant will be the responsibility of our partner(s). For the avoidance of doubt, the Group is not participating in the construction of the low carbon energy power plant. As for the issue of additional human resource investment, this shall only be assessed and budgeted when nearing completion of the low carbon energy plant to be developed by our respective partner(s), which is anticipated to be in or around 2030.

2.2. Query 2: The independent auditor has included a 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).

The bases for qualified opinion are:

- **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**
- **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**

The independent auditor also highlighted a material uncertainty related to the group's and the company's ability to continue as going concerns. The board has provided an update to shareholders regarding the efforts taken by the group to address the concerns.

The full document can be found here:
https://links.sgx.com/FileOpen/Annica%20-%20Independent%20auditor%20opinion%20FY2023.ashx?App=Announcement&FileID=796097

(i) Can the board elaborate on the group's plan with regard to the recovery of total amount due from the purchaser of $1.296 million, of which an amount of $933,000 was impaired since FY2020 and an additional amount of $334,000 was impaired in FY2023? What efforts were made by management to recover the long-outstanding amounts? What are the legal options available to the group at this point to enforce its rights?

<u>Company's Response:</u>

Can the board elaborate on the group's plan with regard to the recovery of total amount due from the purchaser of $1.296 million, of which an amount of $933,000 was impaired since FY2020 and an additional amount of $334,000 was impaired in FY2023?

The Company is in the process of negotiating and finalising a settlement agreement in relation to the amounts due from the Purchaser and GPE. The recognition of the additional impairment loss amounting to $334,000 in FY2023 was made following an assessment of the value of the proposed settlement as required pursuant to the SFRS and based on the best estimates of the Company.

What efforts were made by management to recover the long-outstanding amounts?

Please refer to page 17 of the Company's condensed interim consolidated financial statements for the fourth quarter and financial year ended 31 December 2023 (the "**Unaudited FY2023**

Results"), as announced on 29 February 2024, for further information on the efforts that the Company has taken for recovery of the outstanding amounts.

As mentioned above, the Company is in the process of negotiating and finalising a settlement agreement. 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.

What are the legal options available to the group at this point to enforce its rights?

The legal options available to the Group are as follows:

a. initiate legal proceedings against the Purchaser, the Guarantor and GPE for the full amounts owed by them. However, this approach is costly and time consuming; or
b. negotiate a final settlement agreement. This approach may be the most meaningful and efficient option as we are in the final stages of negotiations.

(ii) What was management's response to the independent auditor's request for "sufficient appropriate audit evidence" with regard to documents relating to the settlement of the entire $2.9 million from the former subsidiary, GPE Power Systems (M) Sdn. Bhd.?

Company's Response:

For the avoidance of doubt, the Company would like to clarify and emphasise that it was not a case of withholding any document or audit evidence on its part, and all documents in the possession of the Company were duly provided to the auditors for the purposes of the FY2023 audit exercise. There is no further document that the Company has (or otherwise had) in its possession that could be used to demonstrate (i) that no further allowance for impairment loss is required with respect to the receivables or (ii) the cash flows that can be received by the Group and the Company in settlement of the receivables. Nevertheless, the auditors were unable to obtain sufficient appropriate audit evidence to satisfy themselves that no further allowance for impairment loss was required with respect to the receivables.

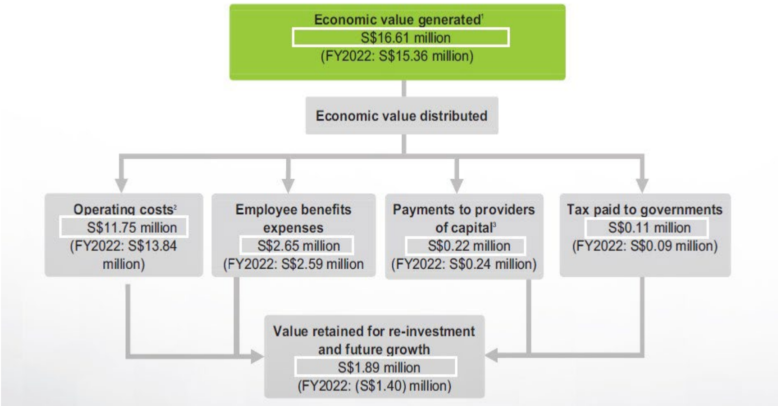
(iii) Similarly, what efforts were made by management to recover the long-standing debt?

Company's Response:

Please refer to page 17 of the Company's Unaudited FY2023 Results, as announced on 29 February 2024, and our response to query 2(i) above for further information on the efforts that the Company has taken for recovery of the outstanding amounts.

2.3. Query 3: The group's sustainability report can be found on pages 9 to 43.

	Note	2023 $'000	Restated 2022 $'000
Continuing operations			
Revenue	4	16,047	14,987
Cost of sales		(10,484)	(11,961)
Gross profit		5,563	3,026
Other income	5	411	256
Interest income	5	208	209
Selling and distribution expenses		(191)	(199)
Administrative and general expenses		(5,227)	(4,620)
Other expenses	6	(274)	(68)
Impairment losses on trade and other receivables		(1,107)	(8)
Finance costs	7	(221)	(247)
Loss before tax from continuing operations	8	(838)	(1,651)
Tax expense	9	(91)	(77)
Loss for the financial year from continuing operations		(929)	(1,728)
Discontinued operations			
Profit for the financial year from discontinued operations	30	1	51
Loss for the financial year		(928)	(1,677)



(Adapted from company's annual report and sustainability report)

(i) Can the board help to explain the disparity between the figures presented in the financial statements and the numbers in the sustainability report? For example, please help shareholders understand how the company was able to retain $1.89 million in the group for reinvestment purposes (as shown in the economic value statement) when it made losses of $(928,000) as presented in the financial statements?

<u>Company's Response:</u>

Can the board help to explain the disparity between the figures presented in the financial statements and the numbers in the sustainability report?

The differences between the figures presented in the audited financial statements and in the economic value statement are mainly due to the exclusion of non-trade and non-cash items in the economic value statement, which was based on guidance provided by our external consultants. Details of the individual disclosure items are provided in the footnotes to the sustainability report. Please refer to page 10 of the Annual Report FY2023 for further details.

For example, please help shareholders understand how the company was able to retain $1.89 million in the group for reinvestment purposes (as shown in the economic value statement) when it made losses of $(928,000) as presented in the financial statements?

Please see below for the reconciliation between the loss from the financial year from continuing operations and the revised value retained for re-investment and future growth.

		S$'million
	Loss from the financial year from continuing operations	(0.93)
	<u>Non-trade items</u>	
Less:	Non-trade income – Government grant income	(0.01)
Less:	Non-trade income – Foreign currency exchange, net	(0.05)
Add:	Non-trade expenses – Other expenses	0.27
	<u>Non-cash items</u>	
Add:	Depreciation expenses on property, plant and equipment	0.16
Add:	Depreciation expenses on right of use assets	0.25
Add:	Impairment losses on trade and other receivables	1.11
Add:	**Impairment losses on trade and other receivables [Duplicate]**	**1.11**
Add:	Provision for employee benefits	0.01
Less:	Bad debts recovered	(0.01)
Less:	Difference between actual income tax paid and tax expense	(0.02)
	Value retained for re-investment and future growth	1.89
	Less: Impairment losses on trade and other receivables [Duplicate]	**(1.11)**
	Revised value retained for re-investment and future growth	**0.78**

In particular, there was a duplication error (i.e. double-counting) for the impairment losses on trade and other receivables of S$1.11 million. The revised value retained for re-investment and future growth is therefore S$0.78 million.

(ii) Separately, to what extent did the internal audit cover the sustainability reporting process?

Company's Response:

An internal audit was performed on the Company's sustainability reporting process for the financial year ended 31 December 2022, covering the following key components of the sustainability reporting process:

- Policies and procedures;
- Governance structure;
- Stakeholder engagement;
- Identification of key sustainability factors;
- Management of risks and opportunities;
- Collection and analysis of data; and
- Publication of sustainability reports.

For the avoidance of doubt, an internal audit on the sustainability reporting process was not performed in FY2023 as it was not part of the risk-based internal audit plan for FY2023. The requirement to perform an internal audit on the sustainability reporting process will be revisited in the next audit cycle in FY2025.

(iii) Also, has the board discussed the timeline for seeking external assurance on the sustainability report?

Company's Response:

Although we have not sought external assurance for the sustainability report for FY2023, the Company has relied on internal data monitoring and verification to ensure its accuracy. An internal review of the sustainability reporting process is also incorporated as part of the Company's internal audit review cycle. Further, the Company has engaged an external consultant to assist in preparing the sustainability report. The Company will work towards seeking external assurance for its future sustainability reports, subject to market practice and regulatory requirements.

As the Company's sustainability reporting is still maturing, the Board is satisfied that the present internal review processes, along with the engagement of an external consultant, are sufficient.

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

24 April 2024

*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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