

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

**RESPONSE TO SGX-ST'S QUERIES ON THE PROPOSED DISPOSAL OF
GPE POWER SYSTEMS (M) SDN BHD**

**1. RESPONSE TO SGX-ST'S QUERIES IN RELATION TO THE PROPOSED DISPOSAL OF
GPE POWER SYSTEMS (M) SDN BHD**

The board of directors (the “**Board**”) of Annica Holdings Limited (the “**Company**” and together with its subsidiaries, the “**Group**”) refers to the queries raised by the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) in connection with the Proposed Disposal of GPE Power Systems (M) Sdn Bhd (“**GPE**”) on 14 September 2018. The Board wishes to clarify these queries as follows.

1.1 SGX-ST's Query 1:

We noted that the Company had in its announcement of 26 July 2018 on the proposed disposal of its entire shareholding interest in GPE, stated that the “*The proceeds from the proposed disposal of GPE will be redirected to funding of the renewable energy business. Any unutilized proceeds can be directed towards the working capital of the Company and may be deployed for other purposes i.e. the proposed recycling business acquisition.*”.

The Company had also in its announcement of 5 June 2018 on updates of projects in the Renewable Sector, stated that the Company has the following plans with regards its projects in the Renewable Sector, which is going to be the Company's key driver of growth and revenues over the immediate and long term:

a) Waste Tyre Pyrolysis Project – The HGR Shareholders have entered into a non-binding MOU with GPL pursuant to which GPL shall acquire all 15 waste tyre pyrolysis production lines and the waste tyre pyrolysis plant located at Tanjong Malim, Perak, West Malaysia from the HGR Shareholders. Subject to the entering of a SPA and the conditions therein being met, the Company intends to acquire approximately 25.79% of the issued and paid-up share capital of GPL from the GPL Vendors (“GPL Acquisition”); and

b) Pilot Project – HTES has commissioned a Chinese manufacturer to manufacture a solar and hydrogen module which has been customized to HTES' specifications for the Pilot Project which aims to power rural clinics in Sarawak.

On 12 Sep 2018, the Company announced that HTES entered into a non-binding MOU with Universiti Malaysia Sarawak for research collaboration for the Group's rural electrification projects in Sarawak, Malaysia.

Please provide the following updates as to each of the above two projects in its renewable businesses:

Waste Tyre Pyrolysis Project

- Updates on the GPL Acquisition – has an SPA been entered into?

Company's Response:

Please refer to our response of 1 August 2018 – [3a], which is reproduced below for ease of reference.

“The parties to the GPL MOU (“Merging Parties”) are finalizing the Acquisition Agreement (the “Acquisition Agreement”) with Terokadana Sdn Bhd in respect of the acquisition of shares in Green Pluslink Sdn Bhd (“GPL”) and the transfer of the production lines from the Merging Parties to GPL, which are expected to complete before October 2018. However, as we are not parties to the Acquisition Agreement, we are not in control of the timeline for completion.

While the Merging Parties are negotiating the Acquisition Agreement, the Company has commenced internal due diligence on the latest audited accounts of GPL that has been made available to us, physical plant and equipment assessment and have been engaging with the management on the overall business performance of GPL.”

Updates:

As of the date hereof, we have been informed that the HGR Shareholders (being the owners of the 15 productions lines) are still in the process of conducting financial and operational due diligence on Terokadana Sdn Bhd and GPL. As such, the Acquisition Agreement between the Merging Parties have not been entered into. The Company is taking a cautious stance and will only commit to entering the SPA when the Acquisition Agreement between the Merging Parties have been entered into.

Waste Tyre Pyrolysis Project

- Are the waste tyre pyrolysis production lines operational now?

Company's Response:

The 3 production lines owned by GPL are currently in operation at their Port Klang Plant. The 5 production lines owned (jointly by the HGR Shareholders) at the Tanjung Malim Plant, which were given temporary licenses in February 2018, have temporarily ceased productions since early August 2018 in light of the preparation of the planned extension of the waste treatment facility at the Tanjung Malim Plant.

The extension of the waste treatment facility is to allow the facility to accommodate the impending full operation of the 18 production lines. This is a requirement by the relevant local authorities. GPL is in constant dialogue with the authorities to ensure compliance with their requirements in order to obtain the necessary licenses for the operation of the 18 production lines in a timely manner.

Pilot Project

- What is the progress of the Chinese manufacturer on the production of the solar and hydrogen module?

Company's Response:

Please refer to our response of 1 August 2018 – [3c], which is reproduced below for easy reference.

“As disclosed in our earlier response, the manufacturer had assembled the core electrolysis component (“electrolyzer”) of the Power Module. Subsequently, a successful trial on the electrolyzer had been completed. Meanwhile, we have also been informed by the manufacturer that the other components of the Power Module i.e. the hydrogen tank and fuel cell had been completed, and the final system assembly is currently being conducted. The project team has scheduled to conduct a trial and factory acceptance tests on the completed Power Module tentatively in mid-August 2018 at the manufacturer’s plant in Suzhou, China. Upon successful trial/test, the Power Module shall be shipped to the pilot site in Malaysia.”

The technical team is in constant communication with the manufacturer on the progress of the Power Module, which is in the final assembly stage. There were certain teething issues in the integration of the fuel cells with the overall Power Module system, which the manufacturer has to rectify. The process is currently ongoing and is expected to be resolved in the coming weeks. Given successful resolution, the manufacturer, together with the Company’s project team, will be able to proceed with the final Factory Acceptance Test (“FAT”) for the Power Module thereafter.

- How much fees have been paid/will be paid to the Chinese manufacturer for the module?

Company’s Response:

A total of 60% of the production costs of the Power Module has been paid to the Chinese manufacturer. As the cost price of the Power Module is commercially sensitive information, it is not disclosed here in the Company’s response.

- It was announced that “The Pilot Project is expected to roll-out in end July 2018” and “The Pilot Project shall be conducted for a period of three (3) months to simulate the real-time operation of the Power Module at the pilot site.” – What is the progress of the roll-out and which is the three-month period granted by the Ministry of Health?

Company’s Response:

As mentioned in the foregoing paragraphs, the delay in the roll-out of the Power Module at the pilot site has been largely due to manufacturing issues, which the project team is working closely with the manufacturer to resolve. The Ministry of Health has been regularly updated on the progress of the Power Module. There is no fixed three-month period granted by the Ministry of Health. What we had meant in our earlier announcement is that the entire length of the Pilot Project will be for a three-month period, which the Company will kick off once the Power Module is commissioned. The project team is in dialogue with the various stakeholders i.e. the client and relevant authorities, on the proposed roll-out dates, scope and parameters of the Pilot Project.

1.2 SGX-ST’s Query 2:

Please provide 1) the expected timeline and key milestones, and 2) projected use of funds of the Company and from the sale of GPE, for each of the two projects in the Renewable Sector.

Company’s Response:

On 1):

Waste Tyre Pyrolysis Project

Whilst the Company is targeting to complete the acquisition of GPL by Q1 2019; whether this can be achieved will depend largely on whether there are any issues which need to be resolved following the due diligence mentioned above and when the Acquisition Agreement by the Merging Parties is completed.

Pilot Project

Barring further delays from the manufacturer and subject to suitable climate conditions (we understand that year end climate conditions can be challenging in Sarawak), the Company expects to roll out the Pilot Project by Q4 2018.

On 2):

Proposed Utilisation of Proceeds	Amount \$S '000
1. Pilot Project and Waste Tyre Pyrolysis Project	1,000
2. New projects identified under the Renewable Sector in the future	500
3. Working capital and professional fees in relation to the sale of GPE	500
	<u>2,000</u>

Please note that we do not have a clear timeline for the Waste Tyre Pyrolysis Project. As such, we may have to move the allocated funds to other projects identified in the near future should the need arise.

1.3 SGX-ST's Query 3:

Please provide a percentage breakdown of the **current** NAV, and gross/net profit contribution for each of the business segments below:

- (i) Oil and Gas Equipment;
- (ii) Engineering Services;
- (iii) Energy Services (which comprises GPE); and
- (iv) Renewable Sector.

Company's Response:

HY2018	Oil and Gas Equipment (A)	Engineering Services (B)	Energy Services (C)	Renewable Sector (D)
1. Net Asset Value (%)	13.0%	5.4%	17.7%	n.m.
2. Net (loss)/profit before income tax (%)	(19.2%)	(20.9%)	29.3%	(0.1%)

Note:

n.m.: not meaningful

Figures above are presented on a pre-consolidation basis.

1. Contribution by percentage of Net Asset Value is derived by:

- A: Net asset of S\$1,241,000 divided by S\$9,528,000
- B: Net asset of S\$511,000 divided by S\$9,528,000
- C: Net asset of S\$1,683,000 divided by S\$9,528,000
- D: Net asset of S\$ 2,000 divided by S\$9,528,000

2. Contribution by percentage of Net (loss)/profit is derived by:

- A: Loss of S\$174,000 divided by S\$905,000
- B: Loss of S\$189,000 divided by S\$905,000
- C: Profit of S\$265,000 divided by S\$905,000
- D: Loss of S\$1,000 divided by S\$905,000

1.4 SGX-ST's Query 4:

Please provide the net cash outflows/investment amounts for each of the two projects in its Renewable Sector so far.

Company's Response:

Net cash outflows/investment for the following projects:	S\$ '000
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(a) Waste Tyre Pyrolysis Project	
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- Professional Fee in relation to acquisition of GPL	50
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(b) Pilot Project	
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- Power Module *	(60% of the total cost has been paid)
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- Pilot Site Visits and Meetings with Clients and Stakeholders	21
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* As per our earlier comment, as the cost price of the Power Module is commercially sensitive information, the actual outlay is not included in the Company's response here.

2. 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 Projects will be completed. The Company will make the necessary announcements when there are further developments on the Projects.

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 September 2018

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. ("Sponsor"), for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited ("SGX-ST") Listing Manual Section B: Rules of Catalyst.

The Sponsor has not independently verified the contents of this announcement. This announcement has not been examined or approved by the 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.

The contact person for the Sponsor is Mr. Bernard Lui:

Telephone number: (65) 6389 3000

Email address: bernard.lui@morganlewis.com