

**RESPONSES TO THE SGX-ST'S QUERIES IN RELATION TO THE  
COMPANY'S UNAUDITED FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020**

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**1. INTRODUCTION**

- 1.1** The board of directors (the "**Board**") of Annica Holdings Limited (the "**Company**" and together with its subsidiaries, the "**Group**") refers to the Company's announcement dated 1 March 2021 (the "**1 March Announcement**") in relation to the Company's unaudited financial statements and dividend announcement for the financial year ended 31 December 2020 ("**FY2020**").

All capitalised terms used and not defined herein shall have the same meanings given to them in the 1 March Announcement.

Queries from the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") in relation to the 1 March Announcement and the Company's responses thereto are set out below.

**1.2 SGX-ST's Queries and Company's Responses**

*We noted that the Company recorded allowance for impairment loss on other receivables of S\$933,000 in FY2020 ("**Other Receivables**").*

*Please disclose:*

**(a) SGX-ST Query 1(i)**

*The underlying transactions of these Other Receivables for which allowance for impairment loss of S\$933,000 were recorded.*

**Company's Response:**

The allowance for impairment loss on other receivables of S\$933,000 was solely in relation to the outstanding Fourth Tranche Consideration due from the Purchaser.

**(b) SGX-ST Query 1(ii)**

*The Company's plans to recover these Other Receivables.*

**Company's Response:**

The Company previously informed shareholders via an announcement on 19 October 2020 that it would proceed to appoint a law firm to commence legal action against the Purchaser and the Guarantor for the purposes of recovering the outstanding Fourth Tranche Consideration as the amounts demanded under the Letters of Demand which had been served on the Purchaser and the Guarantor on 25 September 2020 (the "**Demanded Amounts**"), further details of which are provided in the Company's announcements dated 25 September 2020 and 19 October 2020, had not been received by the Company as of 19 October 2020.

As subsequently disclosed in the Company's announcement dated 1 March 2021 in relation to, *inter alia*, updates on the Company's recovery of the outstanding Fourth Tranche Consideration, on the advice of the Company's legal advisors, prior to the commencement of legal action, we had sought a written consent from the Purchaser to

waive her jurisdictional rights in Singapore in favour of Malaysia, due to cost considerations. The waiver was received by the Company from the Purchaser on 14 December 2020.

Following receipt of the waiver, the Purchaser informed the Company of a new offer for the proposed sale of her assets and requested for additional time to complete the sale, which proceeds have been assigned to the Company to satisfy the Demanded Amounts. As a result of this new development, the Board had deliberated at length during its meeting in December 2020 and decided to stay its earlier decision to commence legal action and grant the Purchaser reasonable time to settle the Demanded Amounts through the sale of her assets. In arriving at their decision, the Board has considered that:

- (a) the Purchaser had, in addition to the existing security, assigned the proceeds of the sale of the Purchaser's assets to the Company; and
- (b) the Purchaser has provided the Company with a total of 810,000,000 shares amounting to S\$810,000 to date. Save for the 140,000,000 shares amounting to S\$140,000 which have yet to be monetized, 670,000,000 shares amounting to S\$670,000 given to the Company as partial payment towards the Purchase Price had been monetized successfully without commencing legal action.

Furthermore, the Board has also weighed the legal costs, time and potential recoverability of the Demanded Amounts against any potential detriment to the Company for staying the legal action, and is of the view that there is no significant detriment to the Company in staying the legal action for a reasonable period, and any legal action may actually adversely impact any potential sale of the Purchaser's assets and the Purchaser's ability to satisfy the Demanded Amounts.

The Company will work closely with the Purchaser to ensure the recovery outstanding amounts under the Fourth Tranche Consideration upon the sale of the Purchaser's assets. Meanwhile, the Board will continually assess and review this matter periodically until resolution.

**(c) SGX-ST Query 1(iii)**

*Is the debtor a major customer(s) and whether the Company continues to transact with these customer(s) and if so, what are the commercial reasons in doing so.*

**Company's Response:**

The debtor is the purchaser in the disposal by the Company of its entire shareholding interest in GPE Power Systems (M) Sdn. Bhd., Ms Chong Shin Mun, and she is not a major customer of the Group.

**(d) SGX-ST Query 1(iv)**

*How long are the debts outstanding and when were the sales reported.*

**Company's Response:**

The Fourth Tranche Consideration has been outstanding and due since 29 October 2019. Please refer to the 1 March Announcement for further details on the Fourth Tranche Consideration.

**(e) SGX-ST Query 1(v)**

*What were the actions taken to recover these Other Receivables.*

**Company's Response:**

The Company sets out a chronological summary of its key efforts in recovering the Fourth Tranche Consideration below. Reference is made to the Company's announcements dated 5 November 2019, 12 November 2019, 2 March 2020, 1 May 2020, 22 May 2020, 23 June 2020, 21 August 2020, 28 August 2020, 25 September 2020, 19 October 2020 and 1 March 2020 (collectively, the "**Earlier Announcements**") in relation to, *inter alia*, the SPA for 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. and the Settlement Definitive Agreements for the Fourth Tranche Consideration. Unless otherwise defined, all capitalised terms used and not defined in this response to Query 1(v) shall have the same meanings given to them in the Earlier Announcements.

Pursuant to the SPA, the Purchaser shall pay to the Company the amount of Singapore Dollars One Million (S\$1,000,000.00) being the Fourth Tranche Consideration on or before 29 October 2019. The Board informed shareholders in its announcement dated 5 November 2019 that the Purchaser had defaulted on the payment of the Fourth Tranche Consideration to the Company in accordance with the provisions of the SPA.

On 12 November 2019, the Board updated shareholders that the Company had issued service of the Letters of Demand on the Purchaser and the Guarantor. The Letters of Demand 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. On 9 December 2019, the Company entered into a second supplemental letter agreement (the "**Second Supplemental Agreement**") with the Purchaser to amend and supplement the SPA to, *inter alia*, provide the Purchaser up to 4 February 2020 to propose a final settlement plan for acceptance by the Company in relation to the Fourth Tranche Consideration and for the Purchaser to pay interest on the Fourth Tranche Consideration from time to time outstanding at a rate of 6% per annum. The Company's reasons for entering into the Second Supplemental Agreement to allow the Purchaser additional time to propose a final settlement plan are set out in its announcement dated 16 December 2019. The Company received the proposed final settlement plan from the Purchaser on 4 February 2020, further details of which are set out in the Company's announcement of even date.

The Board of the Company later announced on 2 March 2020 that following further negotiations between the Purchaser and the Company, the Purchaser had 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**"). In this regard, the Company had agreed to the Extension as the Purchaser would pay an amount of S\$50,000 as part payment of the Fourth Tranche Consideration, continue to pay 6% interest per annum on the Fourth Tranche Consideration, and pay an additional S\$5,000 extension fee per month in addition to the Fourth Tranche Consideration and Interest. The Company had on 2 March 2020 entered into a third supplemental letter agreement (the "**Third Supplemental Agreement**") with the Purchaser to amend and supplement the SPA. Following further negotiations between the Purchaser and the Company, as announced by the Company on 1 May 2020, the parties agreed on a Revised Settlement Plan for the Fourth Tranche Consideration, subject to definitive agreements (the "**Settlement Definitive Agreements**") to be entered between the parties and other relevant persons. However, for the reasons disclosed in the Company's announcement on 22 May 2020, the parties required further time to execute the Settlement Definitive Agreements.

Settlement Definitive Agreements were subsequently entered into on 23 June 2020 between the Company, the Purchaser, the Guarantor and Seri Beskaya Sdn. Bhd. (“**SBSB**”) for, *inter alia*, the repayment of the Fourth Tranche Consideration. Under the Settlement Definitive Agreements, it was agreed, *inter alia*, that (a) so long as the Company does not receive cash payment equivalent to the Outstanding Amounts in full under the Settlement Definitive Agreements or Security Documents, the Guarantor and the Purchaser shall grant to the Company a put option (“**Put Option**”) to require the Guarantor and/or the Purchaser to purchase from the Company, the Charged Shares transferred to and held by the Company following enforcement of the Share Charge and (b) SBSB would assign unto the Company all of SBSB’s rights, title, interest, benefit, advantages and remedies to fifty percent (50%) of rights, title, interest, benefit, advantages and remedies which SBSB may have, in, under or arising out of the sale of all of the the production lines owned by SBSB housed in a factory lot located on Lot No. PT16944, Mukim of Hulu Bernam Timur, District of Batang Padang in the State of Perak (including all the sale proceeds thereof and other monies payable or to become payable to SBSB under the sale) (the “**Assigned Sale Proceeds**”).

On 21 August 2020, a sum of S\$50,000 was paid to the Company following the transfer of 50,000,000 Further Controlled Shares by the Purchaser to an independent third party investor. Nonetheless, an outstanding amount under the Fourth Tranche Consideration remains unpaid, and the Board informed shareholders in its announcement on 28 August 2020 that an Event of Default had occurred under the Settlement Definitive Agreements, which entitles the Company to enforce all of its rights against the Purchaser and the Guarantor under the SPA and Security Documents.

Given the above, the Company had, served letters of demand on the Purchaser and the Guarantor on 25 September 2020 (the “**Letters of Demand**”). The Letters of Demand demanded payment of a total sum of S\$950,000, plus accrued interest of S\$48,803.96 of up to 31 August 2020 and extension fee of \$35,000, from the Purchaser and the Guarantor (the “**Demanded Amounts**”) by no later than 21 days from the date of service. The Company had not received the Demand Amounts to date. However, for the reasons disclosed in the Company’s announcement dated 1 March 2021 and in the Company’s response to Query 1(ii) above, the Board decided to stay the commence of legal action against the Purchaser. Please refer to the Company’s response to Query 1(ii) above for the Company’s current efforts in respect of recovering the outstanding Fourth Tranche Consideration.

**(f) SGX-ST Query 1(vi)**

*The reasons for the impairment on these Other Receivables, including the reasons for delays or non-payment, where applicable.*

**Company’s Response:**

The impairment methodology applied depends on whether there has been a significant increase in credit risk. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, expected credit losses are provided for credit losses that result from default events that are possible within the next 12 months. For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default.

As at 31 December 2020, the Group had recognised an allowance of S\$933,000 against the outstanding balances as at 31 December 2020. The remaining amount of S\$140,000 is assessed to not be impaired as the management of the Company expects that this will be recovered through the potential sale of the Company's shares owned by the Purchaser that have been pledged to the Company. Please refer to the 1 March Announcement for further details on the Fourth Tranche Consideration.

**(g) SGX-ST Query 1(vii)**

*Please provide the Board's opinion on the reasonableness of the methodologies used to determine the value of the impairment of these Other Receivables.*

**Company's Response:**

The Board is of the view that the methodology used is reasonable as it is in line with SFRS 9.

**(h) SGX-ST Query 1(viii)**

*The Board's assessment of the recoverability of the remaining trade and other receivables.*

**Company's Response:**

The Board is of the view that the remaining trade and other receivables are recoverable based on the historical payment pattern of customers and the securities provided to the Company by the Purchaser and the Guarantor.

**(i) SGX-ST Query 1(ix)**

*A breakdown of the Company's provision for Trade and other receivables (by aging buckets and jurisdiction) totaling S\$6.6m as at FY2020.*

**Company's Response:**

**Primary Segment**

<b><u>Group</u></b>	<b>Total Due S\$</b>	<b>0-30 S\$</b>	<b>31-60 S\$</b>	<b>61-90 S\$</b>	<b>90+ S\$</b>
<b><u>Trade receivables</u></b>					
Engineering services	863,301	179	233,351	233,351	396,420
Oil and gas equipment	1,523,495	1,019,254	13,150	33	491,058
Investments and others	2,249	-	-	-	2,249
	<u>2,389,045</u>	<u>1,019,433</u>	<u>246,501</u>	<u>233,384</u>	<u>889,727</u>
<b><u>Other receivables</u></b>					
Engineering services	35,314	4,429	-	-	30,885
Oil and gas equipment	786,940	81,287	-	40,287	665,366
Investments and others	3,444,229	31,165	21,082	31,257	3,360,725
	<u>4,266,483</u>	<u>116,881</u>	<u>21,082</u>	<u>71,544</u>	<u>4,056,976</u>
Total	<u>6,655,528</u>	<u>1,136,314</u>	<u>267,583</u>	<u>304,928</u>	<u>4,946,703</u>

**Secondary Segment**

<b><u>Group</u></b>	<b>Total Due S\$</b>	<b>0-30 S\$</b>	<b>31-60 S\$</b>	<b>61-90 S\$</b>	<b>90+ S\$</b>
<b><u>Trade receivables</u></b>					
Singapore	909,061	27,282	246,500	233,351	401,928
Malaysia	747,696	259,864	-	33	487,799

Indonesia	731,947	731,947	-	-	-
Brunei	340	340	-	-	-
	<u>2,389,044</u>	<u>1,019,433</u>	<u>246,500</u>	<u>233,384</u>	<u>889,727</u>
<b><u>Other receivables</u></b>					
Singapore	3,266,347	56,692	18,307	23,080	3,168,268
Malaysia	983,362	43,465	2,775	48,464	888,658
Indonesia	15,224	15,224	-	-	-
Brunei	1,550	1,500	-	-	50
	<u>4,266,483</u>	<u>116,881</u>	<u>21,082</u>	<u>71,544</u>	<u>4,056,976</u>
Total	<u>6,655,527</u>	<u>1,136,314</u>	<u>267,582</u>	<u>304,928</u>	<u>4,946,703</u>

**(j) SGX-ST Query 1(x)**

*The Company's policy in trade receivables collection.*

**Company's Response:**

The Company's policy for invoices is set out below:

1-30 days past due: The relevant sales representative or the finance executive ("**representative**") will be responsible for these overdue accounts, and will proceed to confirm that these invoices were delivered and undisputed. Once confirmed, the representative shall attempt to recover these overdue amounts by engaging with the relevant customer through phone and/or email. If there are any discrepancies or disputes, the representative shall engage with the customer and, if necessary, involve the management on a case by case basis, until such issues have been fully resolved.

30-60 days past due: The Company will send reminders by email and follow up with phone call(s). The sales representative will be informed that payment is now classified as late.

60-120 days past due: These accounts will be placed on credit hold and the sales team and customer shall be notified in writing of the credit hold.

More than 120 days past due: Senior management is notified and preparations are made to send these overdue accounts to a collections agency and/or subject to legal recovery and/or subject to management review to be written off as bad debt.

**(k) SGX-ST Query 1(xi)**

*The percentage of revenue earned in this financial year that was deemed uncollectible (i.e. trade receivables amount written off or provided for).*

**Company's Response:**

None of the revenue earned in FY2020 was deemed uncollectible.

**(l) SGX-ST Query 1(xii)**

*The general credit term extended to customers.*

**Company's Response:**

The Group generally extends credit terms of 30-90 days to its customers.

(m) **SGX-ST Query 1(xiii)**

The percentage of trade receivables attributed to the major customer (or five largest customers) of the Company.

**Company's Response:**

Major customers	Revenue for FY2020	Trade Receivable balance as at FY2020	% to FY2020 Trade Receivables
	S\$	S\$	%
Customer 1	4,145,232	646,401 <sup>a</sup>	27
Customer 2	1,445,685	636,372 <sup>b</sup>	27
	<u>5,590,917</u>	<u>1,282,773</u>	<u>54</u>

**Note:**

<sup>a</sup> Customer 1 has paid approximately S\$636,000 in January 2021.

<sup>b</sup> Customer 2 has paid approximately S\$541,000 in January 2021.

(n) **SGX-ST Query 2(i)**

We noted that the Group has Trade and Other Payables balance of S\$4.2m as at FY2020.

Please disclose a breakdown of the balance.

**Company's Response:**

<b><u>Group</u></b>	<b>Total Due S\$</b>	<b>0-30 S\$</b>	<b>31-60 S\$</b>	<b>61-90 S\$</b>	<b>90+ S\$</b>
<b><u>Trade payables</u></b>					
Engineering services	420,031	420,031	-	-	-
Oil and gas equipment	813,241	54,388	135,485	30,015	593,353
Investments and others	45,864	-	-	-	45,864
	<u>1,279,136</u>	<u>474,419</u>	<u>135,485</u>	<u>30,015</u>	<u>639,217</u>
<b><u>Other payables</u></b>					
Engineering services	307,460	9,438	(627)	(955)	299,604
Oil and gas equipment	406,667	233,301	535	592	172,239
Investments and others	2,229,415	103,222	60,738	82,497	1,982,958
	<u>2,943,542</u>	<u>345,961</u>	<u>60,646</u>	<u>82,134</u>	<u>2,454,801</u>
	<u>4,222,678</u>	<u>820,380</u>	<u>196,131</u>	<u>112,149</u>	<u>3,094,018</u>

(o) **SGX-ST Query 2(ii)**

Please disclose the aging and nature of the Other Payables and whether the counterparties are related parties.

**Company's Response:**

Please refer to the Company's response to Query 2(i) for the breakdown of Other Payables. There are no payables due to related parties under Other Payables save for the following:

	<b>FY2020 S\$</b>
Directors of the Company	
- Advances to the Company	152,330
- Remuneration	<u>726,141</u>
	878,471
Key Management	
- Advances to the Company	161,732

- Remuneration	102,045
	<u>1,142,248</u>

**(p) SGX-ST Query 2(iii)**

*What are the Company's plans on repayment of these Trade and Other Payables.*

**Company's Response:**

With respect to FY2020, the Group's current trade and other receivables amounted to S\$6.6m. The Company is continuously engaging with the relevant debtors to ensure that these receivables are recovered as explained in the response to Query 1(ii) above.

On top of the ongoing contributions from the various business segments, the Company is of the view that the current trade and other receivables can be recovered and realised based on the historical trade and other receivables payment pattern of customers and the securities provided to the Company by the Purchaser and the Guarantor, to meet the Group's obligation in respect of the trade and other payables.

**(q) SGX-ST Query 2(iv)**

*Given that the Group has cash balances of only S\$1.4m, and Trade and Other Receivables balance of S\$6.6m as at FY2020, what are the Board's assessment of the Group's ability to repay its Trade and Other Payables.*

**Company's Response:**

The Board is of the view that the Company is able to repay its trade and other payables taking into consideration that:

- (i) the Group is in a net current assets position as at 31 December 2020;
- (ii) the Group's business segments in the renewable sector are expected to register their maiden contributions during the next 12 months; and
- (iii) the Group is in the process of reshaping the strategic direction of its engineering services segment and oil and gas equipment segment to serve other markets along the value chain. This expansion, if successful, will strengthen the Group's position along the value chain and improve the contributions from the engineering services and oil and gas equipment segments.

**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

9 March 2021



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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.*

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