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

QUALIFIED OPINION BY THE INDEPENDENT AUDITOR ON THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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1. FY2019 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, Baker Tilly TFW LLP (the "**Independent Auditor**"), has in its Independent Auditor's report dated 13 April 2020, included a qualified opinion ("**Qualified Opinion**") in relation to the Group's audited financial statements and Company's statement of financial position and statement of changes in equity for the financial year ended 31 December 2019 (the "**FY2019 Independent Auditor's Report**").

A copy of the FY2019 Independent Auditor's Report and the relevant notes to the financial statements are annexed to this announcement as "**Appendix I**".

The financial statements of the Group and of the Company for FY2019 and the FY2019 Independent Auditor's Report will also be found in the Company's annual report for FY2019, which will be released via the SGXNET and despatched to the Company's shareholders (the "**Shareholders**") in due course.

2. THE QUALIFIED OPINION

The extracts of the Qualified Opinion included in the FY2019 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**") as set out on pages 10 to 86, which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2019, 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 a summary of significant accounting policies.*

*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, Chapter 50 (the "**Act**") and Singapore Financial Reporting Standards (International) ("**SFRS(I)**") 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 2019, 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 disposal of a subsidiary ("**GPE**") from Ms Chong Shin Mun (the "**Purchaser**") (Note 7)*

   *As at 31 December 2019, consideration due from the disposal of GPE Power Systems (M) Sdn. Bhd. ("**GPE**") amounted to $1,212,000 (2018: $1,600,000).*

   *During the current financial year, certain rights of control and sale of the Company's shares owned by the Purchaser ("**Controlled Shares**") were received as partial settlement of the balance outstanding. Subsequent to year end, as disclosed in Note 39(b), the Group and Company received $50,000 from the sale of Controlled Shares. As disclosed in Note 39(b), in March 2020, 62,670,000 Further Controlled Shares were received from the Purchaser.*

   The balance consideration (including interest and other costs, charges and expenses incurred by the Company) 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 no allowance for impairment loss is required on the balance due from the Purchaser. We are unable to obtain sufficient appropriate audit evidence with respect to the amounts of cash flows that can be received by the Group and the Company from the shares pledged and the personal guarantee. We are unable to obtain sufficient appropriate audit evidence to satisfy ourselves that no allowance for impairment loss is required with respect to the above receivable.

   Our audit opinion on the consolidated financial statements and the statement of financial position and statement of changes in equity of the Company for the financial year ended 31 December 2018 was also qualified in respect of the consideration due from disposal of GPE.

2. *Loan to a former subsidiary (GPE) and Amount due from a former subsidiary (GPE) (Note 7)*

   As at 31 December 2019, loan to a former subsidiary (GPE) and amount due from a former subsidiary (GPE) amounted to $2,666,000 (2018: $2,560,000) and $300,000 (2018: $300,000) respectively. During the current financial year, GPE defaulted on its loan repayment schedule.

   As disclosed in Note 39(a), in January 2020, the Group and Company received shares of the Company valued at $100,000 towards satisfying the overdue payments as at 31 December 2019. In March 2020, the Group and Company received cash of $30,000 in accordance with the repayment schedule. Management has assessed that no allowance for impairment loss is required on the outstanding balances in the current financial year.

   We are unable to obtain sufficient appropriate audit evidence to satisfy ourselves that no 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. We are also 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 the receivables.

*We conducted our audit in accordance with 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."*

Notwithstanding the aforementioned opinion of the auditors, the Board wishes to update our shareholders on the efforts taken to address the concerns to-date, that:

(i) with respect to the first basis for the Qualified Opinion, subsequent to the Company's Unaudited Financial Statements and Dividend Announcement for FY2019 as announced on 28 February 2020, the Purchaser had, on 4 March 2020, transferred a further 50,000,000 Controlled Shares to Shamsol Jeffri Bin Zainal Abidin for a consideration of $50,000, which had been fully paid to the Company and applied towards the discharge of the outstanding amount under the Third Tranche Consideration. On 9 March 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 62,670,000 shares held by the Purchaser in the Company ("**Further Controlled Shares**"), pursuant to the Third Supplemental Agreement entered between the Company and the Purchaser on 2 March 2020. Under the Third Supplemental Agreement, the Purchaser shall:

    (a) pay the amount of $50,000 as part payment of the Fourth Tranche Consideration (the "**First Part Payment**") to be satisfied by the Further Controlled Shares;
    (b) continue to pay interest on the Fourth Tranche Consideration from time to time outstanding for the period beginning on the day following the Original Due Date (i.e. 30 October 2010) and ending on the date the Company receives it, at a rate of 6% per annum, accruing on a daily basis (the "**Interest**"); and
    (c) pay an additional $5,000 extension fee per month (the "**Extension Fee**") in addition to the Fourth Tranche Consideration and Interest commencing from the month of February 2020 and up to the date of full repayment of the Fourth Tranche Consideration and Interest; and

(ii) with respect to the second basis for the Qualified Opinion, although GPE had defaulted on their payment obligations during the year, GPE had taken steps to remedy the default. On 15 January 2020, the Purchaser had granted 100,000,000 shares in the Company to the Company towards satisfying the outstanding scheduled payment of $100,000 on behalf of GPE. On 31 March 2020, the Company received $30,000 in cash from GPE, being the scheduled payment specified under the loan restructuring agreement. There are currently no outstanding scheduled payments due from GPE as at the time of this announcement.

Terms used and not otherwise defined in this announcement shall bear the same meanings as ascribed to them in the Company's announcements dated 2 March 2020, 4 March 2020 and 9 March 2020.

The Board reiterates that the matters above are continually being monitored and reviewed 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.

3. 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

13 April 2020

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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

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**") as set out on pages 10 to 86, which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2019, 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 a summary of significant accounting policies.

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, Chapter 50 (the "**Act**") and Singapore Financial Reporting Standards (International) ("**SFRS(I)**") 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 2019, 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 disposal of a subsidiary ("**GPE**") from Ms Chong Shin Mun (the "**Purchaser**") (Note 7)

   As at 31 December 2019, consideration due from the disposal of GPE Power Systems (M) Sdn. Bhd. ("**GPE**") amounted to $1,212,000 (2018: $1,600,000).

   During the current financial year, certain rights of control and sale of the Company's shares owned by the Purchaser ("**Controlled Shares**") were received as partial settlement of the balance outstanding. Subsequent to year end, as disclosed in Note 39(b), the Group and Company received $50,000 from the sale of Controlled Shares. As disclosed in Note 39(b), in March 2020, 62,670,000 Further Controlled Shares were received from the Purchaser.

   The balance consideration (including interest and other costs, charges and expenses incurred by the Company) 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 no allowance for impairment loss is required on the balance due from the Purchaser. We are unable to obtain sufficient appropriate audit evidence with respect to the amounts of cash flows that can be received by the Group and the Company from the shares pledged and the personal guarantee. We are unable to obtain sufficient appropriate audit evidence to satisfy ourselves that no allowance for impairment loss is required with respect to the above receivable.

   Our audit opinion on the consolidated financial statements and the statement of financial position and statement of changes in equity of the Company for the financial year ended 31 December 2018 was also qualified in respect of the consideration due from disposal of GPE.

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

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

Basis for Qualified Opinion (cont'd)

2. Loan to a former subsidiary (GPE) and Amount due from a former subsidiary (GPE) (Note 7)

   As at 31 December 2019, loan to a former subsidiary (GPE) and amount due from a former subsidiary (GPE) amounted to $2,666,000 (2018: $2,560,000) and $300,000 (2018: $300,000) respectively. During the current financial year, GPE defaulted on its loan repayment schedule.

   As disclosed in Note 39(a), in January 2020, the Group and Company received shares of the Company valued at $100,000 towards satisfying the overdue payments as at 31 December 2019. In March 2020, the Group and Company received cash of $30,000 in accordance with the repayment schedule. Management has assessed that no allowance for impairment loss is required on the outstanding balances in the current financial year.

   We are unable to obtain sufficient appropriate audit evidence to satisfy ourselves that no 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. We are also 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 the receivables.

We conducted our audit in accordance with 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 4.1 to 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 2019, the Group reported a net loss of $367,000 (2018: $3,845,000) and reported net cash used in operating activities of $266,000 (2018: $793,000), and the Company reported a net loss of $987,000 (2018: $3,230,000). At 31 December 2019, the Company's current liabilities exceeded its current assets by $625,000.

These factors 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 4.1 to the financial statements, 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 qualified in respect of this matter.

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 2019 Annual Report, but does not include the financial statements and our auditor's report thereon.

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, we are unable to obtain sufficient appropriate audit evidence with respect to the expected credit loss of the balance consideration due from 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.

Emphasis of Matter

We draw your attention to Note 37 to the financial statements which describes the investigations by the Commercial Affairs Department.

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), 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.

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

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

Responsibilities of Management and Directors for the Financial Statements (cont'd)

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.

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.

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)

- 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.

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 period 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 Tay Guat Peng.

Baker Tilly TFW LLP
Public Accountants and
Chartered Accountants
Singapore

13 April 2020

EXTRACT

4. 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.

4.1 Critical judgements made in applying accounting policies

In the process of applying the Group's accounting policies, management has made the following judgements apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements.

Going concern

During the financial year ended 31 December 2019, the Group reported net loss of $367,000 (2018: $3,845,000) and reported net cash used in operating activities of $266,000 (2018: $793,000) and the Company reported a net loss of $987,000 (2018: $3,230,000). At 31 December 2019, the Company's current liabilities exceeded its current assets by $625,000. 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 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 review of the cash flow forecasts of the Group and of the Company for the financial year ending 31 December 2020 showed that the Group and the Company have adequate resources and will be able to generate sufficient cash flows in the next 12 months to meet their financial obligations as and when they fall due taking into consideration:

   (a) Group activities is expected to continue generating positive cash flows for the Group and the Company in the next 12 months despite the slowdown in the operating environment;

   (b) the Group's business segment in the renewable business and energy sector which is expected to register their maiden contributions during the next 12 months; and

   (c) the Company targets to raise proceeds from the allotment and issuance of shares under an option agreement to Mr Lim In Chong ("**Mr Lim**") or to his designated investors and/or nominees by 24 April 2020.

(2) As at 31 December 2019, the Group is in net current asset position; and

(3) The Directors are actively evaluating various strategies, including fund raising, acquisitions of suitable businesses as well as restructuring the Group's existing businesses or assets to improve the existing business and earnings base of the Group.

After considering the measures taken described above, the Directors believe that the Group and the Company have adequate resources to continue its operations as going concerns. In light of the adverse impact on the Group activities from the current COVID-19 pandemic, which is difficult to assess at this point with regard to its severity and duration, given that economic activity have largely disrupted in most parts of the world and may remain weak in the near term, the Group will continue to monitor closely the situation and continue to improve its financial position and conserve liquidity to withstand the current economy. The Group has a management team that is experienced managing difficult situations and has demonstrated that the management can respond quickly to changing market conditions and remain positioned for the expected recovery in demand.

EXTRACT

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

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

Going concern (cont'd)

On the same note, with regard to (1) (c) above, there exists a possibility that Mr Lim may not be able to exercise his options before the expiry date due to the COVID-19 movement restrictions in Malaysia which may be prolonged.

Should this occur, the Directors are of the opinion that the Group and the Company will still be able to meet their obligations as and when they fall due over the next 12 months, although there will be less internal resources available to implement projects that are still in the planning stage. The consolidated financial statements of the Group and the statement of financial position, and statement of changes in equity of the Company are prepared on a going concern basis.

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.

Investment in subsidiary

Management has assessed and concluded that the Group has control over HT Energy (S) Sdn. Bhd. since the Group has majority of the board representation since 25 June 2019. Accordingly, the Group has accounted for this investment as its subsidiary and consolidated the subsidiary's financial statements with effect from 25 June 2019.

4.2 Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the financial year, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Investment in subsidiaries

The Group reviews the investment in subsidiaries at the end of the financial year to determine whether there is any indication of impairment. An impairment exists when the carrying value of an asset or cash generating units exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value-in-use.

The carrying amounts of investment in subsidiaries at the end of the financial year are disclosed in Note 10.

EXTRACT

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

4.2 Key sources of estimation uncertainty (cont'd)

Estimating the incremental borrowing rate for leases

The Group uses the incremental borrowing rate to measure the lease liabilities because the interest rate implicit in the lease is not readily determinable. The incremental borrowing rate is the rate of interest that a lessee would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The incremental borrowing rate therefore reflects what the Group "would have to pay", which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Group estimates the incremental borrowing rate by using observable inputs such as market interest rates, when available and is required to make certain entity-specific estimates, such as the entity's stand-alone credit rating. Any change in estimation of incremental borrowing rate may have a significant impact to the determination of lease liabilities and right-of-use asset at the date of initial application of SFRS(I) 16 and commencement date of new leasing transactions. The carrying amount of lease liabilities and right-of-use assets are disclosed in Note 16 and 13 respectively.

Impairment of non-financial assets

An impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value-in-use. The value-in-use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes. The carrying amount of property, plant and equipment and right-of-use assets are disclosed in Note 12 and Note 13.

Calculation of loss allowance

When measuring ECL, the Group uses reasonable and supportable forward-looking information, which is based on assumptions and forecasts of future economic conditions. Loss given default is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

Probability of default constitutes a key input in measuring ECL. Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

As the calculation of loss allowance on trade receivables is subject to assumptions and forecasts, any changes to these estimations will affect the amounts of loss allowance recognised and the carrying amounts of trade receivables. Details of ECL measurement and carrying value of trade receivables at reporting date are disclosed in Note 7 and Note 33(b).

EXTRACT

4. Critical accounting judgements and key sources of estimation uncertainty (cont’d)

4.2 Key sources of estimation uncertainty (cont’d)

Income taxes and deferred tax liabilities

Uncertainties exist with respect to the interpretation of complex tax regulations, the amount and timing of future taxable income and deductibility of certain expenditure. Accordingly, there are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax issues based on estimates whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such difference will impact the income tax and deferred tax provisions in the period in which such determination is made.

The carrying amount of the Group’s tax payable, deferred income tax liabilities and deferred income tax assets at 31 December 2019 was $37,000 (2018: $115,000), $31,000 (2018: $22,000) and $Nil (2018: $1,000) respectively.

Information on unabsorbed tax losses and other temporary differences for which deferred tax assets/liabilities had not been recognised are stated in Note 27 and Note 19 respectively.

EXTRACT

7. Trade and other receivables

	Group 2019 $'000	Group 2018 $'000	Company 2019 $'000	Company 2018 $'000
Current				
Trade receivables:				
Non-related parties	**2,885**	2,488	**–**	–
Less: Allowance for impairment	**(780)**	(772)	**–**	–
	2,105	1,716	**–**	–
Other receivables	**43**	10	**–**	2
Amount due from a former subsidiary (GPE)	**300**	300	**300**	300
	343	310	**300**	302
Loan to a former subsidiary (GPE)	**220**	160	**220**	160
Loan to a former corporate shareholder of a subsidiary	**24**	24	**–**	–
Amounts due from subsidiaries	**–**	–	**–**	27
Amount due from an associate	**–**	28	**–**	18
Advances to subsidiaries	**–**	–	**115**	306
Advances to former subsidiaries	**11,171**	11,171	**11,171**	11,171
Less: Allowance for impairment	**(11,171)**	(11,171)	**(11,171)**	(11,171)
	–	28	**115**	351
Refundable deposit placed with supplier for the purchase of inventories	**–**	106	**–**	–
Consideration due from disposal of a subsidiary (GPE) from Ms Chong Shin Mun	**1,212**	1,600	**1,212**	1,600
Security deposits	**54**	111	**24**	24
GST receivable	**15**	39	**11**	5
Tax recoverable	**24**	–	**–**	–
Advance billings from suppliers	**503**	–	**–**	–
Prepayments	**42**	93	**26**	26
Other recoverable	**150**	150	**150**	150
Less: Allowance for impairment	**(150)**	(150)	**(150)**	(150)
	–	–	**–**	–
	4,542	4,187	**1,908**	2,468
Non-current				
Loan to a subsidiary	**–**	–	**165**	–
Loan to a former subsidiary (GPE)	**2,446**	2,400	**2,446**	2,400
	2,446	2,400	**2,611**	2,400
	6,988	6,587	**4,519**	4,868

EXTRACT

7. Trade and other receivables (cont'd)

Group

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.

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.

Company

Amounts due from subsidiaries

Amounts due from subsidiaries are non-trade in nature, unsecured, interest-free and repayable on demand.

Advances to subsidiaries

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

Loan to a subsidiary

Loan to a subsidiary is unsecured, interest-free and repayable on 8 January 2021.

Group and Company

Amount due from a former subsidiary (GPE)

The amount due from a former subsidiary (GPE) relates to management fee, is unsecured, interest-free and repayable on demand.

Loan to a former subsidiary (GPE)

An amount of $2,666,000 (2018: $2,560,000) being loan to a former subsidiary is unsecured and bears an interest rate of 8% (2018: 8%) per annum. The scheduled repayment of the restructured loan commenced in January 2019 and final payment due in July 2021.

During the financial year ended 31 December 2019, GPE defaulted on 4 instalment payments amounted to $100,000.

As disclosed in Note 39(a), in January 2020, the Group and Company received 100,000,000 shares of the Company valued at $100,000 based on last trading price as of the date of this report, towards satisfying the overdue payments as at 31 December 2019. In March 2020, in accordance with the repayment schedule, due in March 2020, the Group and Company received $30,000.

As at the date of this report, the amount due from GPE and loan to GPE amounted to $300,000 and $2,681,000 respectively, before offsetting proceeds from sale of the 100,000,000 shares which remained unsold.

Amount due from an associate

Amounts due from an associate are non-trade in nature, unsecured, interest-free and repayable on demand.

EXTRACT

7. Trade and other receivables (cont'd)

Group and Company (cont'd)

Advances to former subsidiaries

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

*Consideration due from disposal of a subsidiary (GPE) from Ms Chong Shin Mun (the "**Purchaser**") (2019: $1,212,000; 2018: $1,600,000)*

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., a private limited company representing 14.58% of its entire share capital, held by a related party of the Purchaser, Tan Yock Chew.

(b) a personal guarantee by Tan Yock Chew in favour of the Company.

On 27 June 2019, 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. On 29 October 2019, the Purchaser defaulted on the Fourth Tranche consideration amount of $1,000,000.

During the financial year, the Company received 50,000,000 Further Controlled Shares from the Purchaser for settlement of interest.

Subsequent to year end, as disclosed in Note 39(b), the Group and Company received $50,000 from the sale of Controlled Shares for settlement of the Third Tranche consideration. As disclosed in Note 39(b), 62,670,000 Further Controlled Shares were received from the Purchaser.

As at the date of this report, the balance due, including interest amounted to $1,177,000, before offsetting the proceeds from the sale of 227,330,000 Controlled Shares and 112,670,000 Further Controlled Shares valued at $227,330 and $112,670 respectively based on the last trading price as of date of this report, which remained unsold.

37. Other Matters

Matters with Commercial Affairs Department

As announced by the Company on 4 April 2014 and 29 April 2014, the Company and certain of its subsidiaries, P.J. Services Pte Ltd, Nu-Haven Incorporated and IPT (which was disposed during the financial year ended 31 December 2016), were served with notices to provide the Commercial Affairs Department (the "**CAD**") with certain information and documents for the period from 1 January 2011 to 31 March 2014 in relation to its investigations into a potential offence under the Securities and Futures Act (Cap. 289) in respect of certain individuals. The Company has been co-operated fully with the CAD in its investigations.

On 3 February 2020, the CAD confirmed to the Company's external auditor that certain persons were charged with offences under the Securities and Futures Act, the Penal Code and Companies Act. One of them pled guilty to the charges and has been convicted accordingly. The other two are standing trial in the High Court. Investigations against persons who may have facilitated the offences are still on-going. The CAD has not provided the Company with any further details or updates of its investigations.

EXTRACT

37. Other Matters (cont'd)

Matters with Commercial Affairs Department (cont'd)

The business and day-to-day operations of the Group are not affected by the investigations and have continued as normal. However, the ongoing investigations have cast a negative outlook on the Company from the perspective of the financial institutions which are highly risk averse and pose limitations to the Group's growth and expansion plans.

39. Events after the financial year

Other than as disclosed elsewhere in these financial statements, subsequent to the financial year:

a) *Loan to a former subsidiary (GPE)*

On 15 January 2020, Ms Chong Shin Mun (the "**Purchaser**"), had granted 100,000,000 shares (as described in Note 7) to the Company, towards satisfying the outstanding scheduled payment of $100,000 on behalf of GPE. On 31 March 2020, the Company received cash of $30,000 from GPE being the scheduled payment specified under the loan restructuring agreement.

b) *Consideration due from disposal of a subsidiary (GPE)*

On 4 March 2020, Ms Chong Shin Mun has transferred of a further 50,000,000 Controlled Shares to Shamsol Jeffri Bin Zainal Abidin for a consideration of $50,000, the amount has been fully paid to the Company and has been applied towards the discharge of the outstanding amount under Third Tranche Consideration.

On 9 March 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 62,670,000 shares held by the Purchaser in the Company ("Further Controlled Shares"), pursuant to a third supplemental letter agreement entered between the Company and the Purchaser on 2 March 2020, where the Purchaser shall:

(i) pay a sum of $50,000 upfront as part payment of the Fourth Tranche Consideration (the "First Part Payment");
(ii) continue to pay interest on the Fourth Tranche Consideration (the "Interest");
(iii) pay further sum of $5,000 as an extension fee monthly (the "Extension Fee") in addition to the Fourth Tranche Consideration and Interest commencing from the month of February 2020 and up to the date of full repayment of the Fourth Tranche Consideration and Interest.

c) On 18 March 2019, the Majority Shareholder of HTES ("**Majority Shareholder**"), the 49% subsidiary of the Company has undertaken to subscribe for 301,837 ordinary shares at RM1.00 each in the capital of HTES for a total subscription price of RM301,837 (approximate $99,365) ("**Subscription Price**") 31 December 2019 ("**Original Subscription Date**"). On 6 January 2020, the Company and HTES entered into a supplemental letter agreement with the Majority Shareholder to extend the Original Subscription Date to 31 March 2020, which was subsequently further extended to 31 May 2020 under a second supplemental letter entered into on 31 March 2020. RM216,183 (approximate $71,167) of the Subscription Price inclusive of interest remains outstanding from the Majority Shareholder.

EXTRACT

39. Events after the financial year (cont'd)

d) On 31 March 2020, the Company entered into a letter agreement with Premier Equity Fund Sub Fund F and Value Capital Asset Management Private Limited to further extend the RCB's redemption date to 31 May 2020.

e) In light of the adverse impact on the Group activities from the current COVID-19 pandemic, which is difficult to assess at this point with regard to its severity and duration, given that economic activity have largely been disrupted in most parts of the world and may remain weak in the near term, the Group will continue to monitor closely the situation and continue to improve its financial position and conserve liquidity to withstand the current economy.