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

QUALIFIED OPINION BY THE INDEPENDENT AUDITOR ON THE AUDITED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

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1. FY2022 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, PKF-CAP LLP (the "**Independent Auditor**"), has in its Independent Auditor's Report dated 13 April 2023 (the "**FY2022 Independent Auditor's Report**"), 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 2022 ("**FY2022**").

A copy of the FY2022 Independent Auditor's Report and the relevant notes to the financial statements are annexed to this announcement as "**Appendix I**".

The audited financial statements of the Group and of the Company for FY2022 and the FY2022 Independent Auditor's Report will also be found in the Company's annual report for FY2022, which will be released via the SGXNET and uploaded onto the Company's corporate website at https://annica.com.sg/ in due course.

2. THE QUALIFIED OPINION

The extracts of the Qualified Opinion included in the FY2022 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 79 to 145, which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2022, 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 1967 (the "**Act**") and the Singapore Financial Reporting Standards (International) ("**SFRS(I)s**") 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 2022, 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 Ms Chong Shin Mun (the "**Purchaser**") for disposal of a former subsidiary, GPE Power Systems (M) Sdn. Bhd. ("**GPE**") (Note 16) - Group and Company*

   As at 31 December 2022, consideration due from the disposal of GPE amounted to $225,000 (2021: $156,000) after deducting allowance for impairment loss of $933,000 (2021: $933,000).

   The balance consideration 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 allowance of $933,000 is required on the balance due from the Purchaser.

   We were unable to obtain sufficient appropriate audit evidence to satisfy ourselves that no further allowance for impairment loss is required with respect to the remaining consideration receivable of $225,000 (2021: $156,000).

   Our audit opinion on the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company for the financial year ended 31 December 2022 was qualified as we are unable to obtain sufficient appropriate audit evidence to satisfy ourselves that no allowance for impairment loss is required with respect to the remaining consideration due from disposal of GPE as at 31 December 2022.

2. *Loan to a former subsidiary (GPE) and amount due from a former subsidiary (GPE) (Note 16) - Group and Company*

   As at 31 December 2022, loan to a former subsidiary (GPE) and amount due from a former subsidiary (GPE) amounted to $2,910,000 (2021: $2,847,000) and $300,000 (2021: $300,000) respectively. During the financial year, no repayment has been made to the Group and Company.

   Management has assessed that no allowance for impairment loss is required on the outstanding balances.

   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 the 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 3.1 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 2022, the Group reported a net loss of $1,677,000 (2021: $1,130,000). As at 31 December 2022, the Company's current liabilities exceeded its current assets by $2,008,000 (2021: $1,053,000) and has a net capital deficiency of $41,000.

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 3.1 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 modified in respect of this matter."

Notwithstanding the aforementioned opinion of the Independent Auditor, the Board wishes to update shareholders on the efforts taken by the Group to address the concerns to-date as set out below:

(i) In respect to the first basis for the Qualified Opinion, as disclosed in the Company's announcements on 19 October 2020 and 9 March 2021, the Company initially contemplated the appointment of 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 subsequently disclosed in the Company's announcements dated 1 March 2021, 9 March 2021, 14 April 2021 and 20 April 2021, on the advice of the Company's legal advisors, prior to the commencement of legal action, the Company 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 had considered that:

(a) the Purchaser had, in addition to the existing security, committed to assigning the proceeds of the sale of the Purchaser's assets to the Company; and

(b) the Purchaser had provided the Company with a total of 810,000,000 shares amounting to S$810,000. Save for the 140,000,000 shares with a value amounting to S$140,000 which had yet to be monetized as at the time of the board meeting, 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 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 took the view that there would not be 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. For the reasons disclosed in the Company's announcement dated 20 April 2021, the Audit Committee of the Company ("**AC**") maintains the view that the ongoing engagement with the Purchaser is in the best interests of the Company and its shareholders and should be continued at this juncture, while the AC continues to monitor and review the situation for any changes to the detriment of the Company.

As of 24 June 2022, the Purchaser has since completed the transfer of, and successfully monetized, all the Controlled Shares under the 27 June 2019 Share Charge and all the Further Controlled Shares under the 12 December 2019 Share Charge and the 9 March 2020 Share Charge. The proceeds from such transfers, amounting to an aggregate of S$810,000, have been applied towards part payment of the outstanding Fourth Tranche Consideration owed by the Purchaser. As at the date of this announcement, the total amount outstanding from the Purchaser is S$1,187,079 (of which S$933,000 has been impaired as disclosed in the audited consolidated financial statements in the Company's annual reports for the financial years ended 31 December 2020 and 31 December 2021).

The Company will work closely with the Purchaser to ensure the recovery of the Demanded Amounts upon the sale of the Purchaser's assets. Meanwhile, the Board will continually assess and review this matter periodically until resolution.

(ii) In respect to the second basis for the Qualified Opinion, the outstanding payments due from GPE amount to S$3,250,890. On 26 July 2022, the Company received a payment of S$90,000 from GPE. The Purchaser, in her capacity as the majority shareholder and director of GPE, is negotiating the sale of certain of her assets in order to settle such outstanding payments together with the remaining outstanding Fourth Tranche Consideration. The proposed sale of these assets involves several other stakeholders and the alignment of these transacting parties' interests requires time to resolve.

Despite the understanding that the parties are working towards an expeditious completion of the proposed sale, the Company is in active discussions with Ms. Chong Shin Mun on other alternative means of monetising these assets in the event the proposed sale transaction fails. If so, the Company will release the necessary update announcement to shareholders and seek necessary shareholders' approval if required.

Terms used and not otherwise defined in this announcement shall bear the same meanings as ascribed to them in the Company's announcements dated 1 March 2021, 9 March 2021, 14 April 2021, 20 April 2021, 20 October 2021, 25 February 2022, 13 May 2022 and 24 June 2022.

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. For the reasons disclosed in Note 3.1 to the audited financial statements accompanying the annual report for FY2022, the Board is 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 and, accordingly, suspension of trading of the Company's shares is not necessary. The Board of Directors is also of the view that sufficient information has been disclosed to enable trading of the Company's shares to continue in an orderly manner. The Board is also of the view that an interruption in trading of the Company's shares would affect the Group's ability to raise funds from the capital markets to support the expansion and growth of the Group's businesses, if so required.

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 2023

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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 79 to 145, which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2022, 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 1967 (the "**Act**") and the Singapore Financial Reporting Standards (International) ("**SFRS(I)s**") 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 2022, 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 Ms Chong Shin Mun (the "**Purchaser**") for disposal of a former subsidiary, GPE Power Systems (M) Sdn. Bhd. ("**GPE**") (Note 16) - Group and Company

   As at 31 December 2022, consideration due from the disposal of GPE amounted to $225,000 (2021: $156,000) after deducting allowance for impairment loss of $933,000 (2021: $933,000).

   The balance consideration 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 allowance of $933,000 is required on the balance due from the Purchaser.

   We were unable to obtain sufficient appropriate audit evidence to satisfy ourselves that no further allowance for impairment loss is required with respect to the remaining consideration receivable of $225,000 (2021: $156,000).

   Our audit opinion on the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company for the financial year ended 31 December 2022 was qualified as we are unable to obtain sufficient appropriate audit evidence to satisfy ourselves that no allowance for impairment loss is required with respect to the remaining consideration due from disposal of GPE as at 31 December 2022.

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 16) - Group and Company

   As at 31 December 2022, loan to a former subsidiary (GPE) and amount due from a former subsidiary (GPE) amounted to $2,910,000 (2021: $2,847,000) and $300,000 (2021: $300,000) respectively. During the financial year, no repayment has been made to the Group and Company.

   Management has assessed that no allowance for impairment loss is required on the outstanding balances.

   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 the 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 3.1 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 2022, the Group reported a net loss of $1,677,000 (2021: $1,130,000). As at 31 December 2022, the Company's current liabilities exceeded its current assets by $2,008,000 (2021: $1,053,000) and has a net deficiency of $41,000.

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 3.1 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 modified in respect of this matter.

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 2022 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 allowance for impairment 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.

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)s, 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.

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.

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

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.

- 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.

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)

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 year 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 Tang Hui Lin.

PKF-CAP LLP
Public Accountants and
Chartered Accountants

Singapore
13 April 2023

EXTRACT

3. 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.

3.1 Critical judgements made in applying accounting policies

In the process of applying the Group's accounting policies which are described in Note 2, management has made the following judgements that have the most significant effect on the amounts recognised in the financial statements (apart from those involving estimates which are dealt in the preceding paragraph).

Going concern

During the financial year ended 31 December 2022, the Group reported net loss of $1,677,000 (2021: $1,130,000). As at 31 December 2022, the Company's current liabilities exceeded its current assets by $2,008,000 (2021: $1,053,000) and has a net capital deficiency of $41,000. 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 subsequent to the financial year ended 31 December 2022 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 generate positive cash flows for the Group and the Company in the next 12 months as economies recover post Covid-19 pandemic;

   (b) The Group's business in the green technology and renewable energy segment is expected to contribute to the Group during the next 12 months; and

   (c) The Group is performing a reset on its engineering services segment and oil and gas equipment segment, reshaping their strategic direction to serve other markets along the value chain in the engineering services and oil and gas equipment segment. This expansion, if successful, will strengthen the Group's position along the value chain and improve the contribution from the engineering services and oil and gas equipment segments.

EXTRACT

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

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

Going concern (cont'd)

(2) As at 31 December 2022, the Group is in net current asset position.

(3) During the financial year, the Group generated positive cashflows from operating activities.

(4) Subsequent to the financial year end, the Group has obtained additional loan facility of $2,000,000 to finance its working capital with the conditions stated in the loan agreement dated 31 March 2023.

Based on the loan agreement dated 31 March 2023, the Company did not meet a loan covenant to maintain the value of its assets more than its liabilities as the Company is in a net capital deficiency position ("Loan Covenant"). The Company has further obtained a letter of waiver dated on 11 April 2023 to waive the Loan Covenant provided that the value of total net liabilities of the Group to not exceed $2,000,000. Further, the Loan Covenant shall not apply for outstanding loan amounts of $1,000,000.

Board of Directors have reviewed and assessed the cash flow forecast of the Group for the next 12 months from the date of financial statements and concluded that the Group has adequate resources to continue in operation for the next 12 months from the date of financial statement and it is unlikely to breach the covenant set by the lender while the Group is expecting to generate operating cash inflows in the next 12 months.

(5) The Directors are actively evaluating and reviewing various corporate strategies, including fund raising, primarily for the Group's green technology and renewable energy segment, strategic acquisitions of suitable businesses as well as restructuring the Group's existing businesses or assets with a view towards enhancing and solidifying the earnings base of the Group.

Management continues to have a reasonable expectation that the Group has adequate resources to continue in operation for at least the next 12 months from the financial year ended 31 December 2022 and that the going concern basis of preparation of these financial statements remains appropriate.

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.

EXTRACT

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

3.2 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.

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 commencement date of new leasing transactions. The carrying amount of right-of-use assets and lease liabilities are disclosed in Notes 12 and 22 respectively.

Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. 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 of disposal and its value in use.

When value in use calculations are undertaken, management is required to estimate the expected future cash flows from the asset or cash-generating unit and a suitable discount rate, in order to determine the present value of those cash flows. Details of the key assumptions applied in the impairment assessment of the Company's investment in subsidiaries are disclosed in Note 14. Changes in assumptions made and discount rate applied could affect the carrying value of these assets.

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 with consideration on the impact of COVID-19 pandemic. 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 Notes 16 and 33(b) respectively.

EXTRACT

16. Trade and other receivables

	Group		Company	
	2022	2021	**2022**	2021
	$'000	$'000	**$'000**	$'000
Current				
Trade receivables - third parties	**3,195**	2,098	–	–
Less: Allowance for impairment [Note 33(b)]	**(25)**	(21)	–	–
	3,170	2,077	–	–
Other receivables:				
- A director of the subsidiary	–	7	–	7
- A former subsidiary (GPE)	**300**	300	**300**	300
- Other receivables	**8**	–	–	–
	308	307	**300**	307
Loans to:				
- A former subsidiary (GPE)	**2,910**	2,847	**2,910**	2,847
- A former corporate shareholder of a subsidiary	**4**	24	–	–
Less: Allowance for impairment [Note 33(b)]	**(4)**	–	–	–
	2,910	2,871	**2,910**	2,847
Advances to:				
- Subsidiaries	–	–	**383**	132
- Former subsidiaries	–	–	–	11
Less: Allowance for impairment [Note 33(b)]	–	–	–	(11)
	–	–	**383**	132
Consideration due from disposal of a subsidiary (GPE) from Ms Chong Shin Mun	**1,158**	1,089	**1,158**	1,089
Less: Allowance for impairment [Note 33(b)]	**(933)**	(933)	**(933)**	(933)
	225	156	**225**	156
Other recoverable	**150**	150	**150**	150
Less: Allowance for impairment [Note 33(b)]	**(150)**	(150)	**(150)**	(150)
	–	–	–	–
Lease receivables [Note 27(b)]	–	–	**61**	104
Security deposits	**69**	200	**23**	23
GST receivables	**10**	13	**2**	9
Tax recoverables	**44**	36	–	–
Advance billings from suppliers	**5,155**	941	–	–
Prepayments	**56**	84	**6**	14
	5,334	1,274	**92**	150
	11,947	6,685	**3,910**	3,592

EXTRACT

16. Trade and other receivables (cont'd)

	Group		Company	
	2022	2021	**2022**	2021
	$'000	$'000	**$'000**	$'000
Non-current				
Lease receivables [Note 27(b)]	–	–	–	61
Loan to a subsidiary	–	–	–	162
	–	–	–	223

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.

Other receivables due from a director of the subsidiary

Other receivables due from a director of the subsidiary are non-trade in nature, unsecured, interest-free and repayable on demand.

Other receivables due from a former subsidiary (GPE)

The amount due from a former subsidiary, GPE Power Systems (M) Sdn Bhd ("**GPE**") relates to management fee, is unsecured, interest-free and repayable on demand.

Loan to a former subsidiary (GPE)

The current amount of $2,910,000 (2021: $2,847,000) being loan to a former subsidiary, is unsecured and bears an interest rate of 8% (2021: 8%) per annum.

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.

Advances to subsidiaries

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

EXTRACT

16. Trade and other receivables (cont'd)

*Consideration due from disposal of a subsidiary (GPE) from Ms Chong Shin Mun (the "**Purchaser**")*

In 2018, the Group disposed its entire equity interest in GPE for a cash consideration of $2,000,000 to a director of GPE, Ms Chong Shin Mun. As at 31 December 2022, the gross receivables of $1,158,000 from Ms Chong comprised the extension fees and Fourth Tranche amounting to $175,000 and $810,000 respectively with accrued interest of $173,000 (31 December 2021: $1,089,000 which comprised the extension fees and Fourth Tranche amounting to $115,000 and $850,000 respectively with accrued interest of $124,000).

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. ("**SBSB**"), a private limited company representing 14.58% of its entire share capital, held by a related party of the Purchaser, Tan Yock Chew; and
(b) a personal guarantee by Tan Yock Chew in favour of the Company.

In 2019,

- The Purchaser defaulted on the Fourth Tranche consideration amount of $1,000,000;
- 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; and
- The Group received approximately $420,000 from the sale of controlled shares of 420,000,000 as partial settlement of the balance outstanding.

In 2020,

- The Group received 50,000,000 further controlled shares ("**Further Controlled Shares**") from the Purchaser to satisfy the outstanding amount under the Third Tranche consideration as at 31 December 2019;
- The Group received approximately $250,000 from the sale of 250,000,000 Controlled and Further Controlled Shares;
- On 2 March 2020, a Third Supplemental Letter agreement was entered between the Company and the Purchaser where the Purchaser shall:

  (i) pay a sum of $50,000 as part payment of the Fourth Tranche Consideration;
  (ii) continue to pay interest on the Fourth Tranche Consideration;
  (iii) pay further sum of $5,000 as an extension fee monthly in addition to (i) and (ii) above, commencing from the month of February 2020;

- On 30 April 2020, the Company and the Purchaser entered into a letter agreement ("**Settlement Agreement**") with the Purchaser and Tan Yock Chew (the "**Guarantor**") with the following key terms:

  (i) in the event of default in repayment of the Fourth Tranche Consideration, the Company shall be entitled the rights to enforce the share charge and to have the 21,875 ordinary shares of SBSB;
  (ii) the Company shall be granted with a put option to require the Guarantor and/or the Purchaser to purchase back SBSB shares from the Company;

EXTRACT

16. Trade and other receivables (cont'd)

*Consideration due from disposal of a subsidiary (GPE) from Ms Chong Shin Mun (the "**Purchaser**") (cont'd)*

(iii) the Purchaser shall procure SBSB to enter into a deed of assignment of proceeds whereby SBSB shall assign unto the Company 50% of SBSB's rights, title, interest, benefit, advantages and remedies which SBSB may have in under or arising out of the sale of all, or any, of the production lines currently housed in a factory lot including all the sale proceeds thereof and other monies payable or to become payable thereunder as satisfaction of the outstanding Fourth Tranche Consideration, accrued interest, extension fees and all other costs; and

(iv) the Purchaser and Guarantor shall continue to be liable to the Company for the shortfall amount after (i) to (iii) above under the Settlement Agreement, which shall be immediately payable on demand.

- On 23 June 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 ("**Further Controlled Shares**") shares held by the Purchaser in the Company.

- $933,000 of allowance of impairment loss was recognised in the Group's and the Company's profit or loss for the estimated amount with uncertainty over its recoverability, after considering the cash flows that are expected to be recovered through the potential sale of the remaining Controlled Shares and Further Controlled Shares of 140,000,000 shares valued at $140,000.

In 2021,

- On 20 October 2021, The Purchaser had completed the transfer of 37,330,000 Controlled Shares under the 27 June 2019 Share Charge, 50,000,000 Further Controlled Shares under the 12 December 2019 Share Charge, and 12,670,000 Further Controlled Shares under the 9 March 2020 Share Charge to an independent third-party investor;
- The Group had received a total of $100,000 from the said sale of Controlled Shares and Further Controlled Shares, and the same has been applied towards part payment of the outstanding Fourth Tranche Consideration owed by the Purchaser.

In 2022,

- On 26 July 2022, the Purchaser has completed the transfer of the remaining 40,000,000 Controlled Shares under the 27 June 2019 Share Charge to an independent third-party investor for a consideration of S$40,000.

Loan to a subsidiary

During the financial year, the loan to a subsidiary was fully repaid.

EXTRACT

35. Other Matter

Matter 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 (which was disposed during the financial year ended 31 December 2022) and Industrial Power Technology Pte Ltd (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-cooperating fully with the CAD in its investigations.

On 27 May 2022, the CAD confirmed to the Company's external auditor that there is no ongoing investigation against Annica Holdings Limited.

There is no further development on the matter on current financial year.