

ENECO ENERGY LIMITED
(the “Company”)
(Co. Reg. No. 200301668R)
(Incorporated in the Republic of Singapore)

**RESPONSES TO QUESTIONS FROM THE SECURITIES INVESTORS ASSOCIATION
(SINGAPORE) IN RELATION TO THE ANNUAL GENERAL MEETING TO BE HELD ON
28 APRIL 2022**

The Board of Directors (the “**Board**”) of Eneco Energy Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) refers to the Notice of Annual General Meeting (“AGM”) dated 12 April 2022 in relation to the Company’s AGM to be held by electronic means on 28 April 2022 at 2.00 p.m.

The Board would like to provide responses to questions received from the Securities Investors Association (Singapore) (“SIAS”) ahead of the AGM as follows. The Company did not receive any questions from its shareholders as at the deadline stated in the Notice of AGM.

Question 1

On 9 March 2020, the company requested for a voluntary suspension pending the satisfactory conclusion and address of the issues raised by its auditors in connection with its ability to operate as a going concern.

On 4 March 2021, the group submitted its application for the lifting of the group’s voluntary suspension and resumption of trading to Singapore Exchange Securities Trading Limited (“SGX-ST”). Following that, on 6 January 2022, the company received a no-objection letter from SGX-ST with reference to the application.

- (i) Can the board, especially the independent directors, help shareholders understand the reasons for the delay?
- (ii) With the receipt of no-objection from SGX-ST on 6 January 2022, what are the remaining milestones before the shares of the company can resume trading?
- (iii) When does the board expect the trading to resume?
- (iv) In addition, what is the progress made by Deloitte & Touche Financial Advisory Services Pte. Ltd. as the independent reviewer to review, inter alia, the circumstances surrounding the Queried Payment and the group’s corporate governance and internal controls related to the Queried Payment?

Company’s Response

- (i) Following the submission of the application for the lifting of the group’s voluntary suspension and resumption of trading, the Company had been working very closely with the auditors and other stakeholders in fulfilling SGX-STs requirements, culminating in SGX-ST’s issuance of the no objection letter dated 6 January 2022. As there were several requirements from SGX-ST which needed to be comprehensively addressed, the process took some time.
- (ii) There are now two outstanding matters, namely:-
 - 1) the finalisation of the group’s independent reviewer, Deloitte & Touche Financial Advisory Services Pte Ltd’s report and its recommendations; and
 - 2) Completion of the disposal of the Group’s Oil & Gas (“O&G”) business.
- (iii) The resumption of trading is still subject to the approval of SGX-ST.
- (iv) The Company has been informed by Deloitte & Touche Financial Advisory Services Pte Ltd that it is still finalising its report to be submitted to SGX-ST.

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Question 2

Despite the challenges faced by the group in the O&G segment, the Group's logistics segment has been making good progress, with revenue increasing to \$39.5 million. Richland Logistics offers premier end-to-end logistics services in several countries.

Despite the increase in revenue, profit declined by 24.1% to \$4.1 million in FY2021.

Looking ahead, the group expects positive organic and inorganic revenue growth in its logistic business globally.

- (i) Can management help shareholders better understand the competitive advantage of Richland in the logistics business? What is its business model and how does it create value for shareholders?
- (ii) What are the profiles of its major customers?
- (iii) What is management's strategy to secure new contracts with healthy gross profit margins?
- (iv) Has the board reviewed the growth opportunities in the logistics business and assessed the growth trajectory? Would the company be focusing on the logistics business which has performed well, instead of diversifying into new businesses in an attempt to acquire alternate revenue and profit stream?
- (v) Following the sale of the oil & gas entities, will the board be reviewing the total value creation/destruction related to the group's O&G investments? What are the lessons gleaned by the board/management relating to the O&G investments?

Company's Response

- (i) With the in-house tailor-made apps, RichLand Logistics is driving change and challenging the way the industry functions. The Company utilises IT infrastructure and innovation to operate and manage transportation services and has a centralised control tower that provides planning and real time visibility to our internal operators and customers. The Company continue to use technology as a driver to increase productivity, reduce our operating costs and to remain competitive.

The Company is an owner operator for all our logistics contracts and is responsible for all fleets and labour resources. This allows us to implement changes and drive IT improvements/innovations to create value for our customers, thereby continuously cementing our relationship and contract terms.

- (ii) Our major customers span across diverse industries in electronics, engineering, freight forwarders, manufacturing, retail & consumer, technology and telecommunications.
- (iii) We are always focused on ensuring that customer satisfaction is achieved and that customer service teams continued to elevate customer's satisfaction, which is the core of our logistics business. We reach out to new customers in securing new contracts through referrals and we will continue to tap on technology in driving operational excellence in achieving healthy gross profit margins as well as customisation in meeting customers' need.
- (iv) The pandemic outbreak has resulted in dynamic headwinds with global markets facing growing uncertainties amidst stiff competition, giving rise to supply chain disruption and labour crunch to our logistics business. We will continue to ride through the storms in exploring growth and expansion of the logistics business, strengthen our market position and at the same time look into business diversification for new revenue/ profit streams.

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- (v) The value of the O&G investments had always been closely monitored and assessed ever since its introduction into the Group. The O&G exploration is an expensive, high-risk operation and investments have brought in valuable lessons in the areas of risk management and financial prudence.

Question 3

The company announced that it has entered into a placement agreement with SAC Capital Private Limited to raise additional funds by issuing up to an aggregate of 1.66 billion new ordinary shares at an issue price of \$0.009 for each placement share and up to 1.66 billion detachable, transferrable and non-listed warrants, at an issue price of S\$0.001 per warrant, on the basis of one warrant for one placement share, with each warrant carrying the right to subscribe for one new ordinary share in the capital of the company at an exercise price of \$0.009 for each warrant share.

The placement shares represent approximately 256.6% of the existing share capital and approximately 71.9% of the post-placement share capital.

The warrant issue price and the warrant exercise price, taken together, represent a discount of approximately 62.3% to the volume-weighted average price of the company's shares of \$0.0265 per share on 28 February 2020.

There is no moratorium imposed on the placement shares.

- (i) Can the independent directors help shareholders understand the rationale to carry out such a large placement?
- (ii) Has the board considered the potential negative impact of the large placement? How does the board ensure that there is no transfer of a controlling interest in the company given that the placement shares represent approximately 256.6% of the existing share capital?
- (iii) Will the large placement lead to a situation where the company becomes the target of short-term traders, arbitrageurs and opportunistic "investors" who would then try to take control of the company?
- (iv) Has SGX-ST approved/rejected the company's application for the listing and quotation of the placement shares and warrant shares?

Company's Response

- (i) Please refer to the Company's announcement dated 25 March 2022 on the rationale for the Proposed Placement cum Warrants Issue, as also briefly summarised below:

"The Company has decided to undertake the Proposed Placement cum Warrants Issue in order to further strengthen the Group's balance sheet and improve its financial health by increasing resources available to the Company for its operational needs and reducing the Group's dependence on debt financing. The Directors are of the view that the Proposed Placement cum Warrants Issue is beneficial to the Group as it will support future business expansion and growth of the Group."

Further, it is desirable that the Company has access to additional capital to strengthen its balance sheet. In addition, given the uncertain future brought about by the Covid pandemic and the Ukraine situation, it is prudent that the Company has a sufficient buffer of resources to meet any future unforeseen challenges.

In its effort to raise financing and funds to expand the business of the Group, the Board had considered all options and all factors before undertaking the Proposed Placement cum Warrants Issue. The Board therefore consider it judicious to carry out this placement when the economic circumstances in Singapore are still relatively stable, and the Board believe that the

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pricing of the placement is particularly attractive and generous to the Company, given that the placement price per share is approximately 300% above the NTA per share of the Group.

- (ii) The Board is obliged to weigh, at all times, the financial needs of the Group, risks, and opportunities. Balancing matters that have aspects of conflict is a critical task for Board and management; we will always explore financing opportunities with an understanding of the dilutive impact of the Proposed Placement cum Warrants Issue to the Shareholders, and in its effort to raise funds to meet the financial needs of the Group, the Company had explored various options and factors before undertaking the Proposed Placement cum Warrants Issue as it is deemed more suitable at this point in time.

The long-term effect on share price is much less certain and depends on how effectively the Company employs the additional capital raised from the Proposed Placement cum Warrants Issue. While we have no control over external pressures on our share price and are unable to speculate on the future performance of our share price, we endeavour to improve our operational performance and seek growth opportunities to create value for our shareholders.

The Company is of the view that the Proposed Placement cum Warrants Issue is in the best interests of the Company and the Shareholders as a whole as it will support the future growth of the Group and augment its working capital.

In consultation with the Placement Agent and considering the enlarged share capital upon the completion of the Proposed Placement cum Warrants Issue, each placee/investor will not be allocated more than 45,000,000 of Placement Shares and 45,000,000 Warrants, representing 1.95% of the Company's issued and paid-up share capital of 2,306,867,923 shares immediately after the completion of the Proposed Placement cum Warrants Issue and 1.13% of the Company's issued and paid-up share capital of 3,966,867,923 share assuming all warrants are exercised respectively.

Accordingly, the Company's top 2 single largest shareholders will remain unchanged.

- (iii) The Company has a preference to seek for strategic placees/ investors and placees/ investors who take a longer-term view of their investments, rather than short term speculators.

While we have no control over external interests and pressures on our Company's shares and are unable to speculate on the future of our Company's shareholdings, the Company is of the view that the placees/ investors who share the vision of the Group will take a longer-term view of their investments.

- (iv) The Company's application for the listing and quotation of the placement shares and warrant shares is still in the process. The Company will update shareholders once we receive the results of the application.

By Order of the Board

ENECO ENERGY LIMITED

Gwee Chee Kiang
Chief Executive Officer
26 April 2022