

ANNICA HOLDINGS LIMITED

Unaudited Financial Statements And Dividend Announcement For The Half-Year Financial Period Ended 30 June 2019

This announcement has been prepared by the Company and its contents have been reviewed by the Company's Continuing Sponsor, Stamford Corporate Services Pte. Ltd.

This announcement has not been examined or approved by the Singapore Exchange Securities Trading Limited ("SGX-ST") and the SGX-ST assumes no responsibility for the contents of this announcement, including the accuracy, completeness or correctness of any of the statements or opinions made or reports contained in this announcement.

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

Telephone number: (65) 6389 3000

Email address: bernard.lui@morganlewis.com

For the purpose of this Announcement, **HY2019** refers to the six-month financial period ended 30 June 2019 whereas **HY2018** refers to the corresponding six-month financial period ended 30 June 2018. **FY2018** refers to the full financial year ended 31 December 2018.

PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR RESULTS

1(a)(i) A consolidated statement of comprehensive income (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial period.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD ENDED 30 June 2019

	Group HY2019 \$'000	HY2018 \$'000 (Restated)	Increase/ (Decrease) %
Continuing Operations			
Revenue	4,591	2,864	60
Cost of sales	(3,221)	(2,047)	57
Gross profit	1,370	817	68
Other income	541	28	NM
Interest income	103	14	NM
Selling and distribution expenses	(112)	(202)	(45)
Administrative and general expenses	(1,864)	(1,825)	2
Other expenses	(2)	(82)	(98)
Finance costs	(13)	(66)	(80)
Profit/(Loss) before income tax from continuing operations	23	(1,316)	NM
Income tax expense	-	-	NM
Profit/(Loss) from continuing operations, net of tax	23	(1,316)	NM
Discontinued Operation			
Profit from discontinued operation, net of tax	-	437	NM
Total profit/(loss) for the financial period	23	(879)	NM
Other comprehensive (loss)/income			
<i>Items that are or may be reclassified subsequently to profit or loss:</i>			
Currency translation differences arising from consolidation	(70)	5	NM
Reclassification of currency translation differences from equity on disposal of subsidiary to profit or loss	-	21	NM
Other comprehensive (loss)/income for the financial period, net of tax	(70)	26	NM
Total comprehensive loss for the financial period	(47)	(853)	(94)

1(a)(i) A consolidated statement of comprehensive income (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial period. (Cont'd)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (Cont'd)
FOR THE FINANCIAL PERIOD ENDED 30 June 2019 (Cont'd)

	Group HY2019 \$'000	HY2018 \$'000 (Restated)	Increase/ (Decrease) %
Total (loss)/profit attributable to:			
- Equity holders of the Company	(26)	(991)	(97)
- Non-controlling interests	49	112	(56)
	23	(879)	NM
Total (loss)/profit attributable to equity holders of the Company:			
- from continuing operations	(26)	(1,071)	(98)
- from discontinued operation	-	80	NM
	(26)	(991)	(97)
Total profit attributable to non-controlling interests:			
- from continuing operations	49	-	NM
- from discontinued operation	-	112	NM
	49	112	(56)
Total comprehensive (loss)/income attributable to:			
- Equity holders of the Company	(96)	(963)	(90)
- Non-controlling interests	49	110	(55)
	(47)	(853)	(94)
Total comprehensive (loss)/income attributable to equity holders of the Company:			
- from continuing operations	(96)	(1,086)	(91)
- from discontinued operation	-	123	NM
	(96)	(963)	(90)
Total comprehensive income attributable to non-controlling interests:			
- from continuing operations	49	-	NM
- from discontinued operation	-	110	NM
	49	110	(55)

NM: Not meaningful

1(a)(ii) Profit/(Loss) before taxation arrived at after charging/(crediting) the following:

Profit/(Loss) from continuing operations:

	Group HY2019 \$'000	HY2018 \$'000 (Restated)	Increase/ (Decrease) %
Interest income	(103)	(2)	NM
Interest expenses on borrowings	6	40	(85)
Interest expenses on redeemable convertible bonds	7	20	(65)
Commission income	(157)	(1)	NM
Miscellaneous income	(2)	(31)	(94)
Gain on disposal of motor vehicle	(77)	-	NM
Gain on write off loan	(268)	-	NM
Fair value gain on redeemable convertible bonds	(22)	-	NM
Depreciation of property, plant and equipment	29	25	16
Depreciation of right of use asset	146	-	NM
Fair value loss on financial assets, at fair value through profit and loss	1	5	(80)
Foreign currency exchange (gain)/loss	(15)	80	NM

Profit from discontinued operation:

	Group HY2019 \$'000	HY2018 \$'000 (Restated)	Increase/ (Decrease) %
Interest expenses on borrowings	-	5	NM
Depreciation of property, plant and equipment	-	105	NM
Bad debt recovered	-	(57)	NM
Foreign currency exchange gain	-	(51)	NM

NM: Not meaningful

1(b)(i) Statements of financial position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial period.

STATEMENTS OF FINANCIAL POSITION
AS AT 30 June 2019

	Group		Company	
	As at HY2019 \$'000	As at FY2018 \$'000	As at HY2019 \$'000	As at FY2018 \$'000
<u>ASSETS</u>				
Current assets				
Cash and cash equivalents	1,285	2,067	110	54
Fixed deposits	271	274	-	-
Trade and other receivables	3,643	4,187	2,363	2,468
Inventories	447	84	-	-
Financial assets at fair value through profit or loss	7	8	7	8
	5,653	6,620	2,480	2,530
Non-current assets				
Trade and other receivables	2,423	2,400	2,423	2,400
Investments in subsidiaries	-	-	2,151	2,151
Investment in an associate	-	-	-	-
Financial assets at fair value through profit or loss	1	97	96	96
Right of use asset	353	-	123	-
Property, plant and equipment	449	347	32	47
Intangible asset	36	-	-	-
Deferred income tax assets	1	1	-	-
	3,263	2,845	4,825	4,694
Total assets	8,916	9,465	7,305	7,224
<u>LIABILITIES</u>				
Current liabilities				
Trade and other payables	2,906	2,064	1,492	1,164
Borrowings	747	950	737	940
Lease liabilities	172	-	56	-
Current income tax liabilities	100	115	-	-
Contract liabilities	44	1,466	-	-
	3,969	4,595	2,285	2,104
Non-current liabilities				
Borrowings	61	604	-	537
Deferred income tax liabilities	23	22	-	-
Lease liabilities	183	-	68	-
	267	626	68	537
Total liabilities	4,236	5,221	2,353	2,641
Net assets	4,680	4,244	4,952	4,583
<u>EQUITY</u>				
Share capital	67,801	67,301	67,801	67,301
Accumulated losses	(61,269)	(61,243)	(62,919)	(62,768)
Other reserves	(1,874)	(1,824)	70	50
Equity attributable to equity holders of the Company	4,658	4,234	4,952	4,583
Non-controlling interests	22	10	-	-
Total equity	4,680	4,244	4,952	4,583

1(b)(ii) In relation to the aggregate amount of the group's borrowings and debt securities, specify the following as at the end of the current financial period reported on with comparative figures as at the end of the immediately preceding financial period:

	As at HY2019		As at FY2018	
	Secured	Unsecured	Secured	Unsecured
	\$'000	\$'000	\$'000	\$'000
Amount repayable in one year or less, or on demand	10	737	10	940
Amount repayable after one year	61	-	67	537

As at HY2019, the Group's secured borrowings were secured on the Group's leasehold properties and fixed deposits. As at FY2018, the Group's secured borrowings were secured on the Group's leasehold properties, fixed deposits and personal guarantees of directors of subsidiaries.

The Group's unsecured borrowings as at HY2019 were mainly due to remaining LionGold Loan and the Unconverted RCBs which was extended to 31 March 2020. (Please refer to page 16 on "2% redeemable convertible bonds ("RCBs") with an aggregate principal amount of up to \$60,000,000") As at FY2018, the Group's unsecured borrowings was comprised of advances from the subscriber of the redeemable convertible bonds and remaining LionGold Loan.

1(c) A statement of cash flows (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial period.

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FINANCIAL PERIOD ENDED 30 June 2019**

	Group	
	HY2019	HY2018
	\$'000	\$'000
		(Restated)
Cash flows from operating activities		
Profit/(Loss) before income tax from continuing operations	23	(1,316)
Profit before income tax from discontinued operation	-	528
	23	(788)
Adjustments for:		
Depreciation of property, plant and equipment	29	130
Depreciation of right of use asset	146	-
Fair value gain on redeemable convertible bonds	(22)	-
Fair value loss on financial assets at fair value through profit or loss	1	5
Fee related to issuance of Debt Conversion Shares	-	(8)
Interest expense	13	45
Interest income	(103)	(2)
Gain on disposal of property, plant and equipment	(77)	-
Gain on write off loan	(268)	-
Gain on consolidation of an associate	(37)	-
Capital reserve on ESOS	20	-
Operating cash flows before working capital changes	(275)	(618)
Changes in working capital:		
Increase in inventories	(363)	(1,608)
Increase in trade and other payables	810	293
Decrease in trade and other receivables	719	984
Increase/(Decrease) in contract liabilities	(1,422)	244
Currency translation difference	(54)	(18)
Cash used in operations	(585)	(723)
Interest paid	(7)	-
Income tax paid	(15)	(16)
Net cash used in operating activities	(607)	(739)
Cash flows from investing activities		
Interest received	2	1
Purchase of property, plant and equipment	(133)	(19)
Sales of proceed on property, plant and equipment	77	-
Net cash used in investing activities	(54)	(18)
Cash flows from financing activities		
Interest paid	-*	(11)
Release of deposit in cash margin account	110	-
Issuance of shares	500	-
Proceeds of borrowings	1	-
Repayment of borrowings	(457)	(31)
Repayment of lease liabilities	(154)	-
Net cash used in financing activities	-*	(42)
Net decrease in cash and cash equivalents	(661)	(799)
Cash and cash equivalents at beginning of the financial period	1,842	2,683
Effects of foreign currency translation on cash and cash equivalents	(11)	18
Cash and cash equivalents at end of the financial period	1,170	1,902

1(c) A statement of cash flows (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial period. (Cont'd)

**CONSOLIDATED STATEMENT OF CASH FLOWS (Cont'd)
FOR THE FINANCIAL PERIOD ENDED 30 June 2019 (Cont'd)**

Cash and cash equivalents at end of the financial period were made up of:

Cash and cash equivalents	1,285	2,123
Deposit placed in cash margin account	(115)	(221)
	1,170	1,902

* Amount is less than \$1,000

Major non-cash items:

During HY2019, there are one-off gain of \$268,000 arising from the settlement of remaining LionGold Loan and one-off gain of \$37,000 from the consolidation of an associate.

During HY2018, the LionGold Loan of \$2,505,000 was settled through the issuance of Debt Conversion Share. The Group acquired plant and equipment for a total consideration of \$326,000, out of which \$19,000 was paid by cash and \$307,000 was financed under finance lease arrangement.

1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial period.

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 30 June 2019**

	----- Attributable to equity holders of the Company -----				Non-controlling interests	Total equity
	Share capital \$'000	Other reserves \$'000	Accumulated losses \$'000	Total \$'000	\$'000	\$'000
Group						
Balance as at 1 January 2019	67,301	(1,824)	(61,243)	4,234	10	4,244
Issuance of shares	500	-	-	500	-	500
Capital reserve on Employee Share Option Scheme	-	20	-	20	-	20
(Loss)/profit for the financial period	-	-	(26)	(26)	49	23
Other comprehensive loss:						
Currency translation differences arising from consolidation	-	(70)	-	(70)	-	(70)
Total comprehensive profit/(loss) for the financial period	-	(70)	(26)	(96)	49	(47)
Changes in ownership interests in subsidiaries:						
Consolidation of an associate	-	-	-	-	(37)	(37)
	-	-	-	-	(37)	(37)
Balance as at 30 June 2019	67,801	(1,874)	(61,269)	4,658	22	4,680
Group						
Balance as at 1 January 2018	63,274	(1,906)	(57,193)	4,175	413	4,588
Issuance of shares	2,497	-	-	2,497	-	2,497
(Loss)/profit for the financial period	-	-	(965)	(965)	86	(879)
Other comprehensive income:						
Currency translation differences arising from consolidation	-	18	-	18	8	26
Total comprehensive profit/(loss) for the financial period	-	18	(965)	(947)	94	(853)
Balance as at 30 June 2018	65,771	(1,888)	(58,158)	5,725	507	6,232

1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial period. (Cont'd)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Cont'd)
FOR THE FINANCIAL PERIOD ENDED 30 June 2019 (Cont'd)

	Share capital \$'000	Other reserves \$'000	Accumulated losses \$'000	Total equity \$'000
Company				
Balance as at 1 January 2019	67,301	50	(62,768)	4,583
Issuance of shares	500	-	-	500
Capital reserve on Employee Share Option Scheme	-	20	-	20
Total comprehensive loss for the financial period	-	-	(151)	(151)
Balance as at 30 June 2019	67,801	70	(62,919)	4,952
Balance as at 1 January 2018	63,274	50	(59,538)	3,786
Issuance of shares	2,497	-	-	2,497
Total comprehensive loss for the financial period	-	-	(808)	(808)
Balance as at 30 June 2018	65,771	50	(60,346)	5,475

1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles, as well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial period.

	Number of Shares '000	Share Capital \$'000
Issued and fully paid:		
As at 31 December 2018	16,174,767	67,301
Issuance of shares		
- Allotted and issued at the share price of \$0.001 through Transferred Options under the Option Agreement	500,000	500
Net share capital as at 30 June 2019	16,674,767	67,801

Convertible Securities

There are no shares that may be issued on conversion of any outstanding convertibles as at the end of the current financial period except as follows:

- RCB Conversion Shares:

	Number of Shares '000	Estimated Proceeds \$'000
New RCB Conversion Shares to be allotted and issued upon conversion of redeemable convertible bonds issued as at HY2019, assuming conversion at the minimum conversion price of \$0.0009 per RCB Conversion Share	555,555	500

As of 28 February 2019, Subscriber has not exercised its conversion right in respect of the outstanding RCBs in the principal amount of \$250,000 (the "**Redeemed RCBs**"). Accordingly, the Company had redeemed the Redeemed RCBs in full on the same day. The Extended Redemption Date of the outstanding RCBs of \$500,000 (the "**Unconverted RCBs**") will be on 31 March 2020. (Please refer to page 16 on "2% redeemable convertible bonds ("**RCBs**") with an aggregate principal amount of up to \$60,000,000")

- Annica Employee Share Option Scheme:

Pursuant to the Annica Employee Share Option Scheme ("**Option Scheme**"), the Company had on 27 December 2018 granted employee share options ("**ESOS**") consisting of 42,500,000 Shares, the details of which as follows:

(a) Date of grant of ESOS	27 December 2018
(b) Exercise Price of ESOS granted	\$0.001 per Share
(c) Number of Shares comprised in the ESOS granted	42,500,000
(d) Number of Shares comprised in the ESOS granted to each Director and controlling shareholders (and each of their associates)	None
(e) Market Price of the Shares on the Date of Grant	\$0.001
(f) Validity period of the ESOS	28 December 2019 – 27 December 2028 (both dates inclusive) ESOS shall only be exercisable after the 1 st anniversary from the Date of Grant and shall be exercised before the 10 th anniversary of the Date of Grant.

- Option Shares:

Under the option agreement, the Company has issued transferable share options to an investor with such option carrying the right to subscribe for up to 5,000,000,000 option shares ("**Option Shares**") in the Company at a minimum exercise price of \$0.001, of which the Company will raise an amount of up to \$5,000,000.

The Company had on 1 April 2019 received notice of the transfer by the Investor of 500,000,000 Options (the "**Transferred Options**") to Shamsol Jeffri Bin Zainal Abidin (the "**Transferee**"). Following the transfer of the Transferred Options, the Investor holds 4,500,000,000 remaining Options.

The Company had on the same day received notice from the Transferee of his intention to exercise all of the Transferred Options for the total sum of \$500,000 (the "**Exercise Price**" or "**Option Proceeds**"). The Company has, on 19 April 2019, received the Exercise Price in full from the Transferee and accordingly, the Company had allotted and issued 500,000,000 new shares ("**New Shares**"), representing 2.99% of the Enlarged Share Capital of the Company, to the Transferee on 22 April 2019 pursuant to the exercise of the Transferred Options under the Option Agreement. (Please refer to page 17 on "Grant of Options Shares to an Investor")

1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.

	As at HY2019	As at FY2018
Total number of issued shares excluding treasury shares ('000)	16,674,767	16,174,767

The Company has no treasury shares as at the end of the current financial period and as at the end of the immediately preceding financial year.

1(d)(iv) A statement showing all sales, transfers, disposals, cancellation and/or use of treasury shares as at the end of the current financial period reported on.

Not applicable. There are no treasury shares.

1(d)(v) A statement showing all sales, transfers, cancellation and/or use of subsidiary holdings as at the end of the current financial period reported on.

Not applicable. There are no subsidiary holdings.

2. Whether the figures have been audited or reviewed and in accordance with which standard (e.g. the Singapore Standard on Auditing 910 (Engagements to Review Financial Statements), or an equivalent standard).

The figures have not been audited or reviewed by the auditors.

3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of matter).

Not applicable.

4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.

The Group adopted the same accounting policies and methods of computation in the financial statements for the current reporting period as compared to the most recently audited financial statements for the financial year ended 31 December 2018 except for the adoption of revised Financial Reporting Standards ("FRS") and Interpretations to FRS ("INT FRS") that are effective for annual periods beginning on or after 1 January 2019.

5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.

The Group adopted the revised SFRS(I) that are effective for annual periods beginning on or after 1 January 2019.

Adoption of SFRS(I) 16

SFRS(I) 16 is effective for financial years beginning on or after 1 January 2019. The Group has applied modified retrospective approach and will not restate comparative amounts.

The Standard provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessees and lessors. The identification of leases, distinguishing between leases and service contracts, are determined on the basis of whether there is an identified asset controlled by the customer.

Significant changes to lessee accounting are introduced, with the distinction between operating and finance leases removed and assets and liabilities are recognised in respect of all leases (subject to limited exemptions for short-term leases and leases of low value assets). The Standard maintains substantially the lessor accounting approach under the existing framework.

The Group adopted to measure the right of use assets to an amount equal to the lease liabilities related to that leases recognized in the statement of financial position as at 1 January 2019. On the adoption of revised SFRS(I) 16, the Group has recognised right of use assets and lease liabilities of \$504,000 as at 1 January 2019.

6. Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial period, after deducting any provision for preference dividends.

	Group HY2019	Group HY2018 (Restated)
(Loss)/profit per share based on the weighted average number of shares on issue (in cents):		
- from continuing operations – basic and fully diluted (Note (a))	(0.0002)	(0.0079)
- from discontinued operation – basic and fully diluted (Note (b))	-	0.0006
Total	(0.0002)	(0.0073)

The basic and diluted loss per share are the same as the outstanding RCB Conversion Shares are anti-dilutive for the respective financial period.

Notes:

- (a) Basic and fully diluted loss per share from continuing operations for HY2019 were calculated by dividing the loss from continuing operations attributable to equity holders of the Company of \$26,000 (HY2018: \$1,071,000) by the weighted average number of shares for HY2019 of 16,376,424,507 (HY2018: 13,648,683,403).
- (b) Basic and fully diluted profit per share from discontinued operation for HY2018 were calculated by dividing the profit from discontinued operation attributable to equity holders of the Company of \$80,000 by the weighted average number of shares for HY2018 of 13,648,683,403.

7. Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the:

- (a) current financial period reported on; and
(b) immediately preceding financial period.

	Group HY2019	Group FY2018	Company HY2019	Company FY2018
Net asset value per Share based on the issued Shares at the end of the financial period reported on (in cents)	0.03	0.03	0.03	0.03

Net asset value per ordinary share of the Group as at HY2019 was calculated by dividing the Group's net asset value attributable to equity holders as at HY2019 of \$4,658,000 (FY2018: \$4,234,000) divided by the number of ordinary shares of the Company as at HY2019 of 16,674,767,048 (FY2018: 16,174,767,048).

Net asset value per ordinary share of the Company as at HY2019 was calculated by dividing the Company's net asset value attributable to equity holders as at HY2019 of \$4,952,000 (FY2018: \$4,583,000) divided by the number of ordinary shares of the Company as at HY2019 of 16,674,767,048 (FY2018: 16,174,767,048).

8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:-

- (a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and
- (b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.

STATEMENT OF COMPREHENSIVE INCOME

CONTINUING OPERATIONS

Revenue and Gross Profit

The Group posted revenue of \$4,591,000 in HY2019 which was an increase of \$1,727,000 or 60% from \$2,864,000 in HY2018, primarily due to certain orders which were delayed in the preceding period in oil and gas equipment and engineering services segments was recognised on the current period under review. Geographically, the Group operates in Singapore and the Asia Pacific region including Malaysia, Indonesia, Thailand, Vietnam, and Brunei, with the oil and gas equipment and engineering services segments, each contributed 90% and 10% respectively, to the Group's revenue in HY2019.

The Group reported gross margin of 30% in HY2019 which was an increase of 1% from 29% in HY2018 due to the higher gross margin turned in by the oil and gas equipment and engineering services segments in HY2019. The Group's gross profit increased by \$553,000 or 68% from \$817,000 in HY2018 to \$1,370,000 in HY2019 due to higher revenue generated from both oil and gas equipment and engineering services segments.

Other income

The increase of \$513,000 in other income from \$28,000 in HY2018 to \$541,000 in HY2019 mainly due to one-off commission income received from the oil and gas equipment segment amounted to \$157,000, gain on disposal of motor vehicle of \$77,000 and one-off gain of \$268,000 arising from the settlement of remaining LionGold Loan.

Interest income

The interest income increased mainly due to interest income received from former subsidiary in HY2019 which resulted in the increase of \$89,000 in interest income from \$14,000 in HY2018 to \$103,000 in HY2019.

Selling and distribution expenses

The decrease in selling and distribution expenses in HY2019 of \$90,000, from \$202,000 in HY2018 to \$112,000 in HY2019 mainly due to lower exhibition expenses incurred during HY2019.

Administrative and general expenses

The Group incurred administrative and general expenses of \$1,864,000 in HY2019, an increase of \$39,000 from \$1,825,000 reported in HY2018, mainly due to the incremental employment costs in HY2019. The Group continues to closely monitor its expenses.

Other expenses

Other expenses decreased by \$80,000 from \$82,000 in HY2018 to \$2,000 in HY2019 as no exchange loss were incurred in HY2019.

Finance costs

Finance costs was primarily arising from interest expenses on borrowings and leases during HY2019. The decrease of \$53,000 from \$66,000 in HY2018 to \$13,000 in HY2019 was mainly due to the reduction of interest expenses arising from the LionGold Loan and Redeemed RCBs, which was settled on 12 March 2018 and 28 February 2019, respectively.

Profit for the financial period

The Group reported a profit for the financial period of \$23,000 in HY2019, which was an improvement of \$1,339,000 against the loss of \$1,316,000 in HY2018. The improvement was primarily arising from higher contribution from gross profit, other income, interest income, lower selling and distribution expenses, other expenses, and finance costs, as explained above.

8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:-

- (a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and**
- (b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on. (Cont'd)**

STATEMENT OF FINANCIAL POSITION

Current assets

Current assets of the Group amounted to \$5,653,000 as at HY2019, a decrease of \$967,000 from \$6,620,000 as at FY2018, primarily due to the decrease in cash and bank balances and trade and other receivables, partially offset by higher inventories. The investments in the financial assets, comprising listed equity securities, were stated at quoted market price as at the respective financial periods.

Non-current assets

The Group's non-current assets increased by \$418,000 from \$2,845,000 as at FY2018 to \$3,263,000 as at HY2019 mainly due to addition of right of use assets based on the adoption of revised SFRS(I) 16 Leases, goodwill arising from the consolidation of an associate, as well as purchase of new plant and equipment, and renovation.

Current liabilities

The Group reported current liabilities of \$3,969,000 as at HY2019 which was a decrease of \$626,000 from \$4,595,000 as at FY2018 mainly arising from realisation of revenue from contract liabilities, offset against the increase in trade and other payables, and settlement of the remaining LionGold Loan and Redeemed RCBs.

Non-current liabilities

There was a decrease in the Group's non-current liabilities of \$359,000 from \$626,000 as at FY2018 to \$267,000 as at HY2019 due to reclassification of Unconverted RCBs to a short term borrowing, offset against the recognition of the Group's lease liabilities based on the adoption of revised SFRS(I) 16 Leases, which was effective from 1 January 2019.

Shareholders' equity

The Group's capital and reserves attributable to equity holders of the Company was \$4,658,000 as at HY2019. This was an increase of \$424,000 from \$4,234,000 as at FY2018 mainly arising from the allotment and issuance of New Shares through the exercise of Transferred Options under the Option Agreement.

STATEMENT OF CASH FLOWS

Net cash used in operating activities amounted to \$607,000 in HY2019. The net operating cash outflow was mainly due to operating profit before working capital changes of \$275,000, adjusted for working capital outflows of \$310,000, which were mainly attributable from the increase in inventories of \$363,000, increase in trade and other payables of \$810,000, decrease in trade and other receivables of \$719,000, and decrease in contract liabilities of \$1,422,000.

Net cash used in investing activities in HY2019 amounted to \$54,000, comprising payments to acquire property, plant and equipment and proceeds from the sales of motor vehicle, which amounted to \$133,000 and \$77,000 respectively.

Net cash used in financing activities in HY2019 was marginal. These were mainly arising from the proceeds from the issuance of New Shares of \$500,000 through the exercise of Transferred Options under the Option Agreement, release of deposit in cash margin account of \$110,000, were offset against repayment of borrowings and lease liabilities, amounted to \$457,000 and \$154,000 respectively.

8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:-

- (a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and
- (b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on. (Cont'd)

MATTERS ARISING DURING 2019

Proposed acquisition of shares in Horizon Greentech Resources Sdn. Bhd. ("HGR" or "the Proposed HGR Acquisition")

On 23 December 2016, the Company announced that it has entered into a conditional sale and purchase agreement (as varied by a variation letter dated 19 July 2017) to acquire 2,450,000 ordinary shares from the vendors (the "**HGR Vendors**"), representing approximately 49% of the issued and paid-up share capital of HGR for a consideration of \$4,200,000 (the "**HGR Consideration**"). In addition, upon completion of the Proposed HGR Acquisition, the Company will benefit from the transfer of an amount of \$2,400,000 (equivalent to RM 7,497,000) from the HGR Vendors by way of novation to the Company, which is a proportionate part of a loan owing by HGR to the HGR Vendors.

HGR is principally engaged in the business of extrusion and recycling of end-of-life waste tyres for the production of tyre derived fuel, carbon black and scrap metal and it owns a waste tyre pyrolysis plant. The proposed acquisition of HGR is in line with the Company's diversification.

The HGR Consideration shall be satisfied by:

- (i) \$2,600,000 through promissory notes repayable within six (6) months from the completion date (or such other later date as may be mutually agreed in writing between the Company the vendors), bearing an interest of 8% per annum; and
- (ii) \$1,600,000 by way of the allotment and issue to the vendors of newly paid up Shares of the Company ("the "**HGR Consideration Shares**") upon the completion date at \$0.001 per HGR Consideration Shares.

On 31 August 2017, the Company received the listing and quotation notice ("**LQN**") from the SGX-ST for the listing and quotation of the HGR Consideration Shares on the Catalist, subject to compliance with SGX-ST's listing requirements.

Subsequently, the Company wishes to refer to its announcements dated 22 March 2017, 31 August 2017, 25 September 2017, 30 October 2017 and 21 December 2017 on HGR. On the last announcement date of 21 December 2017, the Parties have mutually agreed to extend the Long Stop Date for Completion of the Proposed Acquisition for a further three (3) months from 23 December 2017 to 23 March 2018.

On 26 March 2018, the Company and the HGR Vendors have mutually agreed to terminate the Proposed HGR Acquisition pursuant to a deed of termination. On the same day, the Company announced that it had entered into a non-binding memorandum of understanding with each of the HGR Vendors, being Awang Ahmad Sah and Kok Mun Keong, to acquire an aggregate of 4,023,300 ordinary shares representing approximately 25.79% of the issued and paid-up share capital of Green PlusLink Sdn Bhd for a total consideration of \$4,200,000.

As at the latest practicable date, the HGR Vendors and Terokadana Sdn. Bhd. are still separately finalising the acquisition agreement for the transfer of the 15 production lines to GPL, and are unable to provide any indication at the juncture.

Update on the Pilot Project

Pursuant of the announcement dated 5 June 2018, 24 September 2018, 31 January 2019, 25 April 2019 and 23 June 2019 in relation to the Pilot Project entered into between the Company's subsidiary, HT Energy (S) Sdn. Bhd. ("**HTES**") and Sarawak State Health Department ("**SSHD**") under the Ministry of Health, Malaysia, the Board has progressively updated the shareholders on the latest milestones of the Pilot Project.

The project team had conducted a Factory Acceptance Test ("**FAT**") in June 2019. The FAT was concluded in early July 2019 and the result were generally positive. The project team had requested to retrofit additional components to mitigate potential operational issues arising from tropical climate conditions. Due to the retrofitting process, we envisage that the power module will be ready for shipment around mid-August 2019. For avoidance of doubt, the next FAT is an extension to the previous FAT ended early July 2019. The expected completion date of the Pilot Project is by mid-December 2019 barring any unforeseen circumstances.

8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:-

- (a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and
- (b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on. (Cont'd)

MATTERS ARISING DURING 2019 (Cont'd)

2% redeemable convertible bonds ("RCBs") with an aggregate principal amount of up to \$60,000,000

As announced on the SGXNet on 24 December 2018 and 2 January 2019, the Parties have agreed under a second supplemental agreement (the "**Second Supplemental Agreement**") that the date(s) for redemption of the outstanding RCBs under Conditions 10.2 and 10.4 of Schedule 4 (Terms and Conditions of the Bonds) will be further extended in accordance with the following schedule in order to improve the short-term cash flow of the Company:

- (a) the first tranche in the principal amount of \$250,000 up to 28 February 2019; and
- (b) the second tranche in the principal amount of \$500,000, up to 31 March 2020,

(each an "**Extended Redemption Date**").

Accordingly, unless previously redeemed or purchased, converted or cancelled by the Company, the Company shall, by each of the Extended Redemption Dates, redeem the stipulated principal amounts of the outstanding RCBs together with unpaid accrued interest thereon (calculated up to, but excluding, the date of redemption).

Under the Subscription Agreement, the last day of the conversion period of the RCBs is on 24 December 2018. The Parties have further agreed under the Second Supplemental Agreement that the conversion period of the RCBs and the conversion right of the Subscriber under Condition 8.1 of Schedule 4 (Terms and Conditions of the Bonds) in relation to the outstanding RCBs will be extended up to 31 March 2020.

Under the Subscription Agreement, the RCB Conversion Price for each RCB that is converted into Shares, shall be not less than 85% of the average of the traded volume weighted average price per share for any three (3) consecutive Trading Days (for the avoidance of doubt, may include one or more intervening Market Days on which there are no trades in the Shares of the Company), determined at the sole and absolute discretion of the Subscriber, on which trades are done during the 30 Trading Days immediately preceding the relevant conversion date of the RCBs.

The Parties have further agreed under the Second Supplemental Agreement that the RCB Conversion Price for each RCB that is converted into Shares, shall be amended such that the said RCB Conversion Price shall be not less than 90% of the average of the traded volume weighted average price per share for any three (3) consecutive Trading Days (for the avoidance of doubt, may include one or more intervening Market Days on which there are no trades in the Shares of the Company), determined at the sole and absolute discretion of the Subscriber, on which trades are done during the 30 Trading Days immediately preceding the relevant conversion date of the RCBs.

As announced on 24 December 2018, the first tranche with the principal amount of \$250,000 was extended to 28 February 2019. As of 28 February 2019, Subscriber has not exercised its conversion right in respect of the outstanding RCBs in the principal amount of \$250,000 (the "**Redeemed RCBs**"). Accordingly, the Company had redeemed the Redeemed RCBs in full on the same day. The Extended Redemption Date of the outstanding RCBs of \$500,000 (the "**Unconverted RCBs**") will be on 31 March 2020.

Grant of Options pursuant to the Annica Employee Share Option Scheme

Pursuant to the Annica Employee Share Option Scheme ("**Option Scheme**"), the Company has on 27 December 2018 granted employee share options ("**ESOS**") consisting of 42,500,000 Shares, the details of which are as follows:

(g) Date of grant of ESOS	27 December 2018
(h) Exercise Price of ESOS granted	\$0.001 per Share
(i) Number of Shares comprised in the ESOS granted	42,500,000
(j) Number of Shares comprised in the ESOS granted to each Director and controlling shareholders (and each of their associates)	None
(k) Market Price of the Shares on the Date of Grant	\$0.001
(l) Validity period of the ESOS	28 December 2019 – 27 December 2028 (both dates inclusive) ESOS shall only be exercisable after the 1 st anniversary from the Date of Grant and shall be exercised before the 10 th anniversary of the Date of Grant.

8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:-

- (a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and
- (b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on. (Cont'd)

MATTERS ARISING DURING 2019 (Cont'd)

Receipt of Writ of Summons

On 22 February 2019, the Company received a demand letter from the Company subsidiary's former employee, Mr. Edwin Sugiarto ("Mr. Sugiarto") represented by his solicitors for the sum of \$416,784, made up of several items, being wages, medical and expenses claims and a payment for a non-compete undertaking claim arises out of his cessation of employment with the Company (Please refer to Annual Report 2018 Note 36 - Contingent Liabilities). Subsequently, the Company had on 12 June 2019 been served with a writ of summons, endorsed with a statement of claim. Mr. Sugiarto is claiming for an amount of \$416,784, together with costs and interests up the date of full settlement.

The Company is presently seeking legal advice on this matter. To this end, the Company intends to vigorously defend its position against the alleged claim under the Suit. The Company will make the relevant announcements where there are material developments on this matter.

Grant of Options Shares to an Investor

Under an Option Agreement, the Company for a cash consideration of \$50,000 it has received, granted the Investor an aggregate of 5,000,000,000 transferable share options ("Options", and each an "Option"), with each Option carrying the right to subscribe for one (1) new ordinary Share ("Option Share") at a minimum exercise price of \$0.001 to raise an amount of up to \$5,000,000 in aggregate (the "Grant of Options"). The Options shall be exercisable by April 2020 (which is within thirty-six (36) months after the issue of the Options) and the total value of each duly executed notice of exercise of Options shall not be less than \$50,000. The Option Shares, when allotted and issued upon exercise of the Options, shall be fully paid and shall rank pari passu in all respects with the existing Shares, save that they shall not rank for any dividends, rights, allotments, distributions or entitlements, the record date of which falls on or prior to the date of allotment of the Option Shares.

The Company had on 1 April 2019 received notice of the transfer by the Investor of 500,000,000 Options (the "Transferred Options") to Shamsol Jeffri Bin Zainal Abidin (the "Transferee"). Following the transfer of the Transferred Options, the Investor holds 4,500,000,000 remaining Options. The Company had on the same day received notice from the Transferee of his intention to exercise all of the Transferred Options for the total sum of \$500,000 (the "Exercise Price" or "Option Proceeds").

On 19 April 2019, the Company had received the Exercise Price in full from the Transferee and accordingly, the Company had allotted and issued 500,000,000 New Shares, representing 2.99% of the Enlarged Share Capital of the Company, to the Transferee on 22 April 2019 pursuant to the exercise of the Transferred Options under the Option Agreement.

As at the date of this announcement, the utilisation of the above Option Proceeds is as follows:

Purpose	Amount \$'000	Percentage of Option Proceeds %
Funding for new business expansions and development	59	12
Group's general working capital (Note (a))	441	88
Total	500	100

Notes:

- (a) Funds used for the Group's general working capital were for payments to suppliers and operating expenses including staff salaries and professional fees.

The use of the above Option Proceeds is consistent with the use of proceeds for the Option Shares as disclosed in the Company's circular to Shareholders dated 12 July 2016.

Consolidation of an Associate, HT Energy (S) Sdn. Bhd. ("HTES")

On 25 June 2019, Mr. Adnan Bin Mansor, a non-executive and independent director of the Company, was inducted and appointed as a director of the board of directors of the Associate.

With the appointment of Mr. Adnan Bin Mansor, the board of directors of the Associate now comprises Mr. Muhammad Hatta Bin Sukarni, who is also the majority 51% shareholder of the Associate, and Ms. Sandra Liz Hon Ai Ling and Mr. Adnan Bin Mansor, who represent the Company's current 49% interest in the Associate.

The Company now has control over the financial and operating policies of the Associate through the control of the Associate's board of directors, and will be consolidating the financial results of the Associate as part of its Group.

8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:-

- (a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and
- (b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on. (Cont'd)

MATTERS ARISING DURING 2019 (Cont'd)

Non-Binding Memorandum of Understanding with Perbadanan Kemajuan Negeri Perak

The Group has, on 18 June 2019, entered into the following non-binding Memorandum of Understanding ("**MOUs**") with Perbadanan Kemajuan Negeri Perak ("**PKNP**");

- (a) a tripartite MOU between PKNP, Majuperak Holdings Berhad ("**MHB**") and Cahya Suria Energy Sdn. Bhd ("**CSE**"), a wholly-owned subsidiary of the Company (the "**CSE MOU**"); and
- (b) a MOU between PKNP and P. J. Services Pte. Ltd. ("**PJS**"), a wholly-owned subsidiary of the Company (the "**PJS MOU**").

PKNP is the state economic development corporation entrusted to spearhead the economic development and socio-economic growth in the State of Perak. PKNP also has access to supplies of mining sand, granite, granite aggregates, minerals and other natural resources from Perak (the "**Products**").

MHB is an investment holding company listed on the Main Board of Bursa Malaysia and plays a leading role in property development focusing on the housing sector and realty business within the bigger PKNP Group. PKNP is also the largest shareholder in MHB. MHB has also diversified its business into the renewable energy sector.

The purpose of the CSE MOU is for the parties to collaborate on the development of 'Large Scale Solar Photovoltaic' Projects ("**LSS Projects**") in the State of Perak. The parties have identified an initial site suitable for a proposed 35MW capacity LSS Project (approximately 3.3 acres/MW), and will continue to collaborate in the future to identify and evaluate other potential sites for the development of other LSS Projects. For the purpose of implementing the co-operation under the CSE MOU, the parties may enter into legally binding definitive agreement(s), subject to terms and conditions to be mutually agreed upon by the parties.

Under the PJS MOU, PKNP shall endeavour to enter into supply contracts (the "**Supply Contract(s)**") with PJS and its customers (the "**Customers**"), under which PKNP shall source for and supply the Products to the Customers, subject to terms and conditions to be mutually agreed upon by the parties. PKNP has also agreed to arrange all necessary export permits for such Products.

The collaboration between the parties under the MOUs will not only boost the Group's business in the renewable energy sector but also allow the Group to gain a valuable foothold, and to explore other business opportunities, such as the supply of the Products, in the State of Perak.

As at the date of the announcement, PJS is negotiating the supply contract with PKNP. Cahya Suria Energy Sdn. Bhd. is still in the midst of evaluating additional potential sites proposed by MHB for the LSS Projects.

Sale of Controlled Shares

Reference is made to the Company's announcements made on 26 July 2018, 29 October 2018, 15 January 2019, 15 February 2019, 2 May 2019, 20 May 2019, 31 May 2019, 9 June 2019, 27 June 2019 and 19 July 2019 in relation to, *inter alia*:

- (a) the Sale and Purchase Agreement entered into between the Company and Chong Shin Mun (the "**Purchaser**") on the disposal by the Company of its entire shareholding interest in GPE;
- (b) the Share Charge and Control Deed over the Controlled Shares entered into between the Company and the Purchaser; and
- (c) the Power of Attorney granted by the Purchaser to the Company over the Controlled Shares, (the "**Earlier Announcements**").

Unless otherwise defined, all capitalised terms used herein shall bear the same meaning ascribed to them in the Earlier Announcements.

The Purchaser has completed the transfer of 100,000,000 Controlled Shares to Shamsol Jeffri Bin Zainal Abidin for a consideration of S\$100,000 (the "**Consideration**") on 13 August 2019. The Consideration has been fully paid to the Company on 9 August 2019 and shall be applied towards the discharge of the Outstanding Amounts pursuant to the Share Charge and Control Deed.

The Company will make further announcements as appropriate or when the remainder of the Controlled Shares have been disposed of, whether in part or in full.

8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:-

- (a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and**
- (b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on. (Cont'd)**

OTHER MATTER

Notices received from Commercial Affairs Department ("CAD")

Further to the Company's announcements on 4 April 2014 and 29 April 2014 relating to the CAD's investigations, on 24 January 2019, the CAD confirmed to our auditor that its investigations are on-going.

The business and operations of the Group are not affected by the investigations and will continue as normal. The Company will make further announcements as and when there are material developments concerning this matter.

9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.

The Group's HY2019 operating results were generally in line with the expectations as previously disclosed in the Company's FY2018 annual report and the FY2018 results announcement dated 1 March 2019.

10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.

The Directors remain cautious in the near term as the South East Asian market, which the Group operates in and of which is dependent on the performance of the major world economies, remains highly volatile. Furthermore, the concerns over increasing trade protectionism among major nations still lingers, which may adversely impact the Group's businesses. As previously disclosed, the Group continues to monitor these developments and undertake measures to mitigate any potential negative impact. The Group diversification to the Renewable Sector will provide the Company with a new revenue stream and broaden the Group earning base.

11. Dividend

(a) Current Financial Period Reported On

Any dividend declared/recommended for the current financial period reported on?

No ordinary dividend has been recommended or declared.

(b) Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared/recommended for the corresponding period of the immediately preceding financial year?

No ordinary dividend was recommended or declared.

(c) Date payable

Not applicable.

(d) Books closure date

Not applicable.

12. If no dividend has been declared/recommended, a statement to that effect.

No dividend has been recommended or declared for HY2019.

13. If the group has obtained a general mandate from shareholders for Interested Person Transactions, the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.

The Company has not obtained a general mandate from Shareholders for interested person transactions.

During HY2019, there were no interested person transactions entered into by the Group pursuant to Chapter 9 of the Catalyst Rules of the SGX-ST.

14. Confirmation pursuant to Rule 705(5) of the Listing Manual.

We, Sandra Liz Hon Ai Ling and Su Jun Ming, on behalf of the Directors of Annica Holdings Limited (the "**Company**"), do hereby confirm that to the best of our knowledge, nothing has come to the attention of the Directors of the Company which may render the unaudited consolidated financial results for the six-month financial period ended 30 June 2019 to be false and misleading in any material aspect.

15. Confirmation that the issuer has procured undertakings from all its directors and executive officers (in the format set out in Appendix 7H) under Rule 720(1).

The Company confirms that the required undertakings under Rule 720(1) of the Catalist Rules have been obtained from its Directors and Executive Officer in the format set out in Appendix 7H of the Catalist Rules.

**BY ORDER OF THE BOARD
ANNICA HOLDINGS LIMITED**

Sandra Liz Hon Ai Ling
Executive Director and Chief Executive Officer

Su Jun Ming
Lead Independent and Non-Executive Director

14 August 2019