

ANNICA HOLDINGS LIMITED

Unaudited Financial Statements And Dividend Announcement For The Half-Year Financial Period Ended 30 June 2018

This announcement has been prepared by the Company and its contents have been reviewed by the Company's sponsor, Stamford Corporate Services Pte. Ltd. ("Sponsor"), for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited (the "SGX-ST") Listing Manual Section B: Rules of Catalyst. The Sponsor has not independently verified the contents of this announcement.

This announcement has not been examined or approved by the SGX-ST. The Sponsor and the SGX-ST assume no responsibility for the contents of this announcement including the correctness of any of the statements or opinions made or reports contained in this announcement.

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For the purpose of this Announcement, **HY2018** refers to the six-month financial period ended 30 June 2018 whereas **HY2017** refers to the corresponding six-month financial period ended 30 June 2017. **FY2017** refers to the full financial year ended 31 December 2017.

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 2018**

	Group		
	HY2018	HY2017	Increase/ (Decrease)
	\$'000	\$'000	%
Revenue	7,737	9,009	(14)
Cost of sales	(6,250)	(7,414)	(16)
Gross profit	1,487	1,595	(7)
Other income	99	19	NM
Selling and distribution expenses	(217)	(168)	29
Administrative and general expenses	(2,032)	(1,774)	15
Other expenses	(31)	(149)	(79)
Finance costs	(94)	(157)	(40)
Loss from operations	(788)	(634)	24
Tax expense	(91)	(65)	40
Loss for the financial period	(879)	(699)	26
Other comprehensive loss			
<i>Items that are or may be reclassified subsequently to profit or loss:</i>			
Currency translation differences arising from consolidation	26	(35)	NM
Other comprehensive income/(loss), net of tax	26	(35)	NM
Total comprehensive loss for the financial period	(853)	(734)	16

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 2018**

	Group		
	HY2018	HY2017	Increase/ (Decrease)
	\$'000	\$'000	%
Total loss attributable to:			
- Equity holders of the Company	(965)	(759)	27
- Non-controlling interests	86	60	43
	<u>(879)</u>	<u>(699)</u>	<u>26</u>
Total comprehensive loss attributable to:			
- Equity holders of the Company	(947)	(792)	20
- Non-controlling interests	94	58	62
	<u>(853)</u>	<u>(734)</u>	<u>16</u>

NM: Not meaningful

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

	Group		
	HY2018	HY2017	Increase/ (Decrease)
	\$'000	\$'000	%
Bad debt recovered	57	-	NM
Interest income from bank	(2)	(1)	NM
Interest expense on borrowings	45	157	(71)
Depreciation of property, plant and equipment	130	99	31
Foreign currency exchange loss, net	29	92	(68)
Fair value loss on financial assets, at fair value through profit or loss	5	16	(69)

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 2018**

	Group		Company	
	As at HY2018 \$'000	As at FY2017 \$'000	As at HY2018 \$'000	As at FY2017 \$'000
<u>ASSETS</u>				
Current assets:				
Cash and bank balances	2,123	2,905	206	1,082
Fixed deposits	277	271	-	-
Trade and other receivables	5,787	6,755	1,686	1,608
Inventories	1,834	226	-	-
Financial assets, at fair value through profit or loss	15	21	15	21
	10,036	10,178	1,907	2,711
Non-current assets:				
Trade and other receivables	47	60	2,034	1,965
Investments in subsidiaries	-	-	4,473	4,473
Investments in associated companies	-	-	-	-
Available-for-sale financial assets	1	1	-	-
Property, plant and equipment	1,807	1,592	68	79
Intangible assets	1,020	1,020	-	-
Deferred tax assets	-	2	-	-
	2,875	2,675	6,575	6,517
Total assets	12,911	12,853	8,482	9,228
<u>LIABILITIES</u>				
Current liabilities:				
Trade and other payables	4,071	3,489	1,602	1,532
Borrowings	1,563	3,997	1,405	3,910
Current income tax liabilities	311	236	-	-
	5,945	7,722	3,007	5,442
Non-current liabilities:				
Borrowings	620	428	-	-
Deferred income tax liabilities	114	115	-	-
	734	543	-	-
Total liabilities	6,679	8,265	3,007	5,442
Net assets	6,232	4,588	5,475	3,786
<u>EQUITY</u>				
Capital and reserves attributable to equity holders of the Company				
Share capital	65,771	63,274	65,771	63,274
Accumulated losses	(58,158)	(57,193)	(60,346)	(59,538)
Other reserves	(1,888)	(1,906)	50	50
	5,725	4,175	5,475	3,786
Non-controlling interests	507	413	-	-
Total equity	6,232	4,588	5,475	3,786

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 HY2018		As at FY2017	
	Secured	Unsecured	Secured	Unsecured
	\$'000	\$'000	\$'000	\$'000
Amount repayable in one year or less, or on demand	158	1,405	87	3,910
Amount repayable after one year	620	-	428	-

As at HY2018, the Group's secured borrowings were secured on the Group's leasehold properties, fixed deposits and personal guarantees of directors of subsidiaries as with FY2017.

The Group's unsecured borrowings as at HY2018 were mainly due to the advances from the subscriber of the redeemable convertible bonds.⁽¹⁾ As at FY2017, the Group's unsecured borrowings was comprised of advances from the subscriber of the redeemable convertible bonds and loans from LionGold Corp Ltd. (Please refer to discussion in paragraph 8 on "Debt conversion and grant of options to an Investor")

⁽¹⁾ The LionGold Loans was settled on 12 March 2018.

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 2018**

	Group	
	HY2018	HY2017
	\$'000	\$'000
Cash flows from operating activities:		
Loss from operations	(788)	(634)
Adjustments for:		
Depreciation of property, plant and equipment	130	99
Fair value loss on financial assets at fair value through profit or loss	5	16
Fee related to issuance of Debt Conversion Shares	(8)	-
Interest expense	45	157
Interest income	(2)	(1)
Operating cash flows before working capital changes	(618)	(363)
Changes in working capital:		
Increase in inventories	(1,608)	(199)
Decrease/(Increase) in trade and other receivables	984	(2,965)
Increase in trade and other payables	537	2,518
Currency translation difference	(18)	-
Cash used in operations	(723)	(1,009)
Income tax paid	(16)	(40)
Net cash used in operating activities	(739)	(1,049)
Cash flows from investing activities:		
Interest received	1	1
Settlement of promissory note issued during previous year on acquisition of remaining non-controlling interest in a subsidiary	-	(100)
Purchase of property, plant and equipment	(19)	(46)
Net cash used in investing activities	(18)	(145)
Cash flows from financing activities:		
Interest paid	(11)	(13)
Net proceeds from issuance of redeemable convertible bonds	-	475
Receipt of money in relation to the grant of transferrable share option	-	50
Placement of deposit in cash margin account	-	(8)
Proceeds from borrowings	-	421
Repayment of a former subsidiary's bank overdraft	-	(262)
Repayment of borrowings	(31)	(376)
Net cash (used in)/generated from financing activities	(42)	287
Net decrease in cash and cash equivalents	(799)	(907)
Cash and cash equivalents at beginning of the financial period	2,683	1,911
Effects of foreign currency translation on cash and cash equivalents	18	(16)
Cash and cash equivalents at end of the financial period	1,902	988
Cash and cash equivalents at end of the financial period were made up of:		
Cash and bank balances	2,123	1,222
Deposit placed in cash margin account	(221)	(234)
	1,902	988

Major non-cash items:

During HY2018, the LionGold Loan of S\$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.

During HY2017, the Group acquired plant and equipment for a total consideration of \$203,000, out of which \$46,000 was paid by cash and \$157,000 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 YEAR ENDED 30 JUNE 2018**

	----- Attributable to equity holders of the Company -----				Non-controlling interests	Total Equity
	Share capital	Accumulated losses	Other reserves	Total		
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Group						
Balance as at 1 January 2018	63,274	(57,193)	(1,906)	4,175	413	4,588
Profit/(loss) 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	-	(965)	18	(947)	94	(853)
Issuance of Shares	2,497	-	-	2,497	-	2,497
Balance as at 30 June 2018	65,771	(58,158)	(1,888)	5,725	507	6,232
Balance as at 1 January 2017	62,924	(55,781)	(1,963)	5,180	314	5,494
Profit/(loss) for the financial period	-	(759)	-	(759)	60	(699)
Other comprehensive loss:						
Currency translation differences arising from consolidation	-	-	(33)	(33)	(2)	(35)
Total comprehensive profit/(loss) for the financial period	-	(759)	(33)	(792)	58	(734)
Conversion of shares from convertible bonds	350	-	-	350	-	350
Balance as at 30 June 2017	63,274	(56,540)	(1,996)	4,738	372	5,110

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 YEAR ENDED 30 JUNE 2018

	Share capital \$'000	Accumulated losses \$'000	Other reserves \$'000	Total equity \$'000
Company				
Balance as at 1 January 2018	63,274	(59,538)	50	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	(60,346)	50	5,475
Balance as at 1 January 2017	62,924	(58,439)	-	4,485
Issuance of Shares	350	-	-	350
Total comprehensive loss for the financial period	-	(626)	-	(626)
Balance as at 30 June 2017	63,274	(59,065)	-	4,209

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 2017	12,140,220	63,274
Issuance of Shares		
- Debt Conversion Shares allotted and issued at the conversion price of \$0.001	2,504,879	2,505
At 30 June 2018	14,645,099	65,779
Less: Share issue expenses	-	(8)
Net share capital as at 30 June 2018	14,645,099	65,771

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 HY2018, assuming conversion at the minimum conversion price of \$0.00085 per RCB Conversion Share	882,353	750
New RCB Conversion Shares to be allotted and issued upon conversion of redeemable convertible bonds which have yet to be issued as at HY2018, assuming conversion at the minimum conversion price of \$0.00085 per RCB Conversion Share	14,154,411	12,031
Total	15,036,764	12,781

Option Shares

In accordance with the terms and conditions of an option agreement entered with an investor, the Company has issued 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"). No Option Share has been issued at HY2018.

Annica Performance Share Plan and the Annica Employee Share Option Scheme (collectively, the "Schemes")

The aggregate number of Shares that may be issued under the Schemes or any other share option or share scheme of the Company then in force shall not exceed 15% of the total number of issued Shares of the Company from time to time. The Company has not granted or issued any Shares under the Schemes as at HY2018.

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 HY2018	As at FY2017
Total number of issued shares excluding treasury shares	14,645,099,267	12,140,220,497

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.

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 2017 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 2018.

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 adoption of the revised FRS and INT FRS as discussed in paragraph 4 are not expected to result in any significant changes to the Group's accounting policies and methods of computation.

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	
	HY2018	HY2017
Loss per Share based on the weighted average number of Shares on issue (in cents):		
- basic and fully diluted (Note (a))	(0.01)	(0.01)

The basic and diluted loss per Share are the same as the Group did not have any potentially dilutive instruments for the respective financial period.

Notes:

- (a) Basic and fully diluted loss per Share for HY2018 were calculated by dividing the total loss attributable to Shareholders of \$965,000 (HY2017: \$759,000) by the weighted average number of Shares of 13,648,683,403 as at HY2018 (HY2017: 11,958,225,047).

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		Company	
	HY2018	FY2017	HY2018	FY2017
Net asset value per Share based on the issued Shares at the end of the financial period reported on (in cents)	0.04	0.03	0.04	0.03

Net asset value per Share of the Group as at HY2018 was calculated by dividing the Group's net asset value of \$5,725,000 as at HY2018 (FY2017: \$4,175,000) by the number of issued Shares of the Company of 14,465,099,267 as at HY2018 (FY2017: 12,140,220,497).

Net asset value per Share of the Company as at HY2018 was calculated by dividing the Company's net asset value of \$5,475,000 as at HY2018 (FY2017: \$3,786,000) by the number of issued Shares of the Company of 14,465,099,267 as at HY2018 (FY2017: 12,140,220,497).

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 \$7,737,000 in HY2018 which was a decrease of \$1,272,000 or 14% from \$9,009,000 in HY2017, primarily due to delay in securing orders during the period under review in oil and gas equipment segments. Geographically, the Group operates in Singapore and the Asia Pacific region including Malaysia, Indonesia, Thailand, Vietnam, Brunei and Myanmar, with the energy and oil and gas equipment segments each contributed 63% and 37%, respectively, to the Group's revenue in HY2018.

The Group reported gross margin of 19% in HY2018 which was an increase of 1% from 18% in HY2017 due to the higher gross margin turned in by the energy and oil and gas equipment segments in HY2018. Despite the increase of gross profit margin, the Group's gross profit decreased by \$108,000 or 7% from \$1,595,000 in HY2017 to \$1,487,000 in HY2018 due to lower revenue generated from the engineering services segment.

Other income

The Group managed to recover bad debt in one of its subsidiary in HY2018 which mainly resulted in the increase of \$80,000 in other income from \$19,000 in HY2017 to \$99,000 in HY2018.

Selling and distribution expenses

The increase in selling and distribution expenses in HY2018 of \$49,000, from \$168,000 in HY2017 to \$217,000 in HY2018 due to exhibition expenses incurred during HY2018. The Group maintained these expenses at below 3% of total revenue for both financial periods.

Administrative and general expenses

The Group incurred administrative and general expenses of \$2,032,000 in HY2018, an increase of \$258,000 from \$1,774,000 reported in HY2017. As part of its ongoing cost streamlining exercise, the Group had reorganised its in-house services to phase out certain outsourcing services. However, as the exercise is in a transitional phase, both in-house and outsource services were overlapping during this period, resulting in higher administrative and general expenses incurred in HY2018. The Group continues to closely monitor expenses by implementing cost-cutting measures and budget spending.

Other expenses

Other expenses decreased by \$118,000 from \$149,000 in HY2017 to \$31,000 in HY2018 as lower exchange loss incurred in HY2018 due to strengthening of foreign currencies in favour of the Group.

Finance costs

Finance costs was primarily arising from interest expenses on borrowings and finance leases during HY2018. The decrease of \$63,000 from \$157,000 in HY2017 to \$94,000 in HY2018 was mainly due to the settlement of the LionGold Loan on 12 March 2018.

Tax expense

The tax expense arose from taxable profit of subsidiary during HY2018.

Loss for the financial period

The Group reported a loss for the financial period of \$879,000 in HY2018, which was an increase of \$180,000 from \$699,000 in HY2017. The increase was primarily from lower gross profit, higher administrative and general expenses, higher selling and distribution expenses, offset by higher other income, lower other expenses and lower 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 amounting to \$10,036,000 as at HY2018, a decrease of \$142,000 from \$10,178,000 as at FY2017, 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 \$200,000 from \$2,675,000 as at FY2017 to \$2,875,000 as at HY2018 due to purchase of new plant and equipment and motor vehicles less depreciation. Included in the non-current assets were goodwill arising on acquisition of a subsidiary accounted for as intangible assets as well as leasehold properties, comprising two leasehold shop units in Malaysia, which are pledged as security for the Group's banking facilities.

Current liabilities

The Group reported current liabilities of \$5,945,000 as at HY2018 which was a decrease of \$1,777,000 from \$7,722,000 as at FY2017 mainly arising from settlement of the LionGold Loan through the issuance of Debt Conversion Shares.

Non-current liabilities

There was an increase in the Group's non-current liabilities of \$191,000 from \$543,000 as at FY2017 to \$734,000 as at HY2018 due to the increase in hire purchase payable as at HY2018.

Shareholders' equity

The Group's capital and reserves attributable to equity holders of the Company was \$5,725,000 as at HY2018. This was an increase of \$1,550,000 from \$4,175,000 as at FY2017 mainly due to the settlement of the LionGold Loan through the issuance of Debt Conversion Shares offset by the losses incurred by the Group.

CASH FLOWS

Net cash used in operating activities amounted to S\$739,000 in HY2018, compared to S\$1,049,000 in HY2017. The net operating cash outflow was mainly due to operating profit before working capital changes of S\$618,000, adjusted for working capital outflows of S\$105,000, which were mainly attributable to the increase in inventories of S\$1,608,000, decrease in trade and other receivables of S\$984,000 and increase in trade and other payables of S\$537,000.

Net cash used in investing activities in HY2018 amounted to S\$18,000, comprising payments to acquire property, plant and equipment.

Net cash used in financing activities in HY2018 amounted to S\$42,000. This was mainly used for repayment of borrowings.

MATTERS ARISING DURING 2018

Debt conversion and grant of options to an Investor

In order to discharge the Group's share of liabilities as one of the guarantors of performance securities in 2015 in respect of a project undertaken by a former subsidiary, LionGold Corp Ltd ("**LionGold**") extended loans in the aggregate sum of \$3,504,879 to the Company (the "**LionGold Loan**") at an interest of 8% per annum. The LionGold Loan was due and payable in December 2018.

Subsequently, LionGold announced in 2015 that it had assigned the benefits under the LionGold Loan to Mr. Lim In Chong (the "**Investor**"). Pursuant to the deed of assignment between LionGold and the Investor (the "**Deed of Assignment**"), it provides that the LionGold Loan will be assigned in three (3) portions. Separately, Shareholders approved a debt conversion agreement (the "**Debt Conversion Agreement**") and the option agreement (as amended, modified and supplemented by the option agreement supplemental deed) (the "**Option Agreement**") between the Company and the Investor.

Under the Debt Conversion Agreement, the Company had agreed, for nominal consideration, to grant an option (the "**Debt Conversion Option**") to the Investor to convert the Assigned Debt (as defined herein) into Shares of the Company (the "**Debt Conversion Shares**") at a conversion price of \$0.001 (the "**Debt Conversion Price**") per Debt Conversion Share, for an aggregate number of up to 3,504,878,770 Debt Conversion Shares upon the full exercise of the Debt Conversion Option. The exercisability of the Debt Conversion Option by the Investor is linked to the Deed of Assignment and the Investor will only be able to exercise the Debt Conversion Option in respect of such amount of the LionGold Loan which have been assigned by LionGold to the Investor at any point in time pursuant to the Deed of Assignment (the "**Assigned Debt**").

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 2018 (Cont'd)

Debt conversion and grant of options to an Investor (Cont'd)

The Debt Conversion Option will be exercisable in whole or in part in tranches of \$50,000 (convertible into 50,000,000 Debt Conversion Shares for each tranche exercised) at any time and upon the assignment of the respective proportions of the Assigned Debt as provided for in the Deed of Assignment. The Debt Conversion Price and the number of Debt Conversion Shares will be adjusted proportionately in the event that the Company undertakes a stock split, reverse stock split, capitalisation issue, rights issue, capital reduction or distribution, such adjustment to be certified by auditors of the Company for the time being, acting as an independent expert.

Upon exercise of the Debt Conversion Option (whether in full or in part) by the Investor, that portion of the LionGold Loan shall be deemed to be fully repaid under the LionGold Loan and neither LionGold nor the Investor will have any claim whatsoever against the Company for the same.

The Debt Conversion Shares will, when allotted and issued pursuant to the Debt Conversion Option, be authorised, allotted, validly issued and credited as fully paid-up, be free from encumbrances, will be fully transferable and shall rank pari passu in all respects with and carry all rights similar to the existing Shares including the right to receive dividends declared, made or paid, the books closure date of entitlement of which is on or after the date of issue of the Debt Conversion Shares, and shall not be subject to any pre-emptive right, rights of first refusal or other rights in favour of any other party to purchase or receive the same.

Pursuant to the Deed of Assignment, the Company had, on 5 December 2016, received notice of the assignment by LionGold of a portion of the Assigned Debt of \$1,000,000 (the "**First Assigned Debt**") to the Investor. On 8 December 2016, following the receipt of notice from the Investor on his intention to exercise the Debt Conversion Option on the First Assigned Debt, the Company allotted and issued 1,000,000,000 Debt Conversion Shares at the Debt Conversion Price of \$0.001 per Debt Conversion Share to the Investor in accordance with the Debt Conversion Agreement.

Under the 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.

On 12 March 2018, the investor completed the assignment by LionGold Corporation Ltd ("**LionGold**"), the remaining portion of the outstanding principal, equivalent to \$2,505,000 (the "**Remaining Assigned Debt**") and had given notice to the Company to exercise the Debt Conversion Option.

On 14 March 2018, the Remaining Assigned Debt was converted to shares in the Company (the "**Debt Conversion Shares**") at the Conversion Price of \$0.001 per Debt Conversion Share, and the 2,504,878,770 Debt Conversion Shares were allotted and issued to the Investor as fully paid up, free from encumbrances, fully transferable and rank pari passu with the existing shares of the Company. In accordance with the Debt Conversion Agreement, upon the allotment and issuance of the Debt Conversion Shares, the right of the Investor to the repayment of the Remaining Assigned Debt shall be extinguished and released. The Debt Conversion Shares has been listed and quoted for trading on the Catalyst board of the SGX-ST on 16 March 2018.

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.

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 2018 (Cont'd)

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

On 31 August 2017, the Company received the listing and quotation notice ("LQN") from the SGX-ST for the listing and quotation of the 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 Horizon Greentech Resources Sdn. Bhd have mutually agreed to terminate the Proposed HGR Acquisition pursuant to a deed of termination. On the same day, the Company entered into a non-binding memorandum of understanding with each of (i) Awang Ahmad Sah and (ii) 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 Green PlusLink Sdn Bhd for a total consideration of \$4,200,000 as announced on the 26 March 2018.

Termination of Memorandum of Understanding Between HT Energy (S) Sdn. Bhd. ("HTES") and Hec-Tina, Inc. ("HEC-Tina")

On 27 April 2017, HTES entered into a memorandum of understanding ("MOU") with HEC-TINA, Inc. ("HEC-Tina"), a company incorporated in the United States of America. HEC-Tina is a subsidiary of Hydrogen Engine Centre, Inc. whose shares are quoted on the Over-The-Counter Bulletin Board.

Under the terms of the MOU, which is non-binding (save for terms relating to confidentiality, governing law and third-party rights), it is contemplated that the parties shall collaborate in the powering of rural clinics in Sarawak, Malaysia with green electricity produced by renewables and hydrogen using HEC-Tina's proprietary hybrid WSWH2 power modules (the "Project").

HTES and HEC-Tina have on 1 June 2018, mutually agreed to terminate the Memorandum of Understanding, as they have been unable to reach an agreement on the commercial terms for the implementation of the Project and the Pilot Project. HTES has commissioned a Chinese manufacturer ("Manufacturer") instead to manufacture a solar and hydrogen module which has been customised to HTES' specifications (the "Power Module") for the Pilot Project. The Manufacturer has been selected based on technical and commercial considerations.

Issuance of 2% redeemable convertible bonds due 2018 with an aggregate principal amount of up to \$60,000,000

The issuance of the 2% redeemable convertible bonds due 2018 with an aggregate principal amount of up to \$60,000,000 (the "RCBs"), pursuant to the RCB subscription agreement dated 31 July 2015 (the "Subscription Agreement") entered into with Premier Equity Fund Sub Fund F (the "Subscriber") and its manager, Value Capital Asset Management Pte Ltd (the "Manager"), was approved by Shareholders in 2015.

The first tranche of the RCBs (the "Tranche 1 RCBs") comprises equal sub-tranches of \$500,000 each, while the remaining three (3) tranches of the RCBs comprises equal sub-tranches of \$1,000,000 each. The RCBs shall be issued in registered form in denominations of \$50,000 each. The RCBs are convertible into Shares (the "RCB Conversion Shares"), which when issued, shall rank pari passu in all respects with all other existing Shares.

The issue price of the RCBs is 100% of the principal amount. The issue price of the RCB Conversion Shares (the "RCB Conversion Price") is determined by taking 85.0% of the average of the traded volume weighted average price (the "VWAP") per Share for any three (3) consecutive trading days determined at the sole and absolute discretion of the Subscriber, during the thirty (30) trading days immediately preceding the relevant date on which the RCBs were to be converted (the "Average Price"). On 18 September 2016, the Company entered into a supplemental agreement with the Subscriber (the "Subscription Agreement Supplemental Agreement"), pursuant to which it was agreed that, from 15 September 2016, the Conversion Price of each RCB shall not be less than 85.0% of the Average Price. The subscription and conversion of the RCBs shall be in accordance with the terms and conditions of the Subscription Agreement (as amended, supplemented and modified by the Subscription Agreement Supplemental Agreement).

As at HY2018, the Company had issued the first to sixteenth sub-tranche of the Tranche 1 RCBs, with an aggregate principal amount of \$8,000,000, to the Subscriber, out of which an aggregate amount of \$7,250,000 had been converted into a total of 8,963,235,291 RCB Conversion Shares at RCB Conversion Price of between \$0.0008 and \$0.00085 per RCB Conversion Share. The principal amount of RCBs subscribed but yet to be converted into RCB Conversion Shares was \$750,000 as at HY2018.

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 2018 (Cont'd)

Issuance of 2% redeemable convertible bonds due 2018 with an aggregate principal amount of up to \$60,000,000 (Cont'd)

As at the date of this announcement, the utilisation of proceeds from the issuance of the RCBs (the "RCB Proceeds") is as follows:

Purpose	Amount \$'000	Percentage of RCB Proceeds %
Set-off of loan against issuance of RCBs to the Subscriber	1,699	21
Group's general working capital (Note (a))	3,723	47
Arranger's fee on RCBs issued	400	5
Expenses incurred by the Subscriber (Note (b))	40	-
Consideration for the acquisition of a subsidiary	1,838	23
Repayment of third party liabilities	300	4
Total	8,000	100

Notes:

- (a) Funds used for the Group's general working capital were for payments to suppliers, refundable deposit paid to a supplier for purchase of inventories, capital expenditure and operating expenses including staff salaries and professional fees.
- (b) This was paid in accordance with the Subscription Agreement. The percentage of RCB Proceeds is less than 1%.

The use of RCB Proceeds is consistent with the use of proceeds for the RCBs as disclosed in the RCB Circular.

During HY2018, the Subscriber has extended the maturity of the outstanding unconverted RCBs to 31 March 2019.

Proposed disposal of shares in GPE Power Systems (M) Sdn. Bhd.

The Company had on 26 July 2018, entered into a conditional sale and purchase agreement ("SPA") with Chong Shin Mun for the proposed disposal by the Company of its entire shareholding interest of 350,000 ordinary shares in the share capital of GPE Power Systems (M) Sdn. Bhd. ("GPE"), representing 70.0% of the total number of issued shares in GPE for an aggregate consideration of S\$2,000,000, upon the terms and subject to the conditions of the SPA (the "Proposed Disposal") inter alia, the required shareholders' approval and all other necessary approvals, consents and waivers from the regulators.

As the business carried on by GPE is not the core business of the Group, the Proposed Disposal will not materially change the nature and risk profile of the Group's business. As the Sale Shares represent the entire interest of the Company in GPE, the Company will cease to have any interest in GPE and GPE will cease to be a subsidiary of the Company following the completion of the Proposed Disposal.

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 14 February 2018, the CAD confirmed to our auditor that its investigations are on-going.

The Company has been informed that its Non-Independent and Non-Executive Director, Mr. Nicholas Jeyaraj s/o Narayanan ("Mr. Narayanan") has received a notice dated 13 July 2018 from the CAD seeking his assistance in the investigations. In this connection, Mr. Narayanan was interviewed by the CAD on 17 July 2018. Mr. Narayanan intends to co-operate fully and extend all necessary assistance to the relevant authorities.

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 HY2018 operating results were in line with the expectations as disclosed in the Company's FY2017 annual report and the FY2017 results announcement dated 1 March 2018. In March 2018, the Investor had completed converting the Remaining Assigned Debt, which has improved the Group's overall debt gearing.

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, is volatile. Furthermore, there are growing concerns recently over increasing trade protectionism among major nations which may adversely impact the Group's businesses. While recognising the challenges it faces given the prevailing tough economic conditions in the global markets, the Group continues to monitor these developments and undertake measures to mitigate any negative impact. The Group's entry into the Renewable Sector will facilitate its aim of achieving sustained performance in future.

Furthermore, Malaysia which is the Group's primary market, has undergone the change in government, where there is possibility that certain policy may be amended in due course and certain geopolitical risk during this period. Due to these uncertainties, the Directors are closely monitoring and accessing the business environment and the likely impact on the Group.

The disposal of GPE would enable the Group to focus its resources and time in developing its Renewable Sector. As an investment holding company, the disposal of GPE is a good opportunity for the Group to realise its investment and increase the Group's cash resources for new investment opportunities in these new business segments. As the business carried on by GPE is not the core business of the Group, the Proposed Disposal will not materially change the nature and risk profile of the Group's business. The Company are exploring various options, which includes without limitation, taking up external financing, raising funds from the capital market, tapping on internal resources, or a combination of one or more of the options mentioned, in funding the activities under the Renewable Sector. The proceeds from the Proposed Disposal of GPE could strengthen and expedite different phases of the activities.

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 HY2018.

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 HY2018, 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 2018 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**

13 August 2018