

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

**THE PROPOSED DEBT CONVERSION AND THE PROPOSED GRANT OF OPTIONS TO
SUBSCRIBE FOR SHARES IN ANNICA HOLDINGS LIMITED**

1. INTRODUCTION

- 1.1 The board of directors (the “**Board**” or the “**Directors**”) of Annica Holdings Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”), wishes to announce that it has entered into the following agreements:
- 1.1.1 a debt conversion agreement dated 11 February 2016 (the “**Debt Conversion Agreement**”) with Mr. Lim In Chong (the “**Investor**”), whereby the Company has agreed, for nominal consideration, to grant an option (the “**Debt Conversion Option**”) to the Investor to convert the Assigned Debt (as defined herein) into ordinary shares in the capital of the Company (“**Shares**”, and each a “**Share**”) (the “**Debt Conversion**”); and
- 1.1.2 an option agreement (the “**Option Agreement**”) dated 11 February 2016 with the Investor, whereby the Company proposes, for the aggregate consideration of S\$50,000 (the “**Consideration**”), to issue to the Investor an aggregate of 5,555,555,555 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 an exercise price of at least S\$0.0009 to raise an amount of up to S\$5,000,000 in aggregate (the “**Grant of Options**”).
- 1.2 Please refer to paragraph 2 of this Announcement for further information on the Debt Conversion Agreement and the rationale for the Company to enter into the Debt Conversion Agreement and paragraph 3 of this Announcement for further information on the Option Agreement.
- 1.3 Further information on the Investor is set out in paragraph 4 of this Announcement.

2. THE DEBT CONVERSION AGREEMENT

2.1 Background

- 2.1.1 As announced by the Company on 22 October 2015, the Company had entered into a loan agreement (the “**Loan Agreement**”) with LionGold Corp Ltd (“**LionGold**”) pursuant to which LionGold had extended an unsecured term loan facility of S\$3,557,442.99 to the Company, with interest accruing on the amount drawn down under the Loan Agreement at 8% per annum (the “**Interest**”). Please refer to the Company’s announcement dated 22 October 2015 for further information on the Loan Agreement.
- 2.1.2 On 11 February 2016, the Company and LionGold entered into a supplementary deed to the Loan Agreement (the “**Supplementary Deed**”) pursuant which amendments were made to clause 13 (*Assignability*) of the Loan Agreement, which is replicated below with the changes highlighted for ease of reference:

“ASSIGNABILITY

*The Lender shall have the right to assign its rights, benefits or obligations under this Agreement, **in whole or in part**, to any third party without the prior consent of the Borrower. The Borrower shall not assign, transfer, mortgage, change, subcontract, declare a trust over or deal in any other matter with any or all of its rights, benefits or obligations under this Agreement except with the prior written consent of the Lender.”*

- 2.1.3 As at the date of this Announcement, the Company had drawn down an amount of S\$3,504,878.77 (the “**Outstanding Principal**”) under the Loan Agreement.
- 2.1.4 On 11 February 2016, LionGold announced that it had, pursuant to the deed of assignment dated 11 February 2016 (the “**Deed of Assignment**”), assigned the benefit of the Loan Agreement to the Investor (the “**Debt Assignment**”). As announced by LionGold, the Deed of Assignment provides that the Outstanding Principal will be assigned in the following manner, subject to fulfilment of all the conditions precedent included in the Deed of Assignment:
- (a) assignment of a portion of the Outstanding Principal of S\$1,000,000 no later than five (5) business days from the date the last of the conditions precedent specified in the Deed of Assignment is fully satisfied (the “**First Effective Date**”);
 - (b) assignment of a portion of the Outstanding Principal of S\$1,000,000 no later than six (6) months from the First Effective Date (the “**Second Effective Date**”); and
 - (c) assignment of a portion of the Outstanding Principal of S\$1,504,878.77 (the “**Third Instalment**”) no later than 12 months from the Second Effective Date (the “**Third Effective Date**”).

For the avoidance of doubt, the Debt Assignment under the Deed of Assignment is limited to the Outstanding Principal only, and any Interest shall remain payable by the Company to LionGold in accordance with the terms of the Loan Agreement. Included in the conditions precedent to the Debt Assignment under the Deed of Assignment are that (i) the Company enters into the Debt Conversion Agreement with the Investor and (ii) the allotment and issuance of the Conversion Shares (as defined herein) is approved by the shareholders of the Company (the “**Shareholders**”) at an extraordinary general meeting (“**EGM**”) to be convened.

The Investor was introduced to LionGold and the Company by Ms. Sandra Liz Hon Ai Ling (“**Ms. Hon**”), the Company’s Executive Director and Chief Executive Officer. In or about early December 2015 and prior to the appointment of Ms. Hon as the Executive Director and Chief Executive Officer of the Company, LionGold communicated with Ms. Hon on the proposed assignment of the benefit of the Loan Agreement to her or parties introduced by her. Thereafter, Ms. Hon introduced the Investor as the potential purchaser of the benefit of the Loan Agreement. Negotiations between LionGold, the Investor and the Company took place between mid December 2015 and end January 2016. The Company and LionGold have not agreed to and are under no obligation to remunerate Ms. Hon in any manner whatsoever for introducing the Investor to the Company and LionGold.

2.2 **Salient terms of the Debt Conversion Agreement**

Under the terms of the Debt Conversion Agreement, the Company has agreed, subject to the fulfilment of all the conditions precedent, to grant the Investor the Debt Conversion Option to convert the Assigned Debt (as defined herein), or any proportion thereof, into new Shares (the “**Conversion Shares**”) at a conversion price of S\$0.001 (the “**Conversion Price**”) per Conversion Share, for an aggregate number of up to 3,504,878,770 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 Debt Assignment and the Investor will only be able to exercise the Debt Conversion Option in respect of such amount of the Outstanding Principal which has been assigned by LionGold to the Investor at any point in time pursuant to the Deed of Assignment (the “**Assigned Debt**”).

The Debt Conversion Option will be exercisable in whole or in part in tranches of S\$50,000 in the Outstanding Principal (convertible into 50,000,000 Conversion Shares for each tranche exercised), at any time after the fulfilment of all the conditions precedent, and upon the assignment of the respective proportions of the Assigned Debt as provided for in the Deed of Assignment, until the maturity of the Debt Conversion Agreement.

The Conversion Price and the number of 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 Outstanding Principal shall be deemed to be fully repaid under the Loan Agreement and neither LionGold nor the Investor will have any claim whatsoever against the Company for the same.

2.3 **The Conversion Price**

The Conversion Price was agreed between the parties on a willing-buyer and willing-seller basis taking into consideration the current Share price of the Company and volatility in the market.

2.4 **Conversion Shares**

The 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 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.

2.5 **Conditions Precedent**

The Company will not be obliged to grant the Debt Conversion Option and allot and issue any of the Conversion Shares to the Investor unless the following conditions have been fulfilled (or waived) on or before 31 December 2016:

2.5.1 **Regulatory Approvals**

All necessary consents, approvals and waivers from all relevant government bodies, stock exchange and other regulatory authority for or in connection with the Debt Conversion Agreement and all other transactions in connection therewith and incidental thereto, having been obtained by the Company or Investor (as relevant), including without limitation the approval of the continuing sponsor of the Company, Stamford Corporate Services Pte Ltd (the “**Sponsor**”), and if such consents or approvals are granted or obtained are subject to any conditions, such conditions being reasonably acceptable to the Company and the Investor.

Receipt of the listing and quotation notice from the SGX-ST in respect of the listing of and quotation for the Conversion Shares on the Catalist board of the SGX-ST (the “**Catalist**”).

The grant of the Option or allotment and issue of the Conversion Shares not being prohibited by any statute, order, rule or regulation promulgated after the date of the Debt Conversion Agreement by any legislative, executive or regulatory body or authority of Singapore which is applicable to the Company and the Investor.

2.5.2 Shareholders' Approval

The specific approval of the Shareholders at the EGM having been obtained for the following:

- (a) allotment and issuance of the Conversion Shares;
- (b) the transfer of the controlling interest in the Company to the Investor (if required) under Rule 803 of the Listing Manual, Section B: Rules of Catalyst issued by the SGX-ST (the "**Catalist Rules**") pursuant to the allotment and issuance of the Conversion Shares to the Investor; and
- (c) any additional items as may be required under any laws or regulations or agreed in writing between the parties.

2.6 Rationale for the Debt Conversion

The Debt Conversion will extinguish the Outstanding Principal of S\$3,504,878.77 owed by the Company under the Loan Agreement and reduce the Company's debt burden, in the event that the Investor decides to exercise the Debt Conversion Option. The Investor is also a strategic investor in the Company and has committed to invest additional funds of up to S\$5,000,000 into the Company pursuant to the Option Agreement, details of which are set out in paragraph 3 of this Announcement. The Directors are of the view that the Debt Conversion will allow the Investor to increase his shareholding in the Company, thereby aligning his interests with that of the Company.

The Directors are of the opinion that the Company will have sufficient working capital to meet its present requirements after taking into consideration the present banking facilities, the issuance of the Conversion Shares and the proceeds from the issuance of the redeemable convertible bonds (the "**RCBs**") as announced by the Company on 31 July 2015 and the Company's circular dated 11 December 2015 in relation to the Company's issuance of 2.0% RCBs due 2018 with an aggregate principal amount of up to S\$60,000,000 (the "**RCB Issue**").

3. THE PROPOSED GRANT OF OPTIONS

3.1 Grant of Options

Subject to the terms and conditions of the Option Agreement, the Company shall grant, and the Investor shall acquire, 5,555,555,555 Options for the cash consideration of S\$50,000, with each Option carrying the right to subscribe for one (1) Option Share at the Exercise Price (as defined below).

3.2 Terms and Conditions of the Options

The Options shall be granted to the Investor on completion of the Option Agreement on, *inter alia*, the following terms and conditions of the Option Agreement (the "**Option Conditions**"):

Number of Options : 5,555,555,555 Options.

Transferability : The Options are transferable.

Exercise Rights : Each Option entitles the Investor to subscribe for one (1) Option Share at the Exercise Price (as defined below) during the Exercise Period (as defined herein).

- Exercise Price** : 90.0% of the average volume weighted average price (the “**VWAP**”) per Share of the ordinary Shares for trades done on the SGX-ST for the five (5) market day period prior to the date for which an Option holder shall subscribe for Option Shares upon exercise of an Option, provided always that the Exercise Price shall not be lower than the Minimum Exercise Price (as defined below).
- Minimum Exercise Price** : S\$0.0009, which represents a discount of approximately 10% to the VWAP of S\$0.001 of the Shares for trades done on the Catalist on 5 February 2016, being the last full market day on which the shares were traded prior to the date of the Option Agreement (the “**Minimum Exercise Price**”).
- Estimated Gross Proceeds** : S\$5,000,000 (assuming the exercise of all the Options and subscription for all the Option Shares at the Minimum Exercise Price).
- Exercise Period** : The period commencing on and including the date of issue of the Options and expiring on the date falling 36 months after the date of issue of the Options, unless such date is a date on which the register of members is closed or is not a market day, in which event, such period shall end on the date prior to the closure of the register of members or immediate preceding market day (as the case may be).
- Adjustment Events** : The Minimum Exercise Price and the number of Options shall from time to time be adjusted by the Directors, in consultation with any bank or merchant bank or financial adviser in Singapore selected by the Directors (and the adjustment shall be certified by the Company’s auditors from time to time), in any of the following events:
- (a) an issue by the Company of Shares to Shareholders credited as fully paid by way of capitalisation of profits or reserves (whether of a capital or income nature or not) to its Shareholders (other than an issue of Shares to Shareholders who elect to receive Shares in lieu of cash or other dividend);
 - (b) a capital distribution made by the Company to its Shareholders whether on a reduction of capital or otherwise (but excluding any cancellation of capital which is lost or unrepresented by available assets);
 - (c) an offer or invitation made by the Company to its Shareholders whereunder they may acquire or subscribe for Shares by way of rights;
 - (d) an issue (otherwise than pursuant to a rights issue which is available to all Shareholders, requiring an adjustment under subsection (c) above, and other than an issue of Shares to Shareholders who elect to receive Shares in lieu of cash or other dividend) by the Company of Shares if the total effective consideration for each Share is less than 90.0% of the last dealt price for each Share (calculated as provided in the Option Agreement); or
 - (e) any consolidation, subdivision or conversion of the Shares.

- Winding Up** : Where there is a members' voluntary winding-up of the Company, the Investor may elect to be treated as if it had immediately prior to the commencement of such winding-up exercised the Options and had on such date been the holder of the Option Shares to which it would have become entitled pursuant to such exercise. The Company shall give notice to every Option holder in accordance with the Option Conditions of the passing of any such resolution within seven (7) days after thereof.
- Notice of Expiry** : The Company shall, not later than one (1) month before the last date of the Exercise Period (the "**Expiry Date**"), announce the Expiry Date on the SGXNET. Additionally, the Company shall, not later than one (1) month before the Expiry Date, take reasonable steps to notify the Investor in writing of the Expiry Date and such notice shall be delivered personally or by post to the address of the Investor.
- Alteration to Terms** : No material alteration to the terms of the Options after the issue thereof to the advantage of the Investor shall be made, unless the alterations are made pursuant to the Option Conditions or the prior approval of Shareholders in general meeting has been sought.
- Governing Law** : Singapore law.

3.3 **Conditions Precedent to the Grant of the Options**

Completion of the Option Agreement is conditional upon, *inter alia*, the fulfilment of the following conditions (the "**Grant Conditions**"):

- (a) the approval of the Board and the Shareholders being obtained for the Grant of Options;
- (b) the approval of the Shareholders being obtained for the potential change of controlling interest of the Company further to the exercise of the Options;
- (c) the submission of the additional listing confirmation by the Sponsor and the receipt of the listing and quotation notice from the SGX-ST for the listing and quotation of the Option Shares on the Catalist;
- (d) the receipt of all necessary approvals, consents or waivers from any governmental body, regulatory authority or other third party for the Grant of Options (where applicable), and if such approvals, consents or waivers are granted subject to conditions, such conditions being acceptable to the Company and the Investor, and if any conditions are required to be satisfied by Grant Conditions, such conditions being so satisfied;
- (e) the representations and warranties set out in the Option Agreement being true and accurate in all material respects as at the date of the Option Agreement and the date of completion of the Option Agreement; and
- (f) there being no occurrence of any event or circumstances which has or is likely to have a material adverse effect on the condition (financial or otherwise), results of operations, assets and liabilities, prospects or business of the Company or the Group.

3.4 **Option Shares**

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 will make an application through the Sponsor to the SGX-ST for the listing of and quotation for the Option Shares on the Catalist.

3.5 **Rationale and Use of Proceeds of the Grant of Options**

The Company believes that the Investor has and will continue to make contributions to the Group. The Grant of Options and issuance of the Option Shares is also to align the interests of the Investor with that of the Company as well as motivate the Investor generally to contribute towards the Group's long-term prosperity.

Assuming all the Options are validly exercised, the aggregate gross proceeds from the issuance of the Option Shares will be S\$5,000,000. The Grant of Options provides potential additional funding from the Investor and the Options will be exercisable at the discretion of the Investor, allowing the Investor to provide funding to the Company as and when required, to meeting general working capital requirements, fund business expansions or new businesses, if any. All the proceeds raised from the issue of the Option Shares, as and when the Options are exercised by the Investor, are intended to be used by the Company for capital expenditure, potential future investments and general working capital purposes. The Company will update the Shareholders as to the specific intended use of proceeds raised as and when the Options are exercised by the Investor.

The Directors are of the opinion that after taking into consideration the present banking facilities, the issuance of the Conversion Shares, the net proceeds from the exercise of the Options and the proceeds from the RCB Issue, the working capital available to the Company is sufficient to meet its present requirements.

4. **INFORMATION ON THE INVESTOR**

The Investor is an independent third party individual investor and is the managing director of Inchscape Sdn. Bhd., a landscape design consultancy firm incorporated in Malaysia. The Investor's investment objective is to invest in renewable energy technology and other environmentally friendly and sustainable assets.

To the best knowledge of the Directors, save as disclosed above, the Investor does not have any other connections (including business dealings) with the Company, its Directors and substantial shareholders. The Investor does not fall within any of the prohibited categories as set out in Rule 812 of the Catalist Rules to whom the Company is prohibited from issuing the Conversion Shares and the Option Shares and granting of the Options.

5. **EXTRAORDINARY GENERAL MEETING**

5.1 **Shareholders' Approval**

The Company will be seeking the approval of the Shareholders for the allotment and issuance of the Conversion Shares in relation to the Debt Conversion and grant of the Options at an EGM to be convened.

Rule 803 of the Catalist Rules provides that an issuer must not issue securities to transfer a controlling interest without prior approval of Shareholders in general meeting. The exercise of the Debt Conversion Option and the Options may result in a transfer of controlling interest in the Company, for which specific Shareholders' approval shall be sought at the EGM.

A circular to Shareholders containing more information, *inter alia*, on the financial effects of the above transactions and the notice of the EGM will be despatched to the Shareholders in due course.

5.2 Proportion of Conversion Shares and Option Shares

The Conversion Shares and the Option Shares, expressed as a percentage as compared to the existing issued Shares of the Company, are as follows:

	Existing Share Capital ⁽¹⁾		Minimum Exercise Scenario ⁽²⁾		Maximum Exercise Scenario ⁽³⁾	
	Number of Shares	%	Number of Shares	%	Number of Shares	%
Total number of issued Shares	3,076,985,206	100	6,581,863,976	100	12,137,419,531	100
Total number of Conversion Shares	3,504,878,770	114	3,504,878,770	53	3,504,878,770	29
Total number of Option Shares	5,555,555,555	181	-	-	5,555,555,555	46
Total number of Shares held by the Investor	9,060,434,325	295	3,504,878,770	53	9,060,434,325	75

Notes:

- (1) Under the existing share capital scenario, the proportion of the Conversion Shares and the Option Shares are compared against the existing share capital of the Company as at the date of this Announcement.
- (2) Under the minimum exercise scenario, the proportion of the Conversion Shares and the Option Shares are compared against the enlarged share capital of the Company, which is made up of the existing share capital of the Company as at the date of this Announcement and assuming that all Conversion Shares had been issued but no Options were being exercised.
- (3) Under the maximum exercise scenario, the proportion of the Conversion Shares and the Option Shares compared against the enlarged share capital of the Company which is made up of the existing share capital of the Company as at the date of this Announcement and assuming that all Conversion Shares had been issued and all Options were being exercised.

6. INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

Save as disclosed herein, none of the Directors or substantial shareholders of the Company has any interest (other than their respective shareholding in the Company), direct or indirect, in the transactions set out in this Announcement or in the Investor.

7. APPLICATION TO THE SGX-ST

The Company will be making an application through the Sponsor to the SGX-ST for the listing of and quotation for the Conversion Shares and the Option Shares on the Catalist. The Company will make the necessary announcements upon the receipt of the listing and quotation notice from the SGX-ST for the listing of and quotation for the Conversion Shares and the Option Shares on the Catalist.

8. DOCUMENTS FOR INSPECTION

Copies of the Debt Conversion Agreement and the Option Agreement may be inspected at the registered office of the Company at 9 Temasek Boulevard #41-01, Suntec Tower 2, Singapore 038989, during normal business hours for a period of three (3) months from the date of this Announcement.

9. DIRECTORS' RESPONSIBILITY STATEMENT

- 9.1 The Board collectively and individually accept full responsibility for the accuracy of the information given in this Announcement and confirms after making all reasonable enquiries that, to the best of their knowledge and belief, this Announcement constitutes full and true disclosure of all material facts about the transactions set out in this Announcement and the Group, and the Board is not aware of any facts the omission of which would make any statement in this Announcement misleading.
- 9.2 Where information in this Announcement has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Board has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this Announcement in its proper form and context.

10. CAUTION IN TRADING

Shareholders are advised to read this Announcement and any further announcements by the Company carefully. Shareholders are advised to refrain from taking any action in respect of their securities in the Company which may be prejudicial to their interests, and to exercise caution when dealing in the securities of the Company. In the event of any doubt, Shareholders should consult their stockbrokers, bank managers, solicitors, accountants or other professional advisers.

BY ORDER OF THE BOARD

Sandra Liz Hon Ai Ling
Executive Director and Chief Executive Officer
11 February 2016

This announcement has been prepared by the Company and its contents have been reviewed by the Company's Sponsor, for compliance with the relevant rules of the SGX-ST Listing Manual Section B: Rules of Catalist.

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

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