

ANNICA HOLDINGS LIMITED

Unaudited Financial Statements And Dividend Announcement For The Half-Year Financial Period Ended 30 June 2015

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, **HY2015** refers to the six months financial period ended 30 June 2015 whereas **HY2014** refers to the corresponding six months financial period ended 30 June 2014. **FY2014** refers to the full financial year ended 31 December 2014.

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 2015

	Group		Increase/ (Decrease) %
	HY2015 \$'000	HY2014 \$'000	
Revenue	12,324	16,616	(26)
Cost of sales	(10,318)	(13,231)	(22)
Gross profit	2,006	3,385	(41)
Other income	68	119	(43)
Selling and distribution expenses	(166)	(221)	(25)
Administrative and general expenses	(2,778)	(2,879)	(4)
Other expenses	(4,447)	(1,295)	NM
Finance costs	(18)	(13)	38
Loss before income tax	(5,335)	(904)	NM
Income tax expense	-	(1)	NM
Net loss for the financial period	(5,335)	(905)	NM
Other comprehensive income/(loss)			
Items that may be reclassified subsequently to profit or loss:			
Currency translation differences arising from consolidation	167	53	NM
Fair value loss on available-for-sale financial assets	-	(499)	NM
Reclassification adjustment on disposal of available-for-sale financial assets	-	(68)	NM
Other comprehensive income/(loss), net of tax	167	(514)	NM
Total comprehensive loss	(5,168)	(1,419)	NM
Net loss attributable to:			
Equity holders of the Company	(3,348)	(1,107)	NM
Non-controlling interests	(1,987)	202	NM
	(5,335)	(905)	NM
Total comprehensive loss attributable to:			
Equity holders of the Company	(3,181)	(1,621)	96
Non-controlling interests	(1,987)	202	NM
	(5,168)	(1,419)	NM

NM: Not meaningful

1(a)(ii) Total net loss/profit for the financial period is arrived at after charging/(crediting) the following:

	Group		Increase/ (Decrease) %
	HY2015 \$'000	HY2014 \$'000	
Interest income from bank	-	(11)	NM
Impairment loss on available-for-sale financial assets	4	203	(98)
Interest on borrowings	18	13	38
Depreciation of property, plant and equipment	161	190	(15)
Foreign currency exchange loss, net	92	139	(34)
Loss on disposal of property, plant and equipment	3	-	NM
Loss on disposal of available-for-sale financial assets	16	5	NM
Loss on disposal of financial assets, at fair value through profit or loss	-	79	NM
Fair value loss on financial assets, at fair value through profit or loss	41	369	(89)
Amortisation of intangible assets	4	-	NM
Allowance for doubtful non-trade debts	1,524	500	NM
Allowance for doubtful trade debts	240	-	NM
Provision for foreseeable loss on construction contracts	2,500	-	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 2015**

	Group		Company	
	As at HY2015 \$'000	As at FY2014 \$'000	As at HY2015 \$'000	As at FY2014 \$'000
ASSETS				
Current assets:				
Cash and bank balances	2,832	3,100	966	1
Fixed deposits	240	291	-	-
Trade and other receivables	12,266	10,647	1,186	2,800
Inventories	877	829	-	-
Financial assets, at fair value through profit or loss	187	227	187	227
	16,402	15,094	2,339	3,028
Non-current assets:				
Investments in subsidiaries	-	-	2,805	2,805
Investments in associated companies	44	44	-	-
Available-for-sale financial assets	21	639	-	231
Property, plant and equipment	3,229	3,412	2,533	2,607
Trade receivables	112	112	-	-
Intangible assets	20	24	-	-
	3,426	4,231	5,338	5,643
Total assets	19,828	19,325	7,677	8,671

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. (Cont'd)

STATEMENTS OF FINANCIAL POSITION (Cont'd)
AS AT 30 JUNE 2015

	Group		Company	
	As at HY2015 \$'000	As at FY2014 \$'000	As at HY2015 \$'000	As at FY2014 \$'000
LIABILITIES				
Current liabilities:				
Trade and other payables	14,294	9,782	2,744	721
Borrowings	1,384	89	1,100	38
Current income tax liabilities	13	31	-	-
	<u>15,691</u>	<u>9,902</u>	<u>3,844</u>	<u>759</u>
Non-current liabilities:				
Borrowings	196	314	-	86
Deferred income tax liabilities	7	7	-	-
	<u>203</u>	<u>321</u>	<u>-</u>	<u>86</u>
Total liabilities	<u>15,894</u>	<u>10,223</u>	<u>3,844</u>	<u>845</u>
Net assets	<u>3,934</u>	<u>9,102</u>	<u>3,833</u>	<u>7,826</u>
EQUITY				
Capital and reserves attributable to equity holders of the Company				
Share capital	54,224	54,224	54,224	54,224
Accumulated losses	(45,935)	(42,587)	(50,391)	(46,398)
Other reserves	(1,474)	(1,642)	-	-
	<u>6,815</u>	<u>9,995</u>	<u>3,833</u>	<u>7,826</u>
Non-controlling interests	<u>(2,881)</u>	<u>(893)</u>	<u>-</u>	<u>-</u>
Total equity	<u>3,934</u>	<u>9,102</u>	<u>3,833</u>	<u>7,826</u>

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:

Amount repayable in one year or less, or on demand

As at HY2015		As at FY2014	
Secured	Unsecured	Secured	Unsecured
\$'000	\$'000	\$'000	\$'000
46	1,338	89	-

Amount repayable after one year

As at HY2015		As at FY2014	
Secured	Unsecured	Secured	Unsecured
\$'000	\$'000	\$'000	\$'000
196	-	314	-

As at HY2015, the Group's secured borrowings are:

- (i) liabilities arising from finance lease agreements of \$138,000 secured on the Group's motor vehicles; and
- (ii) bank loan of \$104,000 secured on the Group's leasehold properties in Malaysia.

Included in unsecured borrowings is a term loan of \$1,100,000 extended by the lender and backed by a corporate guarantee from a related party, which is also a corporate shareholder of one of the Company's subsidiaries.

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 2015**

	Group	
	HY2015 \$'000	HY2014 \$'000
Cash flows from operating activities:		
Loss after income tax	(5,335)	(905)
Adjustments for:		
Income tax expense	-	1
Depreciation of property, plant and equipment	161	190
Interest expense	18	13
Interest income	-	(11)
Loss on disposal of financial assets at fair value through profit or loss	-	79
Fair value loss on financial assets at fair value through profit or loss	41	369
Impairment loss on available-for-sale financial assets	4	203
Loss on disposal of property, plant and equipment	3	-
Loss on disposal of available-for-sale financial assets	16	5
Amortisation of intangible assets	4	-
	(5,088)	(56)
Changes in working capital:		
Financial assets, at fair value through profit or loss	-	198
Trade and other receivables	(1,460)	2,716
Inventories	(49)	898
Trade and other payables	3,726	(2,438)
Cash (used in)/generated from operations	(2,871)	1,318
Income tax paid	(20)	(28)
Net cash (used in)/generated from operating activities	(2,891)	1,290
Cash flows from investing activities:		
Receipt of interest	-	11
Purchases of available-for-sale financial assets	-	(18)
Proceeds from disposal of available-for-sale financial assets	598	160
Purchases of property, plant and equipment	-	(14)
Proceeds from disposal of property, plant and equipment	1	-
Net cash generated from investing activities	599	139
Cash flows from financing activities:		
Increase in term loan	1,100	-
Advance from/(repayment to) related parties	859	(2,133)
Repayment of borrowings	(161)	(47)
Release of in fixed deposit pledged as security for banking facilities, net	51	1,496
Interest paid	(15)	(13)
Net cash generated from/(used in) financing activities	1,834	(697)
Net increase in cash and cash equivalents	(458)	732
Cash and cash equivalents at beginning of the financial period	3,100	1,903
Effects of foreign currency translation on cash and cash equivalents	(48)	5
Cash and cash equivalents at end of the financial period	2,594	2,640
Cash and cash equivalents at end of the financial period are made up of:		
Cash and bank balances	2,832	2,640
Less: Bank Overdraft	(238)	-
	2,594	2,640

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 2015**

	----- Attributable to equity holders of the Company -----					Total \$'000	Non- controlling interests \$'000	Total equity \$'000
	Share capital \$'000	Capital reserve \$'000	Translation reserve \$'000	Fair value reserve \$'000	Accumulated losses \$'000			
Group								
Balance as at 1 January 2015	54,224	(1,389)	(253)	-	(42,587)	9,995	(893)	9,102
Total comprehensive income/(loss) for the financial period	-	-	167	-	(3,348)	(3,181)	(1,987)	(5,168)
Balance as at 30 June 2015	54,224	(1,389)	(86)	-	(45,935)	6,814	(2,880)	3,934
Balance as at 1 January 2014	54,224	(1,389)	(281)	567	(30,550)	22,571	1,562	24,133
Total comprehensive income/(loss) for the financial period	-	-	53	(567)	(1,107)	(1,621)	202	(1,419)
Balance as at 30 June 2014	54,224	(1,389)	(228)	-	(31,657)	20,950	1,764	22,714
	Share capital \$'000		Accumulated losses \$'000		Total equity \$'000			
Company								
Balance as at 1 January 2015	54,224		(46,398)		7,826			
Total comprehensive loss for the financial period	-		(3,993)		(3,993)			
Balance as at 30 June 2015	54,224		(50,391)		3,833			
Balance as at 1 January 2014	54,224		(32,526)		21,698			
Total comprehensive income for the financial period	-		(1,318)		(1,318)			
Balance as at 30 June 2014	54,224		(33,844)		20,380			

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
As at 31 December 2014 and 30 June 2015	1,312,280	54,224

There was no change in the Company's share capital since the end of the previous financial period reported on.

In 2013, the Company completed a renounceable non-underwritten rights issue of 656,139,662 new ordinary shares ("**Rights Issue Exercise**") in the capital of the Company, the terms and conditions of which were contained in the Company's offer information statement dated 19 December 2012 and the change in the use of proceeds as announced on 12 June 2013. The net proceeds of \$9,565,000 from the Rights Issue Exercise have been utilised for the purposes of funding: (i) the general working capital of the Company (as payment for operating expenses including staff salaries and legal and professional fees); (ii) the operations of the Company's subsidiaries (as payments to suppliers and operating expenses including staff salaries) and; (iii) cash consideration for the acquisition of a leasehold property; and the remaining was invested in a mutual fund with a carrying value of \$37,500 as at HY2015.

Convertible Securities

There are no shares that may be issued on conversion of any outstanding convertibles as at the end of the current financial year and as at the end of the immediately preceding financial year.

Treasury Shares

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)(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 HY2015	As at FY2014
Total number of issued shares excluding treasury shares ('000)	1,312,280	1,312,280

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 2014 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 2015.

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	
	HY2015	HY2014
a. Loss per ordinary share based on the weighted average number of ordinary shares on issue (in cents)	0.26	0.08
Weighted average number of shares ('000)	1,312,280	1,312,280
b. Diluted loss per ordinary share based on the weighted average number of ordinary shares on issue (in cents)	0.26	0.08
Weighted average number of shares ('000)	1,312,280	1,312,280

Basic and diluted loss per share for HY2015 were calculated by dividing the total net loss for the financial period attributable to equity holders of \$3,348,000 (HY2014: \$1,107,000) by the weighted average number of ordinary shares of 1,312,279,324 as at HY2015 (HY2014: 1,312,279,324).

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.

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	
	HY2015	FY2014	HY2015	FY2014
Net asset value per ordinary share based on the issued share capital at the end of the year (in cents)	0.52	0.76	0.29	0.60

Net asset value per ordinary share of the Group as at HY2015 was calculated by dividing the Group's net asset value attributable to equity holders as at HY2015 of \$6,815,000 (FY2014: \$9,995,000) divided by the number of ordinary shares of the Company as at HY2015 of 1,312,279,324 (FY2014: 1,312,279,324).

Net asset value per ordinary share of the Company as at HY2015 was calculated by dividing the Company's net asset value as at HY2015 of \$3,833,000 (FY2014: \$7,826,000) divided by the number of ordinary shares of the Company as at HY2015 of 1,312,279,324 (FY2014: 1,312,279,324).

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

Revenue and Gross Profit

The Group posted revenue of \$12,324,000 in HY2015 with the biomass project, oil and gas equipment and engineering services segments contributing 37%, 44% and 19%, respectively, to the Group's revenue. Geographically, the Group continues to serve its customers in the Asia Pacific region through its operations in Singapore, Malaysia, Indonesia and Thailand. The slow-down in the number of biomass contracts secured and customers' delay in procuring project financing were the contributing factors to the net decrease of 26% or \$4,292,000 in the revenue of the Group in HY2015 from that of \$16,616,000 reported in HY2014. On the other hand, it is worth noting that the Group saw better performance from the oil and gas equipment and engineering services businesses in HY2015 despite the sluggish prevailing market conditions in the industry and dampened oil prices. With pressure on operating margins and volatility of foreign currencies, the Group endeavours on being price-competitive in order to secure contracts and remaining competitive in the markets that it operates.

Gross profit was set back by \$1,379,000 from \$3,385,000 in HY2014 to \$2,006,000 in HY2015 as a result of lower revenue and gross margin. The Group's gross margin was 16% in HY2015, which was a decrease of 4% from that of 20% reported in HY2014. Other than higher costs incurred in the biomass project segment resulting in lower margin, the competitive pricing to secure higher revenue from the oil and gas equipment and engineering services segments explains the decrease in the overall gross margin.

Other income

The Group received lower agency and commission income in HY2015 which caused the decrease of \$51,000 in other income of \$68,000 in HY2015 from \$119,000 received in HY2014.

Selling and distribution expenses

In line with the decrease in revenue, the Group's sales and distribution expenses decreased by \$51,000 from \$221,000 incurred in HY2014 to \$166,000 in HY2015.

Administrative and general expenses

The Group incurred administrative and general expenses of \$2,778,000 in HY2015, which was a decrease of \$101,000 from \$2,879,000 reported in HY2014. The decrease was the result of cost-cutting measures and closer monitoring of expenses.

Other expenses

Other expenses increased by \$3,152,000 from \$1,295,000 in HY2014 to \$4,447,000 in HY2015. Included in HY2015's other expenses were allowances for doubtful trade and non-trade debts, provision for foreseeable loss on construction contracts, amortisation of intangible assets associated with website development costs, unrealised fair value adjustments on and trading loss from investments in financial assets due to declines in quoted market prices of the equity securities held by the Group and foreign exchange loss. The management undertook a review of overdue debts, construction contracts alongside project delays and cost overruns and the prevailing business developments and conditions as at HY2015 and made allowance for doubtful debts and foreseeable loss based on prudent judgement.

Finance costs

Finance costs of \$18,000 in HY2015 were from interest expenses on bank borrowings finance leases. The higher interest of \$5,000 compared to that of \$13,000 incurred in HY2014 was due to higher borrowings in HY2015.

Net loss for the financial period

The Group reported net loss of \$5,335,000 for HY2015, which was an increase of \$4,430,000 from HY2014's loss of \$905,000. The net loss arose mainly from decreases in revenue and gross profit and increase in other expenses arising from allowance for doubtful trade and non-trade debts and foreseeable loss from construction contracts.

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)

FINANCIAL POSITION

Current assets

Current assets of the Group totalled \$16,402,000 as at HY2015. The increase of \$1,308,000 from \$15,094,000 as at FY2014 was primarily from higher trade and other receivables and inventories, partially offset by decrease in cash and bank balances and investments in financial assets, at fair value through profit or loss following unrealised fair value loss adjustments. The investments in the financial assets, comprising listed equity securities, were stated at quoted market price as at the respective dates.

Non-current assets

The Group's non-current assets was \$3,426,000 as at HY2015 which included mainly investments in available-for-sale financial assets and associated companies and property, plant and equipment. Disposal of the financial assets and declines in the quoted market prices resulting in unrealised fair value loss adjustments made to the Group's investment portfolio, depreciation charge on property, plant and equipment and amortisation of intangible assets led to the net decrease of \$805,000 from the Group's non-current assets of \$4,231,000 as at FY2014. Leasehold properties of the Group include a two-storey leasehold factory in Singapore and two leasehold shop units in Malaysia. The properties are pledged as security for bank borrowings and facilities of the Group.

Current liabilities

The Group reported current liabilities of \$15,691,000 as at HY2015 which was an increase of \$5,789,000 from \$9,902,000 as at FY2014. The increase was because of accrual for the Company's share of the SKB Claim (as defined below), proceeds from the Loan (as discussed below) and increase in trade payables with higher purchases to meet forthcoming customers' orders and delayed payments to suppliers.

Non-current liabilities

Non-current liabilities of the Group decreased from \$321,000 as at FY2014 to \$203,000 as at HY2015 due to repayment of borrowings.

Shareholders' equity

Capital and reserves attributable to equity holders of the Company was \$6,815,000 as at HY2015. This is a decrease of \$3,180,000 from \$9,995,000 as at FY2014 as a result of net loss in HY2015 and foreign currency translation adjustment.

CASH FLOWS

The Group had cash and cash equivalents of \$2,594,000 as at HY2015 which saw a decrease of \$506,000 from \$3,100,000 as at FY2014, as a result of net cash used in operations and foreign currency translation adjustment. The net cash used in operations was financed by cash inflow from investing and financing activities. Net cash used in operations arose from HY2015's operating losses, offset by increases in trade and other receivables, inventories and trade and other payables. Proceeds from the disposal of financial assets and borrowings, advance from related parties, release of fixed deposit previously pledged as security for banking facilities to operating funds contributed to the cash inflow of the Group during HY2015.

MATTERS AROSE DURING 2015

Receipt of Notice of Termination by Industrial Power Technology Pte. Ltd.

On 27 March 2015, the Company announced that one of its subsidiaries, Industrial Power Technology Pte. Ltd. ("**Industrial Power**"), had received a notice of termination dated 26 March 2015 (the "**Termination Notice**") in respect of the Engineering, Procurement, Construction & Commissioning Turnkey Contract (the "**EPCC Contract**") between Industrial Power and FTJ Bio Power Sdn. Bhd. ("**FTJ**"), incorporated in Malaysia, on the grounds of alleged breach and default by Industrial Power of certain terms under the EPCC Contract (the "**FTJ Claims**").

The EPCC Contract is for the engineering, procurement, construction and commissioning of a Biomass Power Plant (the "**Power Plant**") in Malaysia. Industrial Power has completed the engineering, procurement and construction of the Power Plant and had received approximately \$29,300,000 (equivalent to RM78,300,000), which is approximately 90% of the EPCC Contract's original contract sum. According to the terms of the EPCC Contract, the exposure of the maximum liquidated damages to Industrial Power is approximately \$6,400,000 (equivalent to RM18,000,000 at the current prevailing exchange rate).

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 AROSE DURING 2015 (Cont'd)

Receipt of Notice of Termination by Industrial Power Technology Pte. Ltd. (Cont'd)

Industrial Power has been advised by its solicitors who opined that Industrial Power's position has merits on the FTJ Claims, the Termination Notice and liquidated damages invoices issued by FTJ. Industrial Power has been directed to take all appropriate steps to resolve the matter via amicable negotiations and if necessary, initiate arbitration proceedings at the Kuala Lumpur Regional Centre for Arbitration as provided for in the EPCC Contract. The arbitration proceedings are likely to take about 12 to 24 months from commencement before an award may be given. Based on the foregoing factors and as the outcome of the Termination Notice and FTJ Claims cannot be reliably estimated and the obligation of the liquidated damages are subject to those outcomes, the Directors are of the opinion that no further provision on the amount owing from FTJ of \$2,700,000 and no provision for liquidated damages are necessary as at HY2015.

The Company will make further announcements as and when there are material developments on the FTJ Claims.

Receipt of Notice of Default by Industrial Power Technology Pte. Ltd.

As announced by the Company on 13 May 2015, 15 May 2015 and 22 June 2015, Industrial Power had received a notification of default letter in respect of the Design, Detailed Engineering, Supply, Construction, Commissioning and Testing of a Rubber Wood Fired Power Plant Contract (the "**SKB Project**") between Industrial Power, together with its 49%-owned associated company, Industrial Power (Thailand) Co., Ltd, and Songkhla Biomass Company Limited ("**Songkhla**") on the delay in the completion of the SKB Project.

In respect of the SKB Project, Industrial Power had procured the following performance securities issued by The Hongkong and Shanghai Banking Corporation Limited ("**HSBC**") in favour of Songkhla:

- (i) a Performance Bond ("**PB**") for the sum of \$2,600,000; and
- (ii) an Advance Payment Bond ("**APB**") for the sum of \$2,600,000.

The PB and APB provided by HSBC to Industrial Power in favour of Songkhla are jointly and severally guaranteed (the "**HSBC Guarantee**") by the Company and a co-guarantor, Liongold Corp Ltd. Under the terms of the HSBC Guarantee, the Company and the co-guarantor guaranteed to pay to HSBC, amongst others, all monies owed by Industrial Power to HSBC.

Industrial Power also procured an insurance company to provide a counter indemnity in favour of HSBC for providing the PB and APB. The counter indemnity is secured by a joint and several guarantee (the "**Insurance Guarantee**") by Industrial Power, the Company and the co-guarantor.

Consequent to Songkhla's notification of default letter mentioned above, Songkhla made a claim under the PB on the basis of a delay in the completion of the SKB Project by Industrial Power and its associated company, Industrial Power (Thailand) Co., Ltd and HSBC paid the amount of \$2,600,000 to Songkhla. HSBC in turn made a claim under the counter indemnity, which the insurance company had paid, and the insurance company subsequently made a claim of the same amount of \$2,600,000 against Industrial Power, the Company and the co-guarantor on the basis of the Insurance Guarantee (the "**SKB Claim**").

The Company and the co-guarantor had agreed with the insurance company that the settlement of the SKB Claim shall be by way of an initial upfront payment of \$1,600,000, with the remaining \$1,000,000 repayable in four equal instalments of \$250,000 each (from July 2015 to October 2015) and with interest accruing at the rate of 7.5% per annum to the date of full and final payment.

The Company had, on 19 June 2015, entered into a settlement of claim deed (the "**Deed of Settlement**") with the co-guarantor whereby parties agreed to share the amount under the SKB Claim and the Company agreed to be liable for a sum of \$1,600,000 payable to the insurance company under the SKB Claim. As at HY2015, the initial upfront payment of \$1,600,000 had been made to the insurance company with the Company's share being \$600,000.

Currently, the Company requires additional working capital to be provided to Industrial Power in order to enable Industrial Power to complete the projects on hand.

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 AROSE DURING 2015 (Cont'd)

Receipt of Notice to provide cash cover in connection with Guarantee provided to Industrial Power Technology Pte. Ltd.

The Company announced on 14 August 2015 that it had received a notice from HSBC (the "**HSBC Notice**") requesting the Company to provide a cash cover of \$2,600,000 arising from the HSBC Guarantee as discussed above and in relation to APB provided by HSBC to Industrial Power in favour of Songkhla.

The HSBC Notice provides that HSBC had exercised its right to call for cash cover from Industrial Power, but Industrial Power has failed to do so. As such, HSBC claims the cash cover amount of \$2,600,000 from the Company and the co-guarantor under the HSBC Guarantee.

The Company will take all appropriate steps to resolve the matter with HSBC via amicable negotiations and to seek legal advice, if necessary.

The Company will make further announcements as and when there are material developments on the HSBC Notice.

Termination of rights cum warrants issue

At the Extraordinary General Meeting held on 30 April 2015 (the "**30 April 2015 EGM**"), the Shareholders approved the Company's issuance of renounceable non-underwritten rights cum warrants shares (the "**Rights cum Warrants Issue**").

However, after taking into consideration: (i) the Group's working capital needs in light of the changing operational funding requirements of Industrial Power (specifically, the SKB Claim and the APB as discussed above which occurred after the 30 April 2015 EGM); (ii) recent volatility in the price of shares of the Company (the "**Shares**"); and (iii) the rationale of the Loan and the proposed issue of the RCBs (as discussed below), the Directors are of the view that it is in the best interests of the Company and its Shareholders not to proceed with the Rights cum Warrants Issue. As such, the proposed Rights cum Warrants Issue was terminated.

Entry into a loan agreement for a term loan of \$1,600,000

The Company announced on 22 June 2015 that it had entered into a loan agreement (the "**Loan Agreement**") with Premier Equity Fund Sub Fund F ("**PEFF**") (managed by Value Capital Asset Management Pte Ltd (the "**Manager**")) and the Manager, whereby PEFF has agreed to extend a term loan of \$1,600,000 to the Company (the "**Loan**"). The Loan is secured by a corporate guarantee from a related party, which is a corporate shareholder of Industrial Power.

Under the terms of the Loan Agreement, the first tranche of the Loan amounting to \$1,100,000 (which had been disbursed to the Company during HY2015) and the balance of \$500,000 (to be disbursed in August 2015), totalled \$1,600,000, carries interest of 15% per annum and is repayable by 31 December 2015. PEFF and the Manager were paid costs relating to the completion of the Loan Agreement of \$25,000 and a finder's fee of \$75,000, respectively, during HY2015.

Please refer to the Company's announcements dated 22 June 2015 and 2 July 2015 for further details on the Loan Agreement.

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

On 31 July 2015, the Company announced that it had entered into a redeemable convertible bond subscription agreement (the "**Subscription Agreement**") with PEFF and the Manager. Pursuant to the Subscription Agreement, the Company proposes to issue to PEFF 2% redeemable convertible bonds due 2018 with an aggregate principal amount of up to \$60,000,000 (the "**RCBs**") comprising four tranches of principal amounts of \$15,000,000 each. The first tranche of the RCBs shall comprise equal sub-tranches of \$500,000 each, while the remaining three tranches of the RCBs shall comprise 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 of the Company, 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 subscription and conversion of the RCBs shall be in accordance with the terms of the Subscription Agreement and subject to the terms and conditions of the RCBs.

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 AROSE DURING 2015 (Cont'd)

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

The fees payable by the Company under the Subscription Agreement are as follows:

- (a) initial fee of \$150,000 for every \$1,000,000 in aggregate principal amount of RCBs subscribed by PEFF (the "Initial Fee Payment Tranche") subject to a maximum sum of \$600,000 payable to PEFF. Each Initial Fee Payment Tranche shall be satisfied by the issue of new Shares (the "Consideration Shares") upon the relevant subscription of \$1,000,000 in aggregate principal amount of RCBs by PEFF. The Consideration Shares are to be issued at a price per Share equal to (i) 50% of the last traded price per Share as at the date of the Subscription Agreement; or (ii) a price equal to 15% discount to the volume weighted average price per Share for the full trading day immediately prior to the issue date of the Consideration Shares, whichever is higher; and
- (b) an arranger's fee of 5% of the aggregate principal amount of the RCBs payable to the Manager to be deducted directly from the subscription moneys as and when payable to the Company by PEFF.

The Company decided to enter into the Subscription Agreement to take advantage of an opportunity for the Company to strengthen the Group's financial position and capital base. Assuming full subscription of the RCBs, the estimated net proceeds raised from the proposed issue of RCBs, after deducting estimated fees and expenses, is approximately \$13,750,000 and \$42,500,000 from the first tranche of the RCBs and the remaining three tranches of the RCBs, respectively, with a total amount of \$56,250,000 receivable by 2018 (the "RCBs net proceeds"). The RCBs net proceeds are to be applied towards funding (i) the repayment of the Company's obligations under the Loan Agreement; (ii) general working capital of the Group including Industrial Power's operations; and (iii) general corporate activities, including, but not limited to, acquisitions, joint ventures and/or for strategic alliances.

The proposed issue of RCBs is subject to all requisite approvals including those from the Company's Shareholders and SGX-ST. Please refer to the Company's announcements on 22 June 2015, 2 July 2015 and 31 July 2015 for further details on the RCBs.

OTHER MATTERS

Notices received from Commercial Affairs Department

As announced by the Company on 4 April 2014 and 29 April 2014, the Company and certain of its subsidiaries, being Industrial Power, P.J. Services Pte Ltd and Nu-Haven Incorporated, have provided certain information and documents for the period from 1 January 2011 to 3 April 2014 as required by the Commercial Affairs Department ("CAD") regarding its investigations into an offence under the Securities and Futures Act (Cap. 289). Since then, the Company has been cooperating fully with the CAD in its investigations. On 20 January 2015, the CAD confirmed to the Company's external auditor that its investigations are still ongoing. The CAD has not provided the Company with any further details or updates of its investigations. The business and day-to-day operations of the Group are not affected by the investigations and have continued as normal. However, the ongoing investigations have cast a negative outlook on the Group from the perspective of the financial institutions which are highly risk averse and pose limitations to the Group's growth and expansion plans.

Going concern assumption

The Group reported net loss of \$5,335,000 and net operating cash outflows of \$2,891,000 during HY2015 and its accumulated losses amounted to \$45,935,000 as at HY2015. These factors may cast doubt about the Group's and the Company's ability to continue as a going concern. Nevertheless, the Directors are of the view that it is appropriate for the financial statements of the Group and of the Company to be prepared on a going concern basis as the Company is targeting to raise net proceeds of approximately \$13,250,000 from the first tranche of the RCBs in the next 12 months as discussed above. Also, the Directors are actively evaluating various strategies, including fund raising, acquisitions of suitable businesses as well as restructuring the Group's existing businesses or assets to improve the existing business and earnings base of the Group. While the Directors are reasonably positive that these strategies can be achieved, nonetheless, they are subject to market conditions.

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

Other than the matters arose during 2015, as discussed above, which have an impact on Industrial Power and therefore the Group's HY2015 results, the Group's other operations were in line with the expectations as disclosed in the FY2014 results announcement dated 27 February 2015, the FY2014 annual report and the circular dated 15 April 2015 of the Company.

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. As the Group's core businesses require high internal working capital, the management constantly undertakes reviews of the Group's operating models, strategies and planning process to enable it to enhance its competitiveness and market presence. In addition, the Directors are focusing on the proposed issue of RCBs to ensure the Group's continuous operations and growth.

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 HY2015.

13. If the group has obtained a general mandate from shareholders for Interested Person Transactions ("IPT"), 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 HY2015, 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, Edwin Sugiarto and Augustine A/L T.K James, 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 months financial period ended 30 June 2015 to be false and misleading in any material aspect.

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

**Edwin Sugiarto
Chairman and Executive Director**

**Augustine A/L T.K James
Independent and Non-Executive Director
and Lead Independent Director**

14 August 2015