

VASHION GROUP LTD
Company Registration Number: 199906220H

UNAUDITED FULL YEAR FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2018 ("FY2018")

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

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

| Note | Group Year Ended 31 December | | Increase/ (Decrease) |
|---|---------------------------------|-----------------|-------------------------|
| | 2018 S\$'000 | 2017 S\$'000 | % |
| Continuing operations | | | |
| Revenue | 11,055 | 3,246 | 240.57 |
| Cost of Sales | (10,462) | (2,613) | 300.38 |
| Gross profit | 593 | 633 | (6.32) |
| Other operating income | 458 | 50 | 816 |
| Selling & distribution expenses | (254) | (230) | 10.43 |
| Administrative expenses | (2,323) | (1,864) | 24.62 |
| Other operating expenses | (259) | (697) | (62.84) |
| Share of loss of associate | (1) | - | NM |
| (Loss) from operations | (1,786) | (2,108) | (15.28) |
| Finance expenses | (1) | (11) | (90.91) |
| (Loss) before income tax | (1,787) | (2,119) | (15.67) |
| Income tax expenses | - | - | NM |
| (Loss) for the period from continuing operations | (1,787) | (2,119) | (15.67) |
| Discontinued operations | | | |
| (Loss) for the year from discontinued operations | (147) | (460) | (68.04) |
| Total (loss) for the year | (1,934) | (2,579) | (25.01) |
| Gross profit margin | 5.36% | 19.50% | |

Consolidated Statement of Comprehensive Income:

| | Group Year Ended 31 December | | Increase/ (Decrease) |
|--|---------------------------------|-----------------|-------------------------|
| | 2018 S\$'000 | 2017 S\$'000 | % |
| (Loss) for the year | (1,934) | (2,579) | (25.01) |
| Other comprehensive income: | | | |
| Items that may be reclassified subsequently to profit or loss: | | | |
| - Foreign currency translation gain/ (loss) / gain | (100) | 816 | (112.25) |
| Total comprehensive (loss) for the year | (2,034) | (1,763) | 15.37 |

NM: Not Meaningful

1. (a) (ii) Notes to income statement for the current financial period reported on and the corresponding period of the immediately preceding financial year.

Profit for the year is arrived at after (Charging)/Crediting following items:

| | Group | |
|---|-------------------------------|----------------|
| | Year Ended 31 December | |
| | 2018 | 2017 |
| | S\$'000 | S\$'000 |
| Foreign exchange gain/(loss), net | 401 | (697) |
| Depreciation of plant and equipment | (16) | (19) |
| Interest expense | (1) | (11) |
| Interest income | - | 1 |
| Loss on disposal of investment | (253) | - |
| Allowance for impairment of other receivables | (7) | - |

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

| <u>Statement of Financial Position</u> | <u>Group</u> | | <u>Company</u> | |
|---|---|---|---|---|
| | <u>As at 31 Dec 2018</u> S\$'000 | <u>As at 31 Dec 2017</u> S\$'000 | <u>As at 31 Dec 2018</u> S\$'000 | <u>As at 31 Dec 2017</u> S\$'000 |
| Non-current assets | | | | |
| Property, plant and equipment | 66 | 96 | - | 4 |
| Investment in subsidiaries | - | - | 1,303 | 3,129 |
| Investment in associate | 1,281 | - | 1,282 | - |
| Intangible assets | - | - | - | - |
| Membership rights | - | 24 | - | - |
| Total non-current assets | 1,347 | 120 | 2,585 | 3,133 |
| Current assets | | | | |
| Inventories | 2,350 | 313 | - | - |
| Trade receivables | 925 | 1,075 | - | - |
| Other receivables, deposits and prepayments | 27 | 402 | 8 | 166 |
| Due from subsidiaries (non-trade) | - | - | 3 | 340 |
| Due from associate | 1,712 | - | 1,712 | - |
| Fixed deposits | - | 2,465 | - | - |
| Cash and bank balances | 903 | 1,026 | 3 | 9 |
| Total current assets | 5,917 | 5,281 | 1,726 | 515 |
| Current liabilities | | | | |
| Trade payables | (109) | (129) | - | - |
| Other payables and accruals | (892) | (1,786) | (366) | (604) |
| Due to subsidiaries (non-trade) | - | - | (278) | (592) |
| Lease obligations | (1) | (1) | - | - |
| Loan from director | - | (326) | - | - |
| Income tax payable | (57) | (56) | - | - |
| Total current liabilities | (1,059) | (2,298) | (644) | (1,197) |
| Net current assets | 4,858 | 2,983 | 1,082 | (682) |
| Non-current liabilities | | | | |
| Lease obligations | (5) | (7) | - | - |
| Total non-current liabilities | (5) | (7) | - | - |
| Net assets | 6,200 | 3,096 | 3,667 | 2,451 |
| Share capital | 38,852 | 33,715 | 38,852 | 33,715 |
| Translation reserve | (1,657) | (1,558) | - | - |
| Accumulated losses | (30,995) | (29,061) | (35,185) | (31,264) |
| Total equity | 6,200 | 3,096 | 3,667 | 2,451 |

1(b)(ii) Aggregate amount of group's borrowings and debt securities.

| | Group Borrowings | | | |
|--|-------------------------|----------------------|------------------------|----------------------|
| | As at 31 December 2018 | | As at 31 December 2017 | |
| | Secured S\$'000 | Unsecured S\$'000 | Secured S\$'000 | Unsecured S\$'000 |
| Amount repayable in one year or less, or on demand | - | - | - | 326 |
| Financial lease less than one year | 1 | - | 1 | - |
| Financial lease more than one year | 5 | - | 7 | - |
| Amount repayable after one year | - | - | - | - |
| Total | 6 | - | 8 | 326 |

Details of any collateral

The lease relate to printer of the Group acquired under financial lease. Lease terms do not contain restrictions concerning dividends, additional debt or further leasing.

Save for the above, the Group do not have any secured or unsecured loan as at 31 December 2018.

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

| | Group | |
|---|------------------------------------|-----------------------|
| | Year Ended 31 December 2018 | 2017 |
| | S\$'000 | S\$'000 |
| <u>Cash flows from operating activities:</u> | | |
| Loss before income tax from continuing operations | (1,787) | (2,119) |
| Loss before income tax from discontinuing operations | (147) | (460) |
| | <u>(1,934)</u> | <u>(2,579)</u> |
| Adjustment for: | | |
| Share of loss of associate | 1 | - |
| Depreciation of property, plant and equipment | 31 | 23 |
| Loss on disposal of investment | 252 | - |
| Written-off of membership rights | 24 | - |
| Bad debts written off (trade) | - | 6 |
| Other receivables written off | 7 | - |
| Unrealised exchange (gain)/loss | (481) | 1,102 |
| Interest expense | 1 | 11 |
| Interest income | (96) | (183) |
| Operating cash flow before working capital changes | <u>(2,195)</u> | <u>(1,620)</u> |
| Changes in working capital: | | |
| - Inventories | (2,037) | (55) |
| - Trade and other receivables | 990 | (343) |
| - Trade and other payables | (347) | 895 |
| Cash (used in) operations activities | <u>(3,589)</u> | <u>(1,123)</u> |
| Interest paid | (1) | (11) |
| Income tax refund | - | - |
| Net cash (used in) operating activities | <u>(3,590)</u> | <u>(1,134)</u> |
| <u>Cash flows from investing activities:</u> | | |
| Investment in associate | (1) | - |
| Purchase of plant and equipment | - | (83) |
| Net cash outflow from disposal of subsidiary | (1,150) | - |
| Proceeds from disposal of trademark | - | 1 |

| | | |
|--|----------------|--------------|
| Decrease of fixed deposits | 1,296 | 5 |
| Fixed deposits maturing after 3 months | - | 517 |
| Refund of deposit in subsidiary held in escrow account | - | 43 |
| Advances to associate | (1,712) | - |
| Interest received | 196 | 204 |
| Net cash (used in)/generated from investing activities | (1,371) | 687 |
| Cash flows from financing activities: | | |
| Proceeds from issue of share, net of share issue expenses | 5,137 | - |
| Repayment of debt conversion share issuance expenses | - | (18) |
| Proceeds from borrowings | - | 137 |
| Repayment of borrowings | - | (171) |
| Loan from a director of the Company | - | 327 |
| Repayment of loan from director | (327) | - |
| (Decrease)/Increase in lease obligations | (1) | 8 |
| Net cash generated from financing activities | 4,809 | 283 |
| Net decrease in cash and cash equivalents | (152) | (164) |
| Cash and cash equivalent at beginning of the year | 1,026 | 1,248 |
| Effect of changes in foreign exchange rates on cash and cash equivalents | 29 | (58) |
| Cash and cash equivalent at end of the year | 903 | 1,026 |

Cash and cash equivalents included in the consolidated cash flow statement comprise the following consolidated balance sheet amounts:-

| | Group | |
|--|------------------------------|------------------------------|
| | As at 31 December 2018 | As at 31 December 2017 |
| | S\$'000 | S\$'000 |
| Fixed deposits | - | 2,465 |
| Cash and bank balances | 903 | 1,026 |
| Bank overdrafts | - | - |
| | 903 | 3,491 |
| Less: | | |
| Fixed deposits (more than 3 months) ⁽¹⁾ | - | (2,465) |
| Pledged fixed deposits | - | - |
| Total | 903 | 1,026 |

Note (1):

The fixed deposit of the Group represent deposit amounted to IDR25,000,000,000 (equivalent to S\$2.465 million) in Indonesia as at 31 December 2017.

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 year.

The Group

| | Share Capital | Translation Reserves | Accumulated Losses | Total Equity |
|---|----------------------|-----------------------------|---------------------------|---------------------|
| | S\$'000 | S\$'000 | S\$'000 | S\$'000 |
| Balance as at 1 January 2017 | 33,503 | (2,373) | (26,482) | 4,647 |
| Loss for the year | - | - | (2,579) | (2,579) |
| Other comprehensive income | | | | |
| - Exchange differences on translation of foreign subsidiaries | - | 816 | - | 816 |
| Total comprehensive (loss) for the period | - | 816 | (2,579) | (1,763) |
| Conversion of debts | 230 | - | - | 230 |
| Debt conversion – share issuance expenses | (18) | - | - | (18) |
| Balance as at 31 December 2017 | 33,715 | (1,557) | (29,061) | 3,096 |
| | | | | |
| Balance as at 1 January 2018 | 33,715 | (1,557) | (29,061) | 3,096 |
| (Loss) for the year | - | - | (1,934) | (1,934) |
| Other comprehensive loss | | | | |
| - Exchange differences on translation of foreign subsidiaries | - | (100) | - | (100) |
| Total comprehensive loss for the year | - | (100) | (1,934) | (2,034) |
| Issuance of new ordinary shares from Debt Conversion | 5,137 | - | - | 5,137 |
| Balance as at 31 December 2018 | 38,852 | (1,657) | (30,995) | 6,200 |

The Company

| | Share Capital | Accumulated | Total Equity |
|---|----------------------|--------------------|---------------------|
| | S\$'000 | Losses | S\$'000 |
| | S\$'000 | S\$'000 | S\$'000 |
| Balance as at 1 January 2017 | 33,503 | (30,840) | 2,663 |
| Total comprehensive loss for the period | - | (424) | (425) |
| Conversion of debts | 230 | - | 230 |
| Debt conversion – share issuance expenses | (18) | - | (18) |
| Balance as at 31 December 2017 | 33,715 | (31,264) | 2,451 |
| | | | |
| Balance as at 1 January 2018 | 33,715 | (31,264) | 2,451 |
| Total comprehensive loss for the period | - | (3,921) | (3,921) |
| Issuance of new ordinary shares | 5,137 | - | 5,137 |
| Balance as at 31 December 2018 | 38,852 | (35,185) | 3,667 |

- 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 financial year 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 at treasury shares, if any, against the total number of issued shares excluding treasury shares and subsidiary holdings of the issuer, as at the end of the current financial year reported on and as at the end of the corresponding period of the immediately preceding financial year. State also the number of shares held as treasury shares and the number of subsidiary holdings, if any, and the percentage of the aggregate number of treasury shares and subsidiary holdings held against the total number of shares outstanding in a class that is listed 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 year.

Rights Issue cum Warrants

On 25 May 2017, the Company has announced a renounceable non-underwritten rights cum warrants issue ("Rights cum Warrants Issue") of up to 1,130,303,870 new ordinary shares in the capital of the Company (the "Rights Shares") at an issue price of S\$0.005 for each Rights Share (the "Issue Price") and up to 565,151,435 free detachable warrants ("Warrants"), each Warrant carrying the right to subscribe for one (1) new share at an exercise price of \$0.005 on the basis of ten (10) Rights Shares for every one (1) consolidated ordinary share as at the rights books closure date and one (1) Warrant for every two (2) Rights Shares subscribed.

Following the allotment and issuance of the 1,086,345,633 Rights Shares and 543,172,816 Warrants pursuant to the renounceable non-underwritten Rights Issue with Warrants on 12 March 2018, the number of issued and paid up Shares in the capital of the Company has increased from 113,030,287 Shares to 1,199,375,920 Shares.

The Company's issued share capital as at 31 December 2018 was S\$38,852,217 comprising 1,199,375,920 ordinary shares.

Details movement of the Company's shares capital and number of issued shares as at 31 December 2017 to 31 December 2018:-

| | Share Capital of the Company (S\$) | Number of Issued Ordinary Shares |
|--|------------------------------------|----------------------------------|
| Balance as at 1 January 2018 | 33,715,127 | 113,030,287 |
| Issuance and allotment of Rights Shares on 12 March 2018 | 5,137,090 | 1,086,345,633 |
| Balance as at December 2018 | 38,852,217 | 1,199,375,920 |

Details movement of the Company's ordinary shares and number of outstanding convertibles or shares that may be issued for current and corresponding period:-

| | Issued ordinary shares | Warrants |
|---|------------------------|-------------|
| Balance as at 1 January 2018 | 113,030,287 | - |
| - Issuance and allotment of Rights Shares and Warrants on 12 March 2018 | 1,086,345,633 | 543,172,816 |
| Balance as at 31 December 2018 | 1,199,375,920 | 543,172,816 |

| | | |
|--|--------------------|----------|
| Balance as at 1 January 2017 | 1,051,385,163 | - |
| - Issuance and allotment of Debt Conversion Shares on 8 September 2017 | 78,917,999 | - |
| - Balance as at 19 September 2017 before completion of share consolidation | 1,130,303,162 | - |
| - Balance as at 20 September 2017 after completion of share consolidation | 113,030,287 | - |
| Balance as at 31 December 2017 | <u>113,030,287</u> | <u>-</u> |

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

The total number of issued ordinary shares as at 31 December 2018 was 1,199,375,920 and 31 December 2017 was 113,030,287. The Company had no treasury shares, subsidiary holdings or other convertibles as at 31 December 2018 and as at 31 December 2017.

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

Not applicable. The Company did not have any treasury shares during and at the end of the current financial year reported on.

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

Not applicable. The Company did not have any subsidiary holdings during and at the end of the current financial year reported on.

2. Whether the figures have been audited or reviewed and in accordance with which auditing standard or practice.

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 a 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.

Except as stated in Paragraph 5, the Group has adopted the same accounting policies and methods of computation as the audited financial statements for the year ended 31 December 2017.

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

The Group has elected to apply the transitional optional exemptions and transitional mandatory exceptions under SFRS(I) 1. In view of this application, the Group has adopted SFRS(I) 1-21 prospectively. A detailed explanation will be disclosed in the first SFRS(I) financial statements

for the financial year ended 31 December 2018 and the Group has also affected changes consequent to SFRS(I) 9 & 15 as of 1 January 2017.

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

| | Year Ended 31 December | |
|--|------------------------|-------------|
| | 2018 | 2017 |
| | Cents | Cents |
| Basic (loss)/earnings per ordinary share("EPS") | (0.20) | (2.40) |
| Weighted average number of shares in issue during the period for calculating the EPS | 991,035,662 | 107,624,945 |
| Basic (loss)/earnings per ordinary share("EPS") on a fully diluted basis | (0.20) | (2.40) |
| Weighted average number of shares in issue during the period for calculating the EPS | 991,035,662 | 107,624,945 |

The Company announced on 12 March 2018 that the Issuance and allotment of Rights Shares and Warrants has been completed.

7. Net asset value (for the issuer and group) per ordinary share based on issued share capital of the issuer at the end of the:-

- (a) current financial year ended on; and
- (b) immediately preceding financial year.

| | Group | | Company | |
|-----------------------------------|-------------------|-------------------|-------------------|-------------------|
| | As at 31 Dec 2018 | As at 31 Dec 2017 | As at 31 Dec 2018 | As at 31 Dec 2017 |
| Net asset value per share (cents) | 0.52 | 2.88 | 0.31 | 2.17 |

The Company announced on 12 March 2018 that the Issuance and allotment of Rights Shares and Warrants has been completed.

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 year 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 year reported on.

Revenue, Gross Profit And Gross Profit Margin From Continuing Operations

The Group's revenue increased by S\$7.8 million or 240.57% from S\$3.2 million in FY2017 to S\$11 million in FY2018 mainly due to the new business in trading of luxury goods in Hong Kong subsidiary which started in March 2018. Revenue contributed from distribution of consumable material for electronic industry dropped by 13.91% from S\$3.2 million in FY2017 to S\$2.8 million in FY2018. Revenue from switchgear design and assembly recorded S\$65 thousand in FY2018 comparing to S\$33 thousand in FY2017.

The gross profit margin of the Group declined substantially from 19.5% in FY2017 to 5.36% in FY2018. The gross profit of the Group slightly decreased from S\$633 thousand in FY2017 to S\$593 thousand in FY2018.

Other Operating Income From Continuing Operations

The growth in other operating income from S\$50 thousand in FY2017 to S\$508 thousand in FY2018 was mainly due to exchange gain result from foreign currency translation of S\$0.4 million and others.

Selling And Distribution Expenses From Continuing Operations

The selling and distribution expenses slightly increased and recorded approximately S\$254 thousand in FY2018 (FY2017: S\$230 thousand).

Administrative Expenses From Continuing Operations

The administrative expenses rose by 24.62% from S\$1.9 million in FY2017 to S\$2.3 million in FY2018 mainly due to increase in (i) wages and salaries by S\$314 thousand; (ii) legal and professional fee by S\$22 thousand; (iii) building management fee by S\$15 thousand; (iv) printing expenses S\$14 thousand; (v) listing and secretarial fee by S\$17 thousand and others.

The administrative expenses of S\$2.3 million are mainly attributable to wages and salaries and directors' remuneration (S\$1.56 million), professionals and audit fees (S\$357 thousand), rental and building management fee (S\$80 thousand), travelling and entertainment expenses (S\$70 thousand), printing expenses (S\$42 thousand), listing fee and secretarial fee (S\$42 thousand), depreciation (S\$16 thousand compared to S\$19 thousand in FY2017 as a result of disposal of fixed asset), courier, logistic and motor vehicle expenses (S\$26 thousand), bank charges (S\$10 thousand), telephone, utilities and office supplies (S\$30 thousand) and others (S\$89 thousand).

Other Operating Expenses From Continuing Operations

The other operating expenses recorded \$259 thousand mainly comprised of loss on disposal of 51% of PT Louis Gianni (S\$252 thousand).

Finance Expenses From Continuing Operations

The finance expenses in FY2018 relate solely to interest expenses.

Income Tax Expenses From Continuing Operations

During the 2018, there was no provision for income tax for Singapore and Hong Kong subsidiaries due to losses.

(Loss) After Tax From Continuing Operations

The loss after tax of approximately S\$1.8 million for FY2018 was mainly due to (i) increase in administrative expenses and (ii) decrease in gross profit, mitigated by a (i) rise in other operating income and (ii) decrease in other operating expenses.

Loss From Discontinued Operations

The discontinued operations refer to subsidiaries, Luxury Watch Trading Limited, PT. Louis Gianni, Sansim Cosmetics (H.K.) Ltd, FBT HK Limited and Vashion Assets Management Limited, which were engaged in trading or wholesale of garments and cosmetics products or provision of consultancy services. These subsidiaries have either ceased operations or remained inactive since prior years.

The loss from discontinued operations dropped from S\$460 thousand in FY2017 to S\$147 thousand in FY2018 mainly due to exchange gain result from foreign currency translation between intercompany balance while FY2017 recorded exchange loss. The income from discontinued operations was mainly mitigated by (i) interest income (S\$96 thousand) from fixed deposit in Indonesia and (ii) exchange gain (S\$89 thousand). Administrative expenses from discontinued operations included legal and professional fee and audit fee (S\$199 thousand); rental and building management fee (S\$93 thousand); withholding tax of interest income in Indonesia (S\$19 thousand); depreciation (S\$15, thousand) and others.

Non-Current Assets

The non-current assets increase mainly due to investment in associate after disposal of 51% of PT Louis Gianni and offset by a decrease in property, plant, and equipment as a result of depreciation.

Current Assets

The current assets of the Group increased by approximately S\$0.6 million or 12.06% from S\$5.3 million as at 31 December 2017 to S\$5.9 million as at 31 December 2018.

Inventories increased by approximately S\$2 million from S\$0.3 million as at 31 December 2017 to S\$2.3 million as at 31 December 2018 resulting from the purchase of stock for the new business in trading of luxury goods in Hong Kong subsidiary.

The decline in trade receivables by S\$151 thousand result from settlement from customers. As at 31 December 2018, all trade receivables are within their credit terms.

The decline in other receivables, deposits and prepayments by approximately S\$374 thousand was mainly due to (i) stocks in transit have been fully delivered to our warehouse in early 2018 and (ii) accrued interest income as at 31 December 2017 has been received from CIMB Bank in Indonesia.

The due from associate recorded S\$1.7 million as at 31 December 2018 solely due to the advance to joint venture business as announced on 13 April 2018.

The fixed deposit dropped from S\$2.5 million as at 31 December 2017 to Nil as at 31 December 2018 as a result of disposal of PT Louis Gianni which became an associate of the Group as at 31 December 2018.

Current Liabilities

The current liabilities of the Group decreased by about S\$1.2 million or 53.92% from S\$2.3 million as at 31 December 2017 to S\$1.1 million as at 31 December 2018.

The drop was mainly due to (i) repayment of interest free and unsecured loan extended from Executive Director in FY2018 of S\$326 thousand, (ii) decline in other payable and accruals resulting from settlement of professional fee and payroll and (iii) the decline in trade payables of S\$20 thousand resulted from settlement to suppliers.

Other payable and accruals consists of (i) directors' remuneration and staff salaries for past 2 financial years (S\$635 thousand); (ii) audit fee for FY2017 (S\$153 thousand) and (iii) professional fee for (S\$93 thousand) and others.

Non-current Liabilities

The non-current liabilities of the Group declined from S\$7 thousand as at 31 December 2017 to S\$5 thousand as at 31 December 2018 as a result of settlement of lease obligation during the year.

Net Working Capital

The rise in net working capital of approximately S\$1.9 million from S\$3.0 million in FY2017 to S\$4.9 million in FY2018 was mainly due to significant decrease in current liabilities by S\$1.2 million from S\$2.3 million in FY2017 to S\$1.1 million in FY2018 and increase in current assets by S\$0.6 million from S\$5.3 million in FY2017 to S\$5.9 million in FY2018.

Cash Flow Position

The Group has a negative cash flows before working capital changes of S\$2.2 million as at 31 December 2018 mainly due to loss of approximately S\$1.9 million and adjustment made to non-cash items of (i) unrealised exchange gain of S\$0.5 million; (ii) depreciation of S\$31 thousand; (iii) interest expenses of S\$1 thousand; (iv) interest income of S\$96 thousand; (v) loss on disposal of investment of S\$252 thousand; (vi) impairment of membership rights of S\$24 thousand and (vii) other receivables written off of S\$7 thousand.

Net cash used in operating activities of approximately S\$3.6 million was mainly due to (i) increase in inventories of S\$2.0 million; (ii) decrease in trade receivables of S\$1.0 million and (iii) decrease in payables of S\$347 thousand.

Net cash of S\$1.4 million was used in investing activities as at 31 December 2018 mainly because of (i) decrease of S1.3 million in fixed deposit with CIMB Bank in Indonesia; (ii) disposal of subsidiary (S\$1.1 million); (iii) advances to associate of S\$1.7 million and (iv) interest received of S\$0.2 million.

Net cash generated from financing activities of S\$4.8 million as at 31 December 2018 was due to (i) proceeds from issue of share in February 2018 (S\$5.1 million) and (ii) repayment of loan from director (S\$0.3 million)

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

Not applicable

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.

Distribution

The principal supplier of the consumables distribution business unit has committed to competitively price their goods and services towards the Group.

The outlook of the distribution of consumables to electronic manufacturer business segments remains constant and stable in next twelve months based on the feedback from customers and business dealings with the four long term customers. Going forward, we continue to remain competitive in distribution business on the prospects of the Group.

Trading of Luxury Watch

The Group commenced with the trading of luxury watch, which primarily involves cash transactions, in March 2018 ("New Business"). The Company has established the internal control policy and procedure for the New Business which shall be implemented and adhered to. The Group would be able to tap into the thriving luxury goods market in Hong Kong and Singapore where they are able to widen their source of revenue by extending these products

to young individuals and professionals. Whilst Hong Kong would be the main market, the Group does not rule out possibilities of operating the New Business in other geographical areas as it deems fit.

Switchgear Design and Assembly

The switchgear design and assembly division is facing increased competition that could materially reduce the revenue from this business segment.

Although the Group's operations may face various challenges in the coming 12 months, the Group will continue to keep exploring any potential investment opportunities in order to expand and diversify the Group's business, and improve the Group's operating results in the foreseeable future.

Arbitration Order (announced on 17 May 2018)

As of the date of this announcement, there has been no material development on the arbitration order. The Company will make further announcement to update the shareholders in the event there is any material development on the arbitration order.

11. Dividend

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on?

No.

(b) Corresponding Period of the Immediately Preceding Financial Year

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

No

(c) Date payable

Not Applicable.

(d) Books closure date

Not Applicable.

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

The Board does not declare/recommend a dividend payment for the financial year ended 31 December 2018.

13. Segmented revenue and results for business or geographical segments (of the group) in the form presented in the issuer's most recently audited annual financial statements, with comparative information for the immediately.

| (A) Business Segment FY2018 | Retail/ Wholesale Business S\$'000 | Trading of luxury goods S\$'000 | Distribution S\$'000 | Switchgear design and assembly S\$'000 | Consultancy S\$'000 | Others S\$'000 | Group S\$'000 |
|--------------------------------------|---|--|-------------------------|---|------------------------|-------------------|------------------|
| Segment revenue | - | 8,283 | 2,767 | 65 | - | - | 11,055 |
| Segment net profit/(loss) | (144) | (991) | (36) | (5) | (3) | (753) | (1,932) |

| | | | | | | | |
|---|------|-------|-------|------|-----|-------|---------|
| Share of loss of associate | - | - | - | - | - | (1) | (1) |
| Income tax | - | - | - | - | - | - | - |
| Consolidated loss for the year | | | | | | | (1,934) |
| Depreciation of property, plant and equipment | (15) | - | (11) | (1) | - | (4) | (31) |
| Loss on disposal of subsidiary | - | - | - | - | - | (252) | (252) |
| Bad debt written off (trade) | - | - | - | - | - | - | - |
| Other receivables written off | - | (7) | - | - | - | - | (7) |
| Segment assets | 60 | 2,406 | 2,043 | 9 | - | 2,747 | 7,265 |
| Segment liabilities | (70) | (382) | (185) | (55) | (4) | (368) | (1,064) |

| (A) Business Segment FY2017 | Retail/ Wholesale Business S\$'000 | Trading of luxury goods S\$'000 | Distribution S\$'000 | Switchgear design and assembly S\$'000 | Consultancy S\$'000 | Others S\$'000 | Group S\$'000 |
|---|---|--|-------------------------|---|------------------------|-------------------|------------------|
| Segment revenue | - | - | 3,213 | 33 | - | - | 3,246 |
| Segment net profit/(loss) | (456) | - | (11) | (17) | (4) | (2,079) | (2,568) |
| Finance costs | | | | | | | (11) |
| Income tax | | | | | | | - |
| Consolidated loss for the year | | | | | | | (2,579) |
| Depreciation of property, plant and equipment | (4) | - | (12) | (1) | - | (6) | (23) |
| Bad debt written off (trade) | (6) | - | - | - | - | - | (6) |
| Segment assets | 3,334 | - | 1,877 | 11 | - | 179 | 5,401 |
| Segment liabilities | (404) | - | (214) | (56) | (5) | (1,625) | (2,304) |

(B) Geographical information

The Group's four business segments operate in two main geographic areas:

Asia Pacific – The Company is headquartered and has operations in Singapore. The operations in this area include investment holding, provision of administrative and management service, distribution of specialty chemical products and consumable material for the electronic industry and switchgear design and assembly services.

Asia Pacific recorded S\$2.8 million revenue in FY2018 and loss after tax of S\$0.8 million.

People's Republic of China ("PRC") – The operations in this area include investment holding and trading of luxury goods in Hong Kong.

PRC recorded S\$8.3 million revenue in FY2018 and loss after tax of S\$1.1 million.

14. In the view of performance, state the factors leading to any material changes in contributions to turnover and earnings by the business or geographical segments.

Distribution

The distribution business segment of the Group consists of distribution and supplying of consumables to the electronic manufactures. The segment recorded a loss of S\$36 thousand in FY2018 compared to a loss of S\$11 thousand in FY2017 as a result of a decline in revenue in FY2018.

Switchgear design and assembly

The Switchgear business segment relates to design, assembly and supply of electrical switchboard. The segment recorded a loss of S\$5 thousand in FY2018 compared to S\$17 thousand in FY2017 as a result of a decrease in material costs in FY2018.

Trading of luxury goods

The trading of luxury goods business segment mainly focuses on the sale and purchase of luxury watches. This new segment contributed positively to the Group's operations and has since become the top contributor to the revenue growth of the Group. The segment recorded a loss of approximately S\$1.0 million in FY2018.

Retail/Wholesale Business

The retail/wholesale business includes wholesale of apparels and retailing of clothing. The segment recorded a loss of approximately S\$144 thousand in FY2018 compared to loss of S\$0.5 million in FY2017. The segment recorded a lower loss due to the foreign exchange gain recorded in FY2018 compared to a foreign exchange loss recorded in FY2017.

Others

Headquarter operating expenses located in Singapore is classified under this segment. The operating expenses include the compliance costs incurred to maintain the listing status of the Company. The segment recorded a loss of S\$753 thousand in FY2018 compared to about S\$2.1 million in FY2017 as a result of reclassification. The segment result of Vashion Group (HK) Holdings Limited was classified under this segment in FY2017 while that result was classified to new segment under trading of luxury goods in FY2018.

15. A breakdown of sales

| | <u>Year ended 31 Dec 2018</u> S\$'000 | <u>Year ended 31 Dec 2017</u> S\$'000 | <u>Increase / (Decrease)</u> % |
|--|--|--|---------------------------------------|
| a) Sales reported for the first half year | 7,518 | 1,646 | 356.74 |
| b) Operating (loss) after tax before deducting minority interests reported for the first half year | (1,025) | (680) | 50.74 |
| c) Sales reported for the second half year | 3,537 | 1,600 | 121.0 |
| d) Operating (loss) after tax before deducting minority interests reported for second half year | (909) | (1,890) | (51.9) |

16. A breakdown of the total annual dividend (in dollar value) for the issuer's latest full year and its previous full year.

There was no dividend declared or paid in FY2018 or the previous financial year FY2017.

17. If the Group has obtained a general mandate from shareholders for Interested Person Transactions ("IPTs"), 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 Group has not obtained a general mandate for IPTs.

Executive Director, CKLY, has extended 2 interest free loan of HK\$2,108,389 and HK\$8,000,000 respectively during the period from October 2017 to January 2018. As the Loans are interest free, the value at risk is zero. Please refer to announcement released on 10 January 2018 for further details. The two Loans have been fully repaid via a) settlement of HK\$2,108,389 and b) via offsetting arrangement against the subscription by CKLY of 257,950,000 entitlement Rights Shares (S\$1,289,750 or equivalent to HK\$8,000,000) on 12 March 2018.

The Company announced that on 13 April 2018, the Company entered into a joint venture agreement ("Joint Venture Agreement") CKLY who is the Executive Director of the Company and the controlling shareholder of the Company. CKLY will subscribe for a 51% stake amounting to HK\$10.2 million and the Company will subscribe 49% (amounting to HK\$9.8 mil) in the newly incorporated Hong Kong limited company ("JV"). CKLY is an "interested person" for the purposes of Chapter 9 of Singapore Exchange Securities Trading Limited's Listing Manual Section B: the Rules of Catalist ("Catalist Rules"). CKLY, being the interested person does not have an existing equity interest in the joint venture prior to the participation of the Company, being the entity at risk in the joint venture. Therefore the Company is not required to seek shareholders' approval pursuant to Rule 916(2) of the Catalist Rules. As of the date of this announcement, the stipulated amount of investment of HK\$9,800,000 has been injected into the JV.

Save as disclosed above, the Group did not have other interested person transaction exceeding the S\$100,000 threshold.

18. Disclosure of person occupying a managerial position in the issuer or any of its principal subsidiaries who is relative of a director or chief executive officer or substantial shareholder of the issuer pursuant to Rule 704(10). If there are no such persons, the issuer must make an appropriate negative statement.

| Name | Age | Family relationship with any Director and/or substantial shareholder | Current position and duties, and the year the position was held | Details of changes in duties and position held, if any, during the year |
|--------------------------------|-----|---|---|---|
| Siu Yik Tung | 31 | Spouse of Mr Christian Kwok-Leun Yau Heilesen, Executive Director of the Company | Business Development Manager since November 2017. Duties include establishing and/or maintaining relationships with customers and suppliers, developing business opportunities in existing and potential markets. | Nil |
| Henrick Yau Kwok Hang Heilesen | 32 | Brother of Mr Christian Kwok-Leun Yau Heilesen, Executive Director of the Company | Vice President of Business Development since November 2017. Duties include establishing and/or maintaining relationships with customers and suppliers, developing business opportunities in existing and potential markets. | Nil |

19. Utilisation of Proceeds for the Rights Issue

The Board of Directors of the Company wishes to provide an update that subsequent to the announcement dated 12 March 2018, 3 April 2018 and 10 August 2018, the Company has during the period 13 August 2018 to the date of this announcement further utilized approximately S\$101 thousand from the net proceeds for general working capital (settlement of operating expenses and professional fees) purposes.

The outstanding amount of Loans from the Executive Director is nil as at the date of this announcement.

As at the date of this announcement, the Company has utilized the net proceeds from Rights Issue as follows:

| Use of proceeds | Allocation as per the Offer | | Amount utilized | Percentage utilized | Balance |
|--|-----------------------------|--------------|--|---------------------|----------|
| | Information Statement | | | | |
| | % | S\$'000 | S\$'000 | % | S\$'000 |
| General working capital (including repayment of loan, settlement of professional fee and operating expenses) | 24.5% | 1,262.2 | 1,262.2 | 24.5% | Nil |
| Investment in new businesses (including the New Business pursuant to the Proposed Business Diversification) | 75.5% | 3,889.8 | 3,889.8 (in which, as announced on 12 March 2018, S\$1,289.8 thousand was used to offset the second Loan which has been utilised for purchase of branded watches) | 75.5% | Nil |
| TOTAL | 100% | 5,152 | 5,152 | 100% | - |

The above utilisation of the Net Proceeds from the Rights cum Warrants Issue is consistent with the intended uses as disclosed in the Company's Offer Information Statement dated 14 February 2018. As of the date of this announcement, no Warrants have been exercised.

An aggregate amount of S\$1.26 million had been used for general working capital and principal disbursements are set below:

| | (S\$'000) |
|--------------------------------|----------------|
| Repayment of loan | 411 |
| Settlement of professional fee | 607 |
| operating expenses | 244.2 |
| Total | 1,262.2 |

20. Confirmation By the Company Pursuant to Rule 720(1) of the Catalist Rules of Singapore Exchange Securities Trading Limited

The Company confirms that it has procured undertakings from all its Directors and Executive Officers (in the format set out in Appendix 7H) pursuant to Rule 720(1) of the Catalist Rules.

By Order Of The Board

Christian Kwok-Leun Yau Heilesen

Executive Director

Dated: 27 February 2019

*This announcement has been prepared by the Company and its contents have been reviewed by the Company's sponsor ("**Sponsor**"), Hong Leong Finance Limited, for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited ("**Exchange**"). The Company's Sponsor has not independently verified the contents of this announcement including the correctness of any of the figures used, statements or opinions made.*

This announcement has not been examined or approved by the Exchange and the Exchange 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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