



TRANSCORP HOLDINGS LIMITED

(Incorporated in the Republic of Singapore on 27 April 1995)

(Company Registration Number: 199502905Z)

SUSTAINABILITY REPORT for FY 2018

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Sustainability Reporting Framework

This Sustainability Report for the financial year ending 31 October 2018 takes guidance from the Global Reporting Initiatives (“GRI”) standards GRI 101, GRI 102 and GRI 103. The GRI Standards were adopted as it is internationally recognised.

This is the first Sustainability Report of Transcorp Holdings Limited (“the Company”) aims to focus on the most critical Environmental Social & Governance (“ESG”) that affects the Company’s performance and prospects. Hence, this report must be read in context of the Company’s current corporate position as at the date of the publication, which is that the Company is facing a turnaround situation. Further information on the corporate and financial circumstances of the Company can be found in the various public announcements made on SGXNet between November 2018 to October 2019. With the background information and context aforementioned, the material ESG factors identified were: (a) financial sustainability; and (b) the Company’s corporate governance obligations as a listed issuer on the SGX.

ESG matters are overseen and governed by the Board of Directors’ (“Board”). The Company’s Management play a coordination, information compilation and execution role but the Board retains overall responsibility and oversight.

This report is in accordance with Catalist Rule 711A which states the timing of the report as well as the fact that the report includes the primary components as follows :

- a) material environmental, social and governance topics;
- b) policies, practices and performance;
- c) targets;
- d) sustainability reporting framework; and
- e) Board statement.

On behalf of the Board,

Chia Siak Yan Vincent
Non-Executive Chairman and Independent Director
1 November 2019

Material ESG Factors

Current Financial Situation

For FY2018, the Group's revenue decreased from \$6.08 million in FY2017 to \$3.82 million in FY2018. This \$2.26 million reduction in revenue was largely attributable to a reduction in the number of cars sold (from 52 in FY2017 to 25 in FY2018) which accounted for \$3.59 million reduction in sales. This reduction was partly offset by a \$1.05 million increase in revenue from the sale of used cars and a S\$0.27 million increase in car rental income.

Gross loss was \$1.80 million in FY2018 as compared to \$0.44 million in FY2017 as older vehicles were sold at a deeper discount.

Loss for the financial year and total comprehensive loss for the financial year increased from \$5.71 million in FY2017 to \$13.76 million in FY2018. The \$8.05 million increase was largely attributable to the \$1.36 million increase in gross loss, \$0.26 million reduction in other income, \$6.68 million increase in other operating expenses, \$0.12 million reduction in income tax credits and \$0.05 million increase in finance cost. These increases totalling \$8.48 million was partly offset by a \$0.43 million reduction in administrative expenses.

For 1HFY2019, the Group's revenue decreased from S\$2.91 million in 1HFY2018 to S\$1.51 million in 1HFY2019. The S\$1.40 million reduction in revenue was largely attributable a reduction in the number of cars sold which accounted for S\$1.58 million reduction in sales which was partially offset by a S\$0.18 million increase in car rental income. Correspondingly, the cost of goods sold decreased from S\$2.71 million in 1HFY2018 to S\$1.47 million in 1HFY2019. The decrease in gross profit was largely attributable to motor vehicles been sold at a deeper discount.

Loss and total comprehensive loss for 1HFY2019 decreased from S\$2.68 million in 1HFY2018 to S\$2.51 million in 1HFY2019. The S\$0.17 million decrease was largely attributable S\$0.55 million decrease in other expenses which was partially offset by the

S\$0.15 million reduction in gross profit, S\$0.09 million increase in finance costs and S\$0.15 million reduction in income tax credit as explained above.

Current Business Situation

The Group has two main lines of businesses in Singapore, namely the automobile sales business and the automobile rental business.

The automobile sales business continues to decline because of the reduction in the number of cars sold and also because of the discount at which the cars are sold at. There are currently 11 cars left in the inventory as at 31 October 2019 and once these are sold, the Group will cease the automobile sales business.

The automobile rental business has been affected by the lack of a financing partner and a strategic partner to grow its fleet. The financing partner would have enabled the Group to grow its fleet at a faster rate and thus reap the economies of scale in terms of operations while the strategic partner would have ensured a more competitive pricing due to rebates that the ride hailing apps would offer to private hire car drivers as a result of the arrangement with the strategic partner. Hence there are plans to restart the business under a new branding and new entity which would then facilitate the partnership with both a financing partner and a strategic partner.

ESG Factor Considerations

Given the current loss-making situation and decline in the existing businesses as described above, the Company is focusing on a “turn-around” outcome. New equity investors are being sought to provide capital to execute the necessary corporate restructuring to drive new businesses forward. For this purpose, Share Placement agreements have been entered into for the purpose of raising capital through new investors to drive the business forward. Along with the placement agreements is a strategic growth target to develop the automotive rental business.

Given these considerations, the Board has decided to adopt a more practical process in terms of the consideration of the Environmental, Social and Governance factors. The following ESG factors were evaluated and discussed :

Category	Factors
Environmental	<ul style="list-style-type: none"> • Carbon footprint generated by Automobiles • Compliance with LTA and traffic rules
Social	<ul style="list-style-type: none"> • Employment Laws and Practices • Communication with Stakeholders • Driver Safety and Health • Customer Satisfaction and Interest
Governance	<ul style="list-style-type: none"> • Corporate Governance • Financial Sustainability • Corruption

Due to the current corporate position, the key ESG factors that the Board is focusing on are :

- 1) Financial Sustainability
- 2) Corporate Governance

There is a third ESG factor that the Board had considered for inclusion as a key ESG factor which is Communications with Stakeholders. However given the current corporate position, the first two factors assessed to be more material.

The focus on Financial Sustainability is to ensure the continuing business viability of the Company. This involves ramping down the automotive sales business and executing the new developments for the automotive rental business. For this purpose, the eventual proceeds from the Share Placement that has been announced will be applied towards various business and operational needs (refer to SGXNet announcement made on 24 September 2019) and allow the Company to develop the automotive rental business. The Company is in the process of entering into various Memorandums of Understanding ("MoU") with strategic business partners to secure financing to purchase vehicles for the rental business, and also to utilise the partners' alliance with ride-sharing companies to lease the vehicles to the ride-sharing drivers. It was also announced that the execution

of the automotive rental business is targeted to achieve a break-even cash flow position within 5-months of its commencement.

In terms of the day-to-day operations of the Company, there is a need to also right size the staff count as well as to ensure that the expenses incurred are proper and justifiable. Any expenses or invoices without proper justification and agreement should be queried and rejected.

The focus on Corporate Governance reflects the Company's ongoing status as a listed company on the Singapore Stock Exchange. This status necessitates a certain level of Corporate Governance with details in its Annual Report for FY 2018.

It is envisaged that once the Company is able to successfully execute this turnaround approach, the Board can then revert to a more conventional and structured process to determine its key ESG factors.

Policies, Practices and Performance.

Financial Sustainability

The Board has approached Financial Sustainability at two levels. The first is at a strategic level while the second is at an internal management level.

At a strategic level, the Company has been reaching out to investors who are keen to participate in a share placement exercise to raise funds for its strategic growth plan and its expenses which include outstanding payables and expenses going forward. The development of its strategic growth plan is also a critical element of the turnaround exercise and thus ensuring Financial Sustainability. And a key part of the strategic growth plan is to restart the automobile rental business with a new entity and branding.

At an internal management level, the Company has relooked its internal controls systems and come up with a new Operations Manual that includes internal control policies in key areas. Going forward, there will be a greater scrutiny on expenses incurred as well as better process documentation.

Corporate Governance

The Board recognises the importance of corporate governance and is committed to ensuring the practices recommended in the Code of Corporate Governance 2012 (the "Code") are practiced throughout the Group. The Company believes that good corporate governance provides the framework for an ethical and accountable corporate environment, which will maximise long term shareholders' value and protect the interests of shareholders.

The Corporate Governance in the FY2018 Annual Report outlines the Company's corporate governance practices that were in place during the financial year ended 31 October 2018 ("FY2018"), with specific reference made to the principles of the Code and the disclosure guide developed by the Singapore Exchange Securities Trading Limited ("SGX-ST") in January 2015 (the "Guide").

The Company confirms that during FY2018 it has substantially adhered to the principles and guidelines as set out in the Code and the Guide, and where applicable, it has specified and explained the areas and reasons for non-compliance.

Targets

The Company aims to complete its turnaround exercise as soon as practically possible and then future sustainability reports can focus on other environment, social and governance factors that would then have more impact to the Company's business as well as the Company's interaction with its stakeholders as well as society as a whole.

The Company notes that it can improve its report in the future with a more conventional and structure process in determining its key ESG factors. Future reports should also focus on risks to ensure that the report is balanced. The Company targets to improve its report once it is able to complete its turnaround process.

For Financial Sustainability, the target would for the Company to complete its placement exercise to ensure it has adequate capital to execute its strategic growth plan. There is also a plan to conduct an Independent Review exercise to provide a third party perspective on key events in the Company as well as its current state of internal controls.

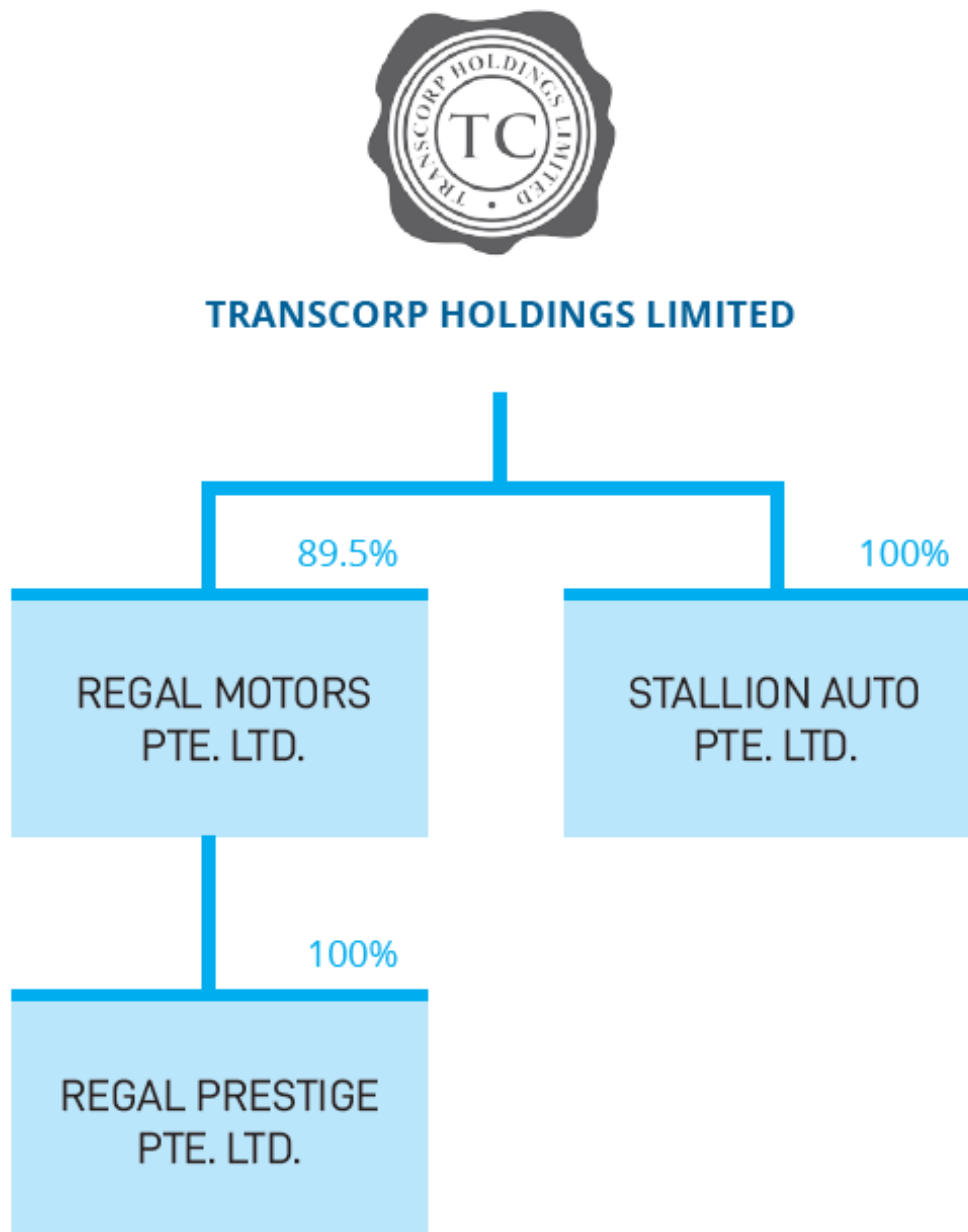
For Corporate Governance, the target is for the Company to ensure proper Corporate Governance practices on a day-to-day basis.

Board Statement.

The Board recognises the importance of sustainability and takes responsibility for the sustainability efforts of the Company. The Board has considered sustainability issues as part of its strategy formulation as well as determined the material environmental, social and governance factors to focus on for the financial year. The Board has also overseen the management and monitoring of these factors in accordance with the Targets set.

The Company is committed to executing its turnaround strategy and enhance its current corporate position.

Appendix : Group Corporate Structure



Appendix : GRI Content Index

GRI CONTENT INDEX GRI Standard/Disclosure	Page Reference and Reasons for Omission, if applicable
102-1 Name of the organisation	1
102-2 Activities, brands, products, and services	5, 11 Annual Report for FY2018: 1
102-3 Location of headquarters	5 Annual Report for FY2018 : 6
102-4 Location of operations	5 Annual Report for FY2018 : 6
102-5 Ownership and legal form	1
102-6 Markets served	5
102-7 Scale of the organisation	5, 11 Annual Report for FY2018: 1
102-8 Information on employees and other workers	Not applicable because of the focus for current year
102-9 Supply chain	Not applicable because of the focus for current year
102-10 Significant changes to the organisation and its supply chain	Not applicable because of the focus for current year
102-11 Precautionary principle or approach	3
102-12 External initiatives	Not applicable because of the focus for current year
102-13 Membership of associations	Not applicable as there is no major memberships of industry or other associations, and national or international advocacy organisations maintained by the Group within the scope of this report.
102-14 Statement from senior decision maker	10
102-16 Values, principles, standards, and norms of behaviour	Annual Report for FY2018: 8 to 46
102-18 Governance structure	Annual Report for FY2018: 8 to 46
102-40 List of stakeholder groups	Not applicable because of the focus for current year.

102-41 Collective bargaining agreements	Not applicable as all employees within the scope of this report are not covered by any collective bargaining agreements.
102-42 Identifying and selecting stakeholders	Not applicable because of the focus for current year.
102-43 Approach to stakeholder engagement	Not applicable because of the focus for current year.
102-44 Key topics and concerns raised	4-7
102-45 Entities included in the consolidated financial statements	11
102-46 Defining report content and topic boundaries	3