TRANSCORP HOLDINGS LIMITED
(Company Registration No. 199502905Z)
(Incorporated in the Republic of Singapore)

RESPONSE TO SGX-ST QUERIES ON THE COMPANY'S ANNUAL REPORT 2016

The board of directors (the "**Board**") of Transcorp Holdings Limited (the "**Company**", and together with its subsidiaries, the "**Group**") refers to the queries from the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") on 23 April 2017 in relation to the Annual Report of the Company for the financial year ended 31 October ("**FY**") 2016, the Board would like to set out its responses to the queries as follows:

Impairment of Goodwill Arising from Acquisition of Subsidiary – Regal Motors Pte. Ltd. – S$6,388,610 (Note 6 to Accounts)

The Company acquired a subsidiary, Regal Motors Pte. Ltd. ("**Regal Motors**"), in January 2016 and this became its core business (as the Company disposed of its other businesses). Arising from the acquisition, the Group recorded goodwill of S$6,388,610 as it believed the new business (sales of motor vehicles) is expected to contribute significantly to the Group. However, in the same FY, the management fully impaired the goodwill on the basis that this subsidiary is expected to incur continuing operational losses in the next 3 financial years based on a five-year projected cash flow.

Impairment of Investment in Subsidiary – Regal Motors – S$6,746,893 (Note 13 to Accounts)

In addition, during the FY, the management performed an impairment test on the investment of Regal Motors and an impairment loss of S$6,746,893 was recognised in the Company's profit or loss to write down the investment in Regal Motors.

In relation to the abovementioned impairment losses, SGX-ST would require the following clarifications:

SGX-ST's Query 1:

Please provide the Board's bases for impairing the goodwill of S$6.4 million and the investment in subsidiary of Regal Motors of S$6.7 million.

SGX-ST's Query 2:

What were the indicators of impairment (e.g. evidence that the economic performance of the asset has worsened, adverse changes in the environment in which the entity operates in, etc) to cause the management to predict such operational losses in the next 3 financial years? Were these indicators foreseeable at the point of acquisition of Regal Motors?

Company's Response to Queries 1 and 2:

As disclosed in the circular for the acquisition dated 28 December 2015, Regal Motors (on which the Group is materially dependent) is dependent on the automobile sales industry in Singapore, which is in turn generally dependent on the general economic conditions in Singapore. The Group current operates in challenging economic conditions.

The "Lorinser" brand which is distributed by the Group has not been well received in Singapore and in July 2016, the parties agreed to terminate the distributorship. Accordingly, the fair market value of Regal Motors has, in the opinion of the Board, been correspondingly affected. In addition, a knock-on effect of the aforementioned termination is that the Group continues to hold in inventory a number of

Lorinser vehicles previously acquired, and which have not been particularly saleable (especially in light of the currently challenging general economic conditions in Singapore).

In light of the above, and taking into account the Group's dismal performance this past financial year, the Board and management (following deliberations with the auditors of the Company) have revised their business forecast, and accordingly, are of the opinion that the Group should proceed with the impairment of the goodwill of S$6,388,601 and impairment on investment in subsidiary of Regal Motors of S$6,746,893 as provided in Note 6 and Note 13 respectively of the Notes to the Financial Report by the Board of Directors.

The above were not reasonably foreseeable at the point of acquisition of Regal Motors. At the point of acquisition, Regal Motors had just posted net profit after tax of S$2,361,111 (for FY2015) and its fair market value, as valued by UniStand Appraisal Limited, was valued to be S$22,626,000 as at 28 December 2015. Indeed, for FY2015, Regal Motors sold 99 vehicles (of which 15 were Lorinser vehicles), whereas for FY2016, it only sold 81 vehicles (of which only 2 were Lorinser vehicles).

SGX-ST's Query 3:

Did the Audit Committee review the methodology, assumptions, veracity and reasonableness of the said impairment losses?

Company's Response to Query 3:

Yes, the Audit Committee has reviewed the methodology, assumptions, veracity and reasonableness of the impairment, and deliberated the same with the Company's auditors, and the Board and management are of the opinion that the Group should proceed with the impairment of the goodwill of S$6,388,601 and impairment on investment in subsidiary of Regal Motors of S$6,746,893 as provided in Note 6 and Note 13 respectively of the Notes to the Financial Report by the Board of Directors.

SGX-ST's Query 4:

Was the external auditor (i.e. Baker Tilly TFW LLP) involved in deliberations on the impairment of goodwill as well as the impairment of investment in subsidiary? What were their views?

Company's Response to Query 4:

Yes. The Company's auditors, Baker Tilly TFW LLP, were involved in deliberations on the impairment and agree with the Board and management's views and opinion (as set out in the response above) to proceed with the impairment. Notably, the auditors have expressed an unqualified opinion on the financial statements for the financial year ended 31 October 2016.

SGX-ST's Query 5:

What are the Company's plans to improve the financial performance of Regal Motors?

Company's Response to Query 5:

The Group has been importing Japanese automobiles to supplement its sales. However, this may soon be affected by the new emission standard required by authorities. With effect from 1 September 2017, automobiles imported into Singapore must comply with the emission standard "Euro 6" whereas Japanese automobiles currently only meet "Euro 4".

Additionally, the Group only competes for actual or automobile purchasers, which market has shrunk as the market for private hire cars has grown. The Group does not do business with the latter as it will

require them to not only shrink their profit margin substantially, but also provide them with extended credit terms.

Notwithstanding the above, the Company intends to continue focusing on the automobile sales sector and in this regard, it intends to concentrate on wholesaling automobiles (in addition to its current retail business).

SGX-ST's Query 6:

What are the Sponsor's views of the above?

Company's Response to Query 6:

Based on the responses of the Company's Board, management and auditors above, the Sponsor concurs with the impairment.

By Order of the Board

Goh Chin Soon
Executive Director

15 May 2017

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*This announcement has been prepared by the Company and its contents have been reviewed by the Company's continuing sponsor, Stamford Corporate Services Pte Ltd, (the "**Sponsor**") for compliance with the relevant rules of the SGX-ST. The Company's Sponsor has not independently verified the contents of this announcement.*

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

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