

**Transcorp Holdings Limited**

ANNUAL REPORT 2018

# CONTENTS

1	Chairman’s Statement and 2018 Year in Review
3	Board of Directors
5	Key Management
6	Corporate Information
7	Corporate Structure
8	Corporate Governance Report
47	Financial Contents
98	Shareholders’ Information
100	Notice of Annual General Meeting Proxy Form

This Annual Report has been prepared by the Company and its contents have been reviewed by the Company’s sponsor (“**Sponsor**”), Asian Corporate Advisors Pte. Ltd., for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”). The Company’s Sponsor has not independently verified the contents of this Annual Report including the correctness of any of the figures used, statements or opinions made.

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

The contact person for the Sponsor is Mr Liau H.K.

Telephone number: 6221 0271

# CHAIRMAN'S STATEMENT AND 2018 YEAR IN REVIEW

## Dear Valued Shareholders

On behalf of the Board of Directors of Transcorp Holdings Limited (the "Company" or "Transcorp") and its subsidiaries (the "Group"), I am pleased to present the Annual Report for the financial year ended 31 October 2018 ("FY2018").

## Our Financials

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 car 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.

Administrative expenses decreased by \$0.43 million from \$4.60 million in FY2017 to \$4.18 million in FY2018. FY2018 administrative expenses included \$0.13 million of loss on disposal of property, plant and equipment, excluding which, administrative expenses reduced by \$0.55 million due to general cost control measures undertaken.

Other operating expenses increased by \$6.68 million from S\$1.07 million in FY2017 to \$7.75 million in FY2018. The increase was attributable to a \$0.18 million increase in property, plant and equipment written off, a \$0.53 million increase in write down of inventories to net realisable value and a \$5.97 million increase in impairment of trade and other receivables. The write down in inventories pertains to the fair value

adjustments previously recorded in inventories on the acquisition of a subsidiary (Regal Motors Pte. Ltd.).

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.

## Our Business

There continues to be no turnaround in the Group's automobile sales business. Strategic initiatives and plans by Management to revive this line of business did not produce their intended results and hence fewer cars were sold this financial year (25) as compared to the last financial year (52).

One strategic initiative was to setup a car leasing business. In January 2018, this line of business which is parked under the subsidiary, Stallion Auto Pte. Ltd., entered into a tie-up with one of the local Grab authorised counters to provide motor car leasing services to Grab drivers. The Group currently has a fleet of 23 cars that are leased out to private hire car drivers. The ride hailing app industry is expected to develop vibrantly with other apps such as Gojek, TADA, Ryde and others also entering or entered the market in FY2019.

The Group is also actively exploring and evaluating other business opportunities that may enhance shareholders' value as well as lead the Group back to profitability.

## CHAIRMAN'S STATEMENT AND 2018 YEAR IN REVIEW



On 31 October 2017, the Company released an announcement that the Company has entered into a Memorandum of Understanding (“MOU”) with an interested person to participate in a property development project in Dongshan, China. There were subsequent update announcements released on 13 March 2018, 20 April 2018, 17 December 2018 and 31 January 2019. On 28 February 2019, the Company announced that it had written to the Project Company and Madam Cheng MingMing, being a controlling shareholder of the Company, to give the required one month notice to terminate the MOU and has requested the full refund of the \$6,003,000 good faith deposit paid pursuant to the MOU by 31 March 2019.

### A Note of Appreciation

This has been a very challenging year for the Group and we have weathered many challenges and changes. I would like to acknowledge the current Management’s efforts and their ceaseless determination and commitment to help the Group turn things around. Cost cutting measures have been implemented so as to give us the best

footing possible for FY2019.

Our aim is to return the Company to profitability and we will continue to evaluate all business opportunities that can help us build sustainable businesses for the Group. As always, we are focused on shareholders’ value.

On behalf of the Board of Directors, I would like to express our firm gratitude and strongest appreciation to our shareholders, customers, suppliers, business associates who have stayed with us and kept faith with us during these difficult times.

**Chia Siak Yan Vincent**  
**(Xie Shuoyan, Vincent)**  
**Acting Non-Executive Chairman and**  
**Independent Director**  
(with effect from 12 December 2018)

## BOARD OF DIRECTORS

### **Chia Siak Yan Vincent** *(Xie Shuoyan, Vincent)*

*Acting Non-Executive Chairman and Independent Director*

Mr Chia Siak Yan Vincent (“Mr Vincent Chia”) is our Acting Non-Executive Chairman and Independent Director. He was first appointed to our Board as an Independent Director on 13 July 2017 and was subsequently appointed as Acting Non-Executive Chairman on 12 December 2018. He started his career with Temasek Holdings where he received his grounding in private equity and venture capital work. He then gained further merger and acquisition as well as corporate planning and strategy experience at Singapore Press Holdings Limited and KPMG Corporate Finance. He was also previously the General Manager of Corporate Development at Cityneon Holdings Limited.

Mr Vincent Chia has about 20 years of corporate investment and strategy development experience. He has also been involved in a variety of transactions and corporate exercises across various industries such as media and internet, technology and information technology, engineering and construction, environmental and renewables, real estate, healthcare, commodities and trading as well as education.

His first degree is in Civil Engineering with a Minor in Law and his masters is in Applied Economics, both from the National University of Singapore.

---

**Date of first appointment as a director:**  
13 July 2017

**Date of last re-elected as a director:**  
27 February 2018

**Directorship in other listed companies**

Present & Past 3 years  
Nil

**Other Principal Commitments**

Savinco Advisory Pte Ltd, Director

### **You Zihui**

*Executive Director*

Mr You Zihui (“Mr You”) is our Executive Director. He was appointed to our Board on 19 November 2018. He started his career in various industries from engineering, information technology and banking sectors. He then joined Pacific Healthcare Holdings Ltd, which was formerly listed on the SGX Mainboard, reporting directly to the CEO. Subsequently, he became the Business Development Manager of Entrust Healthcare Pte Ltd and its group of companies.

Mr You has about 7 years of corporate experience in strategy development and has been involved in various merger and acquisition deals and start-ups, ranging from healthcare, lifestyle services and food and beverages.

Mr You graduated with a degree in Management from University of London, School of Economics.

---

**Date of first appointment as a director:**  
19 November 2018

**Date of last re-elected as a director:**  
Not Applicable

**Directorship in other listed companies**

Present & Past 3 years  
Nil

**Other Principal Commitments**

Nil

## BOARD OF DIRECTORS

### Ding Xinyan

*Independent Director*

Ms Ding Xinyan was appointed to our Board on 19 November 2018 as an Independent Director. She graduated with a degree in Arts, majoring in foreign trade and law and holds a MBA. She has more than 15 years experiences in senior management roles in MNCs such as IBM, NOKIA and Microsoft, in charge of tech product creation and innovation, and managing portfolio over USD 10 billion and selling in more than 100 countries. She is an active investor and advisor for ASEAN startups and Chinese CVCs to overseas deals, meanwhile she act as directors for many deep tech/B2B startups.

#### **Date of first appointment as a director:**

19 November 2018

#### **Date of last re-elected as a director:**

Not Applicable

#### **Directorship in other listed companies**

Present & Past 3 years

Nil

#### **Other Principal Commitments**

Yincubator Pte Ltd, Managing Director

### Kevin John Chia

*Non-Executive Non-Independent Director*

Kevin John Chia ("Mr Kevin Chia") joined the Board on 11 January 2019 as a Non-Executive Non-Independent Director. Mr Kevin Chia has been in the banking industry for more than 25 years having worked with Overseas Union Bank, United Overseas Bank as well as OCBC Bank. Mr Kevin Chia's extensive banking experience includes Commercial Banking, Consumer Banking as well as Wealth Management. Mr Kevin Chia was a recipient of OCBC Bank Chairman's Award for continuous improvement for the Auto Business.

Currently, Mr Kevin Chia works as a General Manager with AM Automotive (S) Pte Ltd. Mr Kevin Chia holds a MBA from Strathclyde Business School, University of Strathclyde.

#### **Date of first appointment as a director:**

11 January 2019

#### **Date of last re-elected as a director:**

Not Applicable

#### **Directorship in other listed companies**

Present & Past 3 years

Nil

#### **Other Principal Commitments**

AM Automotive (S) Pte Ltd, General Manager

## KEY MANAGEMENT

### **Chua Heng Chuan Ronnie**

*Executive Director of Regal Motors Pte. Ltd.*

Mr Chua Heng Chuan Ronnie (“**Mr Ronnie Chua**”) joined Regal Motors Pte. Ltd. in October 2013 as an Executive Director. Mr Ronnie Chua has more than 36 years of experience in the automotive industry with an emphasis on automobile sales. He has held position of various capacities at different stages of his career, including Shipping and Marketing Executive at Tan Chong & Sons Motor Co. Pte Ltd, Sale Manager at Euroasia Auto Pte Ltd and as founder of two different companies dealing in used cars and as a parallel importer. Mr Ronnie Chua is responsible for overseeing the operations and management of the Group’s motor cars business. He is also responsible for overseeing any new business that the Group is embarking on.

### **Lim Boon Ping**

*Chief Financial Officer (till 5 November 2018)*

Mr Lim Boon Ping (“**Mr Lim**”) was appointed as the Group Chief Financial Officer in July 2017. He oversees the Group’s financial functions which relate to corporate finance, financial reporting, tax, corporate secretarial matters as well as liaising with external parties in respect of the Group’s financial matters. His responsibilities include the review of the Group’s performance, cash flow planning and funding structure. Mr Lim has over 19 years of experience in finance and accounting. Prior to joining our Group, from 2008 to 2016, he was the Group Chief Financial Officer of Libra Group Limited, GLG Corp Limited, Scintronic Corporation Ltd and Ying Li International Real Estate Ltd (“**Ying Li**”). He was the Financial Controller of a company engaged in the manufacturing and distribution of ophthalmic lenses prior to joining Ying Li.

Mr Lim holds a professional qualification from the Chartered Association of Certified Accountants of United Kingdom and is currently a Fellow member of the Institute of Singapore Chartered Accountants, Chartered Association of Certified Accountants of United Kingdom and a member of Singapore Institute of Directors.

# CORPORATE INFORMATION

## BOARD OF DIRECTORS

Chia Siak Yan Vincent (Xie Shuoyan, Vincent)  
Acting Non-Executive Chairman and  
Independent Director  
*(Appointed as Acting Non-Executive Chairman on  
12 December 2018)*

Ding Xinyan  
Independent Director  
*(Appointed on 19 November 2018)*

Kevin John Chia  
Non-Executive Non-Independent Director  
*(Appointed on 11 January 2019)*

You Zihui  
Executive Director  
*(Appointed on 19 November 2018)*

## AUDIT COMMITTEE

Chia Siak Yan (Xie Shuoyan, Vincent) (Chairman)  
Ding Xinyan  
Kevin John Chia

## NOMINATING COMMITTEE

Chia Siak Yan (Xie Shuoyan, Vincent) (Chairman)  
Ding Xinyan  
Kevin John Chia

## REMUNERATION COMMITTEE

Ding Xinyan (Chairwoman)  
Chia Siak Yan (Xie Shuoyan, Vincent)  
Kevin John Chia

## SECRETARIES

Victor Lai Kuan Loong  
Kelly Kiar Lee Noi

## REGISTERED OFFICE

237 Alexandra Road, #05-11 The Alexcier  
Singapore 159929

Tel: (65) 6235 2182  
Fax: (65) 6735 2168

Email: [info@transcorp.com.sg](mailto:info@transcorp.com.sg)

## COMPANY REGISTRATION NUMBER

199502905Z

## AUDITORS

Baker Tilly TFW LLP  
600, North Bridge Road  
#05-01 Parkview Square  
Singapore 188778

Partner-in-charge: Lee Chee Sum Gilbert  
*(Appointed since financial year ended 31 October 2016)*

## SPONSOR

Asian Corporate Advisors Pte. Ltd.  
160 Robinson Road  
#21-05 SBF Center  
Singapore 068914

## SHARE REGISTRAR

Boardroom Corporate & Advisory Services Pte. Ltd.  
50 Raffles Place  
#32-01 Singapore Land Tower  
Singapore 048623  
Tel: (65) 6536 5355  
Fax: (65) 6536 1360

## BANKER

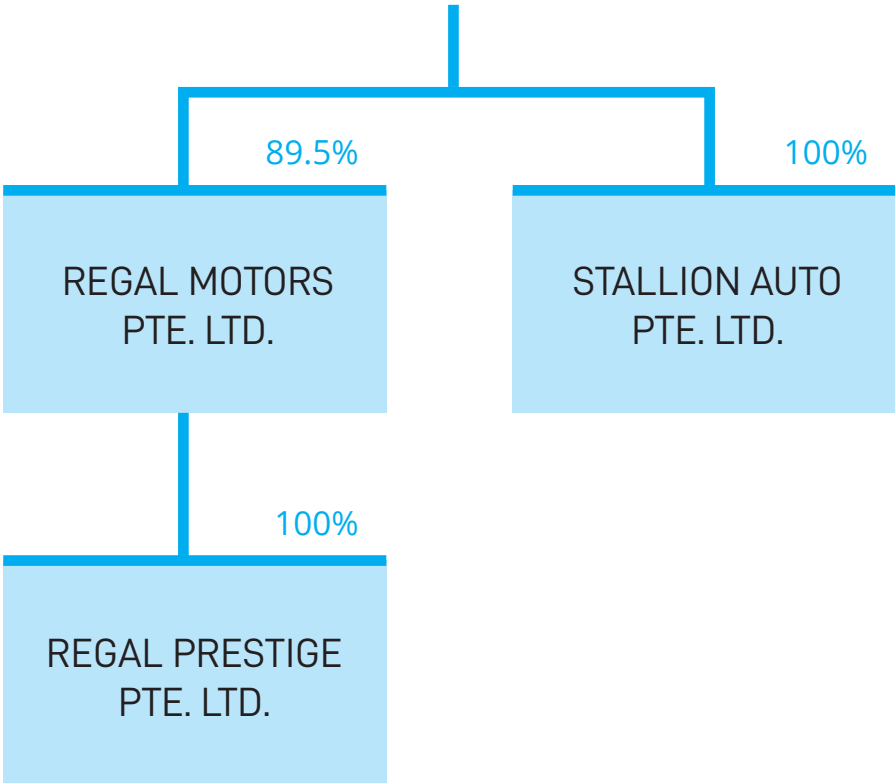
United Overseas Bank Limited



# CORPORATE STRUCTURE



## TRANSCORP HOLDINGS LIMITED



# CORPORATE GOVERNANCE REPORT

The board of directors (the “**Board**” or “**Directors**”) of Transcorp Holdings Limited (the “**Company**” and together with its subsidiaries, the “**Group**”) 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.

This 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.

## I. BOARD MATTERS

### The Board’s Conduct Of Its Affairs

#### Principle 1: Effective Board to lead and control the Company

The Board oversees the management of the business and affairs of the Group. The Board’s role is to:

- (a) set and direct strategic plans and performance objectives of the Group, to provide entrepreneurial leadership, set strategic aims, and ensure that the necessary financial and human resources are in place for the Group to meet its objectives;
- (b) establish a framework of prudent and effective controls which enables the identification, assessment, and management of risks;
- (c) approve the nomination of Board members and the appointment of key management personnel;
- (d) review key management personnel’s performance;
- (e) identify the key stakeholder groups and recognise that their perceptions affect the Company’s reputation;
- (f) evaluating the adequacy of the Group’s internal controls including financial, operational, compliance and information technology controls, and risk management systems;
- (g) set the Group’s values and standards, including ethical standards, and ensure that obligations to shareholders and other stakeholders are understood and met;
- (h) review and approve financial plans and financial results, annual budgets, proposals for acquisitions, investments and disposals, material borrowings, fund raising exercises and announcements;
- (i) consider sustainability issues, such as environmental and social factors, as part of its strategic formulation; and
- (j) ensure accurate, adequate and timely reporting to, and communication with shareholders.

## CORPORATE GOVERNANCE REPORT

The Board has delegated specific responsibilities to its three committees, namely the Audit Committee (“AC”), Nominating Committee (“NC”) and Remuneration Committee (“RC”) (collectively, the “**Board Committees**”). These Board Committees function within clearly defined terms of references and operating procedures, which are reviewed on a regular basis.

The Board meets at least twice in each financial year to coincide with the announcements of the Group’s half year and full year financial results. Additional *ad-hoc* meetings are held where circumstances require to address any specific or significant matters that may arise. The constitution of the Company allows for Board meetings to be conducted by way of tele-conference and/or by means of similar communication equipment where all Directors participating in the meeting are able to hear each other. Decisions of the Board and Board Committees may also be obtained through circular resolutions.

The Board is involved in the supervision of the management of the Group’s operations. All Directors shall discharge their fiduciary duties and responsibilities at all meetings in the interests of the Group. Matters which specifically require the Board’s decision or approval include:

- (a) corporate strategy, business plans and direction of the Group;
- (b) material acquisitions and disposals of assets;
- (c) corporate and financial restructuring;
- (d) share issuance and dividends;
- (e) appointment, termination and compensation of Executive Director(s);
- (f) annual budgets, financial results announcements, annual report and audited financial statements; and
- (g) interested person transactions.

The attendance of the Directors at meetings of the Board and Board Committees during FY2018 as well as the frequency of such meetings held is summarised in the table below:

No. of Meetings held	Board of Directors				Audit Committee			Nominating Committee			Remuneration Committee	
	4				2			2			1	
	1/4	2/4	3/4	4/4	Member	1/2	2/2	Member	1/2	2/2	Member	1/1
<b>Present Directors</b>												
You Zihui <sup>(1)</sup>	N.A.	N.A.	N.A.	N.A.	No	N.A.	N.A.	No	N.A.	N.A.	No	N.A.
Chia Siak Yan Vincent (Xie Shuoyan Vincent) <sup>(2)</sup>	✓	✓	✓	✓	Yes (Chairman)	✓	✓	Yes (Chairman)	✓	✓	Yes	✓
Ding Xinyan <sup>(3)</sup>	N.A.	N.A.	N.A.	N.A.	Yes	N.A.	N.A.	Yes	N.A.	N.A.	Yes (Chairwoman)	N.A.
Kevin John Chia <sup>(4)</sup>	N.A.	N.A.	N.A.	N.A.	Yes	N.A.	N.A.	Yes	N.A.	N.A.	Yes	N.A.

# CORPORATE GOVERNANCE REPORT

No. of Meetings held	Board of Directors				Audit Committee			Nominating Committee			Remuneration Committee	
	4				2			2			1	
	1/4	2/4	3/4	4/4	Member	1/2	2/2	Member	1/2	2/2	Member	1/1
<b>Former Directors</b>												
Peter Lai Hock Meng <sup>(5)</sup>	N.A.	N.A.	N.A.	✓	Yes	N.A.	N.A.	Yes	N.A.	✓	Yes	N.A.
Tan Wee Peng Kelvin <sup>(6)</sup>	✓	✓	✓	✓	Yes	✓	✓	Yes	✓	✓	Yes	✓
Tan Wee Heong <sup>(7)</sup>	N.A.	✓	*	N.A.	Yes	N.A.	✓	Yes	N.A.	N.A.	Yes	N.A.
Goh Chin Soon <sup>(8)</sup>	✓	N.A.	N.A.	N.A.	No	N.A.	N.A.	No	N.A.	N.A.	No	N.A.
Tan Chade Phang Roger <sup>(9)</sup>	✓	N.A.	N.A.	N.A.	Yes	✓	N.A.	Yes	N.A.	N.A.	Yes	✓

N.A. - Attendance of meetings by each of the Directors were not applicable as the meetings were either held prior to their appointment or after their resignation or he/she is not a member of that Board Committee

✓ - Attendance at the meetings whilst as a member

\* - Absent

(1) Appointed as Executive Director on 19 November 2018

(2) Appointed as Acting Non-Executive Chairman on 12 December 2018 while continuing to be Independent Director

(3) Appointed as Independent Director on 19 November 2018

(4) Appointed as Non-Executive Non-Independent Director on 11 January 2019

(5) Appointed as Non-Executive Chairman and Independent Director on 3 August 2018 and ceased on 12 December 2018

(6) Ceased as Lead Independent Director on 31 October 2018

(7) Appointed as Non-Executive Non-Independent Director on 25 May 2018 and ceased on 3 August 2018

(8) Ceased as Executive Chairman on 27 February 2018

(9) Retired as Independent Director at the Annual General Meeting held on 27 February 2018

As a general rule, Board papers are sent to Directors before the Board meetings so that members understand the matters before the Board meetings and discussion will be focused on questions that the Board has about the Board papers.

All newly appointed Directors will undergo an informal orientation program where the Director would be briefed on the Group's business operations, strategic directions and policies, corporate functions and governance practices, as well as the expected duties of a Director of a listed company. To get a better understanding of the Group's businesses, the Director will also be given the opportunity to visit the Group's operational facilities and meet with key management personnel. The newly appointed Directors who have no prior experience as a director of a listed company in Singapore will undergo training organised by Singapore Institute of Directors in the roles and responsibilities of a director of a listed company.

The Directors also have access to further relevant training, particularly on relevant new laws, regulations and changing commercial risks, from time to time, at the expense of the Company.

The Board values on-going professional development and recognises that it is important that all Directors receive regular training so as to be able to serve effectively on and contribute to the Board. The Board will consider adopting a policy on continuous professional development for Directors.

To ensure Directors can fulfil their obligations and to continually improve the performance of the Board, all Directors are encouraged to undergo continual professional development during the term of their appointment. Professional development may relate to a particular subject area, committee membership, or key developments in the Group's business environment, market or operations which may be provided by accredited training providers such as the Singapore Institute of Directors. Directors are encouraged to consult the Chairman/Acting Chairman of the Board if they consider that they personally, or the Board as a whole, would benefit from specific education or training regarding matters that fall within the responsibility of the Board or relate to the Group's businesses. Such training costs are borne by the Company.

# CORPORATE GOVERNANCE REPORT

Briefings, updates and trainings for the Directors in FY2018 included:

- the External Auditors (“EA”) had briefed the AC on changes or amendments to accounting standards; and
- the Company Secretary had briefed the Board on the continuing obligations under the SGX-ST Listing Manual Section B: Rules of Catalist (“Catalist Rules”) as well as periodic updates on the Catalist Rules where necessary.

Formal letters of appointment have been furnished to any newly appointed Directors, explaining among other matters, the roles, obligations, duties and responsibilities as a member of the Board.

The newly appointed Directors, namely Mr You Zihui, Ms Ding Xinyan and Mr Kevin John Chia have scheduled themselves to attend the relevant training at the Singapore Institute of Directors.

## Board Composition And Balance

### Principle 2: Strong and independent element on the Board

As at the date of this report, the Board comprises four Directors, one of whom is an Executive Director and three of whom are Non-Executive Directors of which two are Independent Directors:

#### Executive Director

You Zihui

Executive Director  
(appointed on 19 November 2018)

#### Non-Executive Directors

Chia Siak Yan Vincent  
(Xie Shuoyan Vincent)

Acting Non-Executive Chairman and Independent Director  
(appointed as Acting Non-Executive Chairman on 12 December 2018)

Ding Xinyan

Independent Director  
(appointed on 19 November 2018)

Kevin John Chia

Non-Executive Non-Independent Director  
(appointed on 11 January 2019)

This composition complies with the Code’s guideline that at least one-third of the Board should be made up of Independent Directors.

The Company is not required to have at least half the Board as Independent Directors or to have a Lead Independent Director as:

- (a) The Company currently does not have a Chief Executive Officer (“CEO”); and
- (b) The Acting Non-Executive Chairman is not part of the management team and is independent.

Though the Company is not required to have at least half of the Board as Independent Directors for the reasons as explained in the preceding paragraph, as at the date of this Report, the Company has at least half the Board as Independent Directors.

The NC had reviewed the independence of the Independent Directors post-FY2018 at a meeting held on 28 December 2018. The independence of each Director will be reviewed annually by the NC in accordance with the Code.

The Independent Directors, Mr Chia Siak Yan Vincent (Xie Shuoyan Vincent) and Ms Ding Xinyan, have confirmed that they do not have any relationship with the Company, its related corporations, its 10% shareholders or its officers that could interfere or be reasonably perceived to interfere, with the exercise of their independent business judgement with a view to the best interests of the Company.

## CORPORATE GOVERNANCE REPORT

The Board has determined, taking into account the views of the NC, that Mr Chia Siak Yan Vincent (Xie Shuoyan Vincent) and Ms Ding Xinyan are independent in character and judgement and that there are no relationships or circumstances which are likely to affect, or could appear to affect, the judgement of each of the aforesaid Directors.

There are no Directors who are deemed independent by the Board, notwithstanding the existence of a relationship as stated in the Code that would otherwise deem him/her not to be independent.

As at the date of this report, none of the Independent Directors have served on the Board beyond nine (9) years since the date of his/her first appointment.

Nonetheless, the independence of any Directors who has served on the Board beyond nine (9) years since the date of his/her first appointment will be subject to particularly rigorous review.

The NC is responsible for examining the size and composition of the Board and Board Committees. Having considered the scope and nature of the Group's operations, the requirements of the businesses and the need to avoid undue disruptions from changes to the composition of the Board and Board Committees, the Board, in concurrence with the NC, believes that its current board size and the existing composition of the Board Committees effectively serve the Group. It provides sufficient diversity of skills, experience and knowledge of the Group without interfering with efficient decision-making.

The Board is of the opinion that it would be most effective to draw on the wealth of experience from the longer serving Directors while concurrently taking progressive steps to review and consider opportunities to refresh the Board as and when deemed required.

To meet the changing challenges in the industry which the Group operates, such reviews, which include considering factors such as the expertise, skills and perspectives which the Board needs against the existing competencies would be done on an annual basis to ensure that the Board dynamics remain optimal.

The Board's policy in identifying nominees for directorship is primarily to have an appropriate mix of members with complementary skills, core competencies and experience for the Group, regardless of gender. In recognition of the importance and value of gender diversity in the composition of the Board, the Company has appointed a female Director in November 2018.

The current Board composition provides a diversity of skills, experience, and knowledge to the Company as follows:

Core Competencies	Number of Directors (as at 31 October 2018)	Proportion of Board (as at 31 October 2018)
- Accounting or finance	3	3/3
- Business management	3	3/3
- Legal or corporate governance	3	3/3
- Relevant industry knowledge or experience	3	1/3
- Strategic planning experience	3	3/3
- Customer based experience or knowledge	3	3/3

The Board has taken the following steps to maintain or enhance its balance and diversity:

- annual review by the NC to assess if the existing attributes and core competencies of the Board are complementary and enhance the efficacy of the Board; and

## CORPORATE GOVERNANCE REPORT

- annual evaluation by the Directors of the skill sets the other Directors possess, with a view to understand the range of expertise which is lacking by the Board.

The NC will consider the results of these exercises in its recommendation for the appointment of new Directors and/or the re-appointment of incumbent Directors.

Two out of three of the Company's Non-Executive Directors are Independent Directors. Management provides the Independent Directors with accurate, complete and timely information. Further, the Independent Directors have unrestricted access to Management, the auditors and the Company Secretaries. The Independent Directors have access to Management to query and request for further information on proposed significant transactions and the development of business strategies. The Board (including the Independent Directors) reviews the business performance of the Group on semi-annual basis prior to the release of the financial results. The Independent Directors also review the performance of Management in meetings, set goals and objectives and monitor their performance. Such review of Management's performance is done annually and the Independent Directors provide their feedback to the Board in relation to Management's performance.

The profile of the Directors is set out in "Board of Directors" section of the Annual Report.

### Chairman And Chief Executive Officer

#### Principle 3: Clear division of responsibilities and balance of power and authority

The Chairman and the CEO should in principle be separate persons to maintain an appropriate balance of power, increased accountability and greater capacity of the Board for independent decision-making.

The roles of the Chairman/Acting Chairman includes:

- leading the Board to ensure its effectiveness on all aspects of its roles and setting its agenda;
- ensuring that Directors receive complete, accurate and timely information on matters relating to the Group;
- ensuring effective communication with shareholders;
- encouraging constructive relationships within the Board;
- encouraging constructive relationships between the Board and Management;
- facilitating effective contribution of Non-Executive Directors;
- promoting a culture of openness and debate at the Board; and
- promoting high standards of corporate governance.

The role of the Chairman had been held by Mr Goh Chin Soon, the former Executive Chairman of the Company, who had been performing the functions as the CEO of the Company. Following his resignation as the Executive Chairman of the Company on 27 February 2018, the role of the Chairman was assumed by the former Lead Independent Director, Mr Tan Wee Peng Kelvin, until the appointment of Mr Peter Lai Hock Meng as Non-Executive Chairman and Independent Director of the Company on 3 August 2018. Mr Tan Wee Peng Kelvin had resigned as Lead Independent Director on 31 October 2018 and Mr Peter Lai Hock Meng had also resigned as Non-Executive Chairman and Independent Director on 12 December 2018. Mr Chia Siak Yan Vincent (Xie Shuoyan Vincent), Independent Director of the Company, has since then been appointed as the Acting Non-Executive Chairman of the Company to preside over the Board.

# CORPORATE GOVERNANCE REPORT

The Company does not have any Executive Director since the resignation of Mr Goh Chin Soon in February 2018. It should be noted that Mr You Zihui has been appointed as Executive Director on 19 November 2018. Mr You Zihui is responsible for the business direction and operational decisions of the Group and steering the strategic direction and growth of the Group's businesses. He assists the Company in its efforts to identify business opportunities and provides management leadership of the Company.

The Board is of the opinion that the process of decision making by the Board has been independent and had been based on collective decisions without any individual exercising any considerable concentration of power or influence. All Directors would ensure that they have collectively taken decisions in the interests of the Company. The Board will continue to review the role of the Chairman and the CEO as well as the composition (including the independence) of the Board to ensure that it does not impede the principles of independence and objectivity in decision making. The Board will consider filling up the post of the Chairman and/or the CEO until such time deemed necessary or a suitable candidate(s) is sought.

In view of the fact that the Company does not have a CEO and the current Acting Non-Executive Chairman is not part of the management team and is an Independent Director, the Company is not required to have a Lead Independent Director. Prior to that, there has been a Lead Independent Director as the former Executive Chairman is part of the management team and is not independent.

During FY2018, the Independent Directors have met once in the absence of key management personnel and Executive Director, to discuss matters and provide relevant feedback.

## Board Membership

### Principle 4: Formal and transparent process for the appointment and reappointment of Directors to the Board

As at the date of this report, the NC comprises the following three members, all of whom, including the NC Chairman, are Non-Executive, and of which two are Independent Directors:

Chia Siak Yan Vincent (Xie Shuoyan Vincent)	Chairman
Ding Xinyan	Member
Kevin John Chia	Member

The NC is guided by the key terms of reference as follows:

- (a) appointment of new Directors with the appropriate profile with regards to their expertise, experiences, industry background, track record and competencies;
- (b) annual review of skills required by the Board, and the size of the Board;
- (c) determining annually and as and when required, the independence of Directors;
- (d) to make plans for succession, in particular for the Chairman of the Board and the CEO;
- (e) nominating Directors for re-election in accordance with the Company's constitution at each Annual General Meeting ("AGM") of the Company;
- (f) deciding whether or not a Director is able to and has been adequately carrying out his/her duties as a Director, taking into consideration the number of his/her listed company board representations and/or other principal commitments;
- (g) set guideline on multiple board representations;



## CORPORATE GOVERNANCE REPORT

- (h) deciding the assessment process and implementing a set of objective performance criteria for evaluation of the Board's performance;
- (i) evaluating the Board's effectiveness as a whole and each Director's contribution to its effectiveness in accordance with the assessment process and performance criteria adopted; and
- (j) review and recommend training and professional development programs for the Board.

In accordance with Article 91 of the Company's constitution, one-third of the Directors shall retire from office by rotation at each AGM. In addition, Article 92 provides that the Directors to retire in every year shall be those subject to retirement by rotation who have been longest in office since their last re-election or appointment and that the retiring Directors are eligible to offer themselves for re-election and Article 97 provides that all newly appointed Directors shall hold office only until the next AGM and are eligible to offer themselves for re-election.

The NC is satisfied that:

- (a) the Board's current size and composition is appropriate, taking into account the nature and scope of the Group's operations and the diversity of the Board members' experience and attributes;
- (b) no individual or small group of individuals dominates the Board's decision-making process; and
- (c) based on the Directors' contributions at meetings of the Board and Board Committees, and their time commitment to the affairs of the Company, it would not be necessary to put a maximum limit on the number of listed company board representations and other principal commitments of each Director. The NC would continue to review from time to time the board representations and other principal commitments of each Director to ensure that the Directors continue to meet the demands of the Group and are able to discharge their duties adequately.

Accordingly, the Board has accepted the NC's nomination of the retiring Directors who have given their consent for re-election at the forthcoming AGM of the Company. The retiring Directors at the forthcoming AGM of the Company are Mr Chia Siak Yan Vincent (Xie Shuoyan Vincent) who will retire pursuant to Article 91 of the Company's constitution; Mr You Zihui, Ms Ding Xinyan and Mr Kevin John Chia who will retire pursuant to Article 97 of the Company's constitution.

Mr Chia Siak Yan Vincent (Xie Shuoyan Vincent) will, upon re-election as a Director of the Company, remain as Acting Non-Executive Chairman and Independent Director of the Company, the Chairman of the AC and NC, and a member of the RC of the Company respectively. Mr Chia Siak Yan Vincent (Xie Shuoyan Vincent) is considered by the Board to be independent for the purposes of Rule 704(7) of the Catalist Rules of the SGX-ST.

Ms Ding Xinyan will, upon re-election as a Director of the Company, remain as Independent Director of the Company, the Chairman of the RC, and a member of the AC and NC of the Company respectively. Ms Ding Xinyan is considered by the Board to be independent for the purposes of Rule 704(7) of the Catalist Rules of the SGX-ST.

Mr Kevin John Chia will, upon re-election as a Director of the Company, remain as Non-Executive Non-Independent Director of the Company, and a member of the AC, NC and RC of the Company respectively.

## CORPORATE GOVERNANCE REPORT

The NC reviews the independence of each Director annually in accordance with the Code's definition of independence. In respect of the Company's current Independent Directors, Mr Chia Siak Yan Vincent (Xie Shuoyan Vincent) and Ms Ding Xinyan, the Board is of the view that they are independent, taking into account the circumstances set forth in the Code and any other salient factors. The Independent Directors had also confirmed their independence in accordance with the Code.

Each member of the NC shall abstain from voting on any recommendation and/or participating in respect of matters in which he/she has an interest.

Pursuant to Rule 720(5) of the Catalist Rules of the SGX-ST, the information relating to the retiring Directors as set out in Appendix 7F of the Catalist Rules of the SGX-ST is disclosed below:

Name of Director	Chia Siak Yan Vincent (Xie Shuoyan Vincent)	You Zihui	Ding Xinyan	Kevin John Chia
Date of Appointment	13 July 2017	19 November 2018	19 November 2018	11 January 2019
Date of last re-appointment (if applicable)	27 February 2018	N.A.	N.A.	N.A.
Age	44	35	41	60
Country of principal residence	Singapore	Singapore	Singapore	Singapore
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	The re-election of Mr Chia as the Acting Non-Executive Chairman and Independent Director of the Company was recommended by the NC and the Board has accepted the recommendation, after taking into consideration his qualifications, expertise, past experiences and overall contribution since he was appointed as a Director of the Company.	The re-election of Mr You as the Executive Director was recommended by the NC and the Board has accepted the recommendation, after taking into consideration his qualifications, past experience and overall contribution since he was appointed as a Director of the Company.	The re-election of Ms Ding as the Independent Director of the Company was recommended by the NC and the Board has accepted the recommendation, after taking into consideration her qualifications, expertise, past experiences and overall contribution since she was appointed as a Director of the Company.	The re-election of Mr Chia as the Non-Executive Non-Independent Director was recommended by the NC and the Board has accepted the recommendation, after taking into consideration his qualifications, expertise, past experiences and overall contribution since he was appointed as a Director of the Company.

## CORPORATE GOVERNANCE REPORT

Name of Director	Chia Siak Yan Vincent (Xie Shuoyan Vincent)	You Zihui	Ding Xinyan	Kevin John Chia
Whether appointment is executive, and if so, the area of responsibility	Non-Executive	Executive, Mr You is responsible for all day-to-day management decisions and for implementing the Company's long and short term plans.	Non-Executive	Non-Executive
Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)	Acting Non-Executive Chairman and Independent Director, Chairman of AC, Chairman of NC and RC Member.	Executive Director	Independent Director, Chairwoman of RC, AC Member and NC Member.	Non-Executive Non-Independent Director, AC Member, RC member and NC Member.
Professional qualifications	<ul style="list-style-type: none"> <li>• Masters of Social Science (Applied Economics)</li> <li>• Bachelor in Civil Engineering with Minor in Law and specialisation in Environmental Engineering</li> </ul>	<ul style="list-style-type: none"> <li>• Bachelor in Science (BSc) Management</li> </ul>	<ul style="list-style-type: none"> <li>• Master of Business Administration</li> <li>• Bachelor of Arts, Major in foreign trade &amp; Laws</li> </ul>	<ul style="list-style-type: none"> <li>• Master of Business Administration</li> </ul>

# CORPORATE GOVERNANCE REPORT

Name of Director	Chia Siak Yan Vincent (Xie Shuoyan Vincent)	You Zihui	Ding Xinyan	Kevin John Chia
Working experience and occupation(s) during the past 10 years	<p><b>January 2017 - Present</b> Director, Savinco Advisory Pte Ltd</p> <p><b>October 2015 - January 2017</b> Associate Director of Mergers and Acquisition team, KPMG Corporate Finance</p> <p><b>January 2012 - October 2015</b> Director, Savinco Advisory Pte Ltd</p> <p><b>October 2009 - December 2011</b> General Manager of Corporate Development, Cityneon Holdings Limited</p> <p><b>January 2007 - October 2009</b> Senior Manager of Corporate Development, Singapore Press Holdings Limited</p>	<p><b>October 2013 - October 2018</b> Business Development Manager, Entrust Healthcare Pte Ltd including Pacific Healthcare Holdings Ltd, Pacific Healthcare Nursing Home Pte Ltd, Pacific Eldercare and Nursing Pte Ltd, Pacific Activity Centres Pte Ltd, Pacific Investments Pte Ltd, Clair Beauty Pte Ltd (Director), Live Well Services Pte Ltd (Shareholder and Director), Precious Specialist Centre Pte Ltd, Precious Medical Clinic Pte Ltd, Blu Lakes Asia Pte Ltd, Blu Hills Pte Ltd and Blu Creeks Pte Ltd</p> <p><b>August 2011 - October 2013</b> Operations Associate, National Australia Bank Ltd</p> <p><b>June 2010 - August 2010</b> Systems Integrator, Flexus Pte Ltd</p>	<p><b>April 2016 - Present</b> Managing Director, Yincubator Pte Ltd</p> <p><b>July 2014 - November 2015</b> Director of Global Portfolio Management, Microsoft China</p> <p><b>November 2012 - July 2014</b> Director of Category, Portfolio Management, Nokia (China) Investment Company Co., Ltd.</p> <p><b>July 2009 - May 2012</b> Head of Portfolio Management, Nokia (China) Investment Company Co., Ltd.</p> <p><b>December 2007 - July 2009</b> Head of Product Management, Nokia (China) Investment Company Co., Ltd.</p>	<p><b>August 2013 - Present</b> General Manager, AM Automotive (S) Pte Ltd</p> <p><b>March 2012 - July 2013</b> Vice President and Head Strategic Business, OCBC Bank</p> <p><b>January 2010 - February 2012</b> Vice President, Cluster Manager and Mortgage Specialists, OCBC Bank</p> <p><b>January 2007 - December 2009</b> Vice President, Cluster Manager and Head Mortgage Alliance, OCBC Bank</p>
Shareholding interest in the listed issuer and its subsidiaries	None	85,000 ordinary shares in the Company	None	None

## CORPORATE GOVERNANCE REPORT

Name of Director	Chia Siak Yan Vincent (Xie Shuoyan Vincent)	You Zihui	Ding Xinyan	Kevin John Chia
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	None	None	None	None
Conflict of interest (including any competing business)	None	None	None	None
<b>Other Principal Commitments including Directorships</b>				
Undertaking (in the format set out in Appendix 7H) under Rule 720(1) has been submitted to the listed issuer	Yes	Yes	Yes	Yes
Past (for the last 5 years)	<ol style="list-style-type: none"> <li>1. Zhenyun International Holdings Pte. Ltd.</li> <li>2. Aegis Lance Capital Pte Ltd</li> <li>3. AER Online Pte Ltd</li> <li>4. Tenon International Capital (Singapore) Pte Ltd</li> <li>5. Masstech Pte Ltd</li> </ol>	<ol style="list-style-type: none"> <li>1. Live Well Services Pte Ltd</li> <li>2. Active Wash Pte Ltd</li> <li>3. Clair Beauty Pte Ltd</li> </ol>	Nil	<ol style="list-style-type: none"> <li>1. Ace Fleet Management Pte Ltd</li> <li>2. Ace Fleet Leasing Pte Ltd</li> <li>3. Motor Mega Mall Pte Ltd</li> </ol>

# CORPORATE GOVERNANCE REPORT

Name of Director	Chia Siak Yan Vincent (Xie Shuoyan Vincent)	You Zihui	Ding Xinyan	Kevin John Chia
<b>Other Principal Commitments including Directorships (cont'd)</b>				
Present	1. Savinco Advisory Pte Ltd	Nil	1. Yincubator Pte Ltd 2. Skoolight Pte Ltd 3. Kwizdom Pte Ltd 4. Seafirst Technology Pte Ltd 5. Reddot Analysis Pte Ltd 6. VegaData Pte Ltd 7. Landmark Commerce Pte Ltd 8. Auto Foundation Ltd 9. Yincubator HL Pte Ltd	1. Ace Financial Services Pte Ltd 2. Ace Automobile Pte Ltd 3. Insure One Pte Ltd
<b>Information required pursuant to Catalist Rules 704(6) and/or 704(7)</b>				
(a) Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner?	None	None	None	None

## CORPORATE GOVERNANCE REPORT

Name of Director	Chia Siak Yan Vincent (Xie Shuoyan Vincent)	You Zihui	Ding Xinyan	Kevin John Chia
<b>Information required pursuant to Catalist Rules 704(6) and/or 704(7) (cont'd)</b>				
(b) Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?	None	None	None	None
(c) Whether there is any unsatisfied judgment against him?	None	None	None	None

## CORPORATE GOVERNANCE REPORT

Name of Director	Chia Siak Yan Vincent (Xie Shuoyan Vincent)	You Zihui	Ding Xinyan	Kevin John Chia
<b>Information required pursuant to Catalist Rules 704(6) and/or 704(7) (cont'd)</b>				
(d) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose?	None	None	None	None
(e) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?	None	None	None	None



## CORPORATE GOVERNANCE REPORT

Name of Director	Chia Siak Yan Vincent (Xie Shuoyan Vincent)	You Zihui	Ding Xinyan	Kevin John Chia
<b>Information required pursuant to Catalist Rules 704(6) and/or 704(7) (cont'd)</b>				
(f) Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?	None	None	None	None
(g) Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?	None	None	None	None

## CORPORATE GOVERNANCE REPORT

Name of Director	Chia Siak Yan Vincent (Xie Shuoyan Vincent)	You Zihui	Ding Xinyan	Kevin John Chia
<b>Information required pursuant to Catalist Rules 704(6) and/or 704(7) (cont'd)</b>				
(h) Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?	None	None	None	None
(i) Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?	None	None	None	None

## CORPORATE GOVERNANCE REPORT

Name of Director	Chia Siak Yan Vincent (Xie Shuoyan Vincent)	You Zihui	Ding Xinyan	Kevin John Chia
<b>Information required pursuant to Catalist Rules 704(6) and/or 704(7) (cont'd)</b>				
<p>(j) Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of :—</p> <p>(i) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or</p> <p>(ii) any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or</p>	<p style="text-align: center;">None</p> <p style="text-align: center;">None</p>	<p style="text-align: center;">None</p> <p style="text-align: center;">None</p>	<p style="text-align: center;">None</p> <p style="text-align: center;">None</p>	<p style="text-align: center;">None</p> <p style="text-align: center;">None</p>

## CORPORATE GOVERNANCE REPORT

Name of Director	Chia Siak Yan Vincent (Xie Shuoyan Vincent)	You Zihui	Ding Xinyan	Kevin John Chia
<b>Information required pursuant to Catalist Rules 704(6) and/or 704(7) (cont'd)</b>				
(iii) any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or	None	None	None	None
(iv) any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?	None	None	None	None

## CORPORATE GOVERNANCE REPORT

Name of Director	Chia Siak Yan Vincent (Xie Shuoyan Vincent)	You Zihui	Ding Xinyan	Kevin John Chia
<b>Information required pursuant to Catalist Rules 704(6) and/or 704(7) (cont'd)</b>				
(k) Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?	None	None	None	None
<b>Disclosure applicable to the appointment of Director only</b>				
Any prior experience as a director of an issuer listed on the Exchange? If yes, please provide details of prior experience. If no, please state if the director has attended or will be attending training on the roles and responsibilities of a director of a listed issuer as prescribed by the Exchange. Please provide details of relevant experience and the nominating committee's reasons for not requiring the director to undergo training as prescribed by the Exchange (if applicable).	None. Will be attending training on the roles and responsibilities of a director of a listed issuer as prescribed by the Exchange.	None. Will be attending training on the roles and responsibilities of a director of a listed issuer as prescribed by the Exchange.	None. Will be attending training on the roles and responsibilities of a director of a listed issuer as prescribed by the Exchange.	None. Will be attending training on the roles and responsibilities of a director of a listed issuer as prescribed by the Exchange.

## CORPORATE GOVERNANCE REPORT

The NC is of the view that the effectiveness of each of the Directors is best assessed by a qualitative assessment of the Director's contributions, after taking into account his/her other listed company board directorships and other principal commitments, not guided by a numerical limit. The NC also believes that it is for each Director to assess his/her own capacity and ability to undertake other obligations or commitments together with serving on the Board effectively. The NC does not wish to omit from consideration outstanding individuals who, despite the demands on their time, have the capacity to participate and contribute as members of the Board.

The considerations in assessing the capacity of Directors include the following:

- expected and/or competing time commitments of Directors, including whether such commitment is a full-time or part-time employment capacity;
- size and composition of the Board;
- nature and scope of the Group's operations and size;
- relevant industry knowledge and experience;
- relevant corporate, professional and management experience; and
- capacity, complexity and expectations of the other listed directorships and principal commitments held.

The NC has reviewed the time spent and attention given by each of the Directors to the Company's affairs, taking into account the multiple directorships and other principal commitments of each of the Directors (if any), and is satisfied that all Directors have discharged their duties adequately in FY2018.

The Company does not have any alternate director currently. Alternate director will be appointed as and when the Board deems necessary. Circumstances which warrant such appointments may include health and age related concerns as well as Management succession plans.

The NC is responsible for identifying candidates and reviewing all nominations for the appointment, re-appointment or termination of Directors and Board Committee members.

In the nomination and selection process, the NC identifies the candidates and reviews the nominations for the appointments based on the following criteria:

- at least one-third of Directors shall be Independent Directors; and
- the candidate shall be a fit and proper person to hold such office, and the most qualified candidate nominated for the office, taking into account his or her participation and contributions during and outside board meetings, the candidate's track record, experience, capabilities and other relevant factors.

Where the need to appoint a new Director arises, the NC will review the composition and range of expertise, skills and attributes of the Board and Board Committees. The NC will prepare a shortlist of candidates with the appropriate profile for nomination before sourcing for candidates through an extensive network of contacts. Candidates are identified based on the desired qualifications, skill sets, competencies and experience, which are required to supplement the Board's existing attributes. If need be, the NC may seek assistance from external search consultants for the selection of potential candidates. Directors and Management may also put forward names of potential candidates, together with their curriculum vitae, for consideration. The NC, after completing its assessment, meets with the short-listed candidates to assess their suitability, before submitting the appropriate recommendations to the Board for approval.

## CORPORATE GOVERNANCE REPORT

Information in respect of the academic and professional qualification, and directorship or chairmanship, both present and those held over the preceding three years in other listed companies, is set out in the "Board of Directors" section of the Annual Report. In addition, information on shareholdings in the Company and its related companies held by each Director is set out in the "Directors' Statement" section of the Annual Report.

### Board Performance

#### Principle 5: Formal assessment of the effectiveness of the Board and contribution by each Director

The NC decides on how the Board's performance is to be evaluated and proposes objective performance criteria, subject to the Board's approval, which address how the Directors have enhanced long-term shareholders' value. The Board has also implemented a process to be carried out by the NC for assessing the effectiveness of the Board as a whole.

In evaluating the Board's performance, the NC considers a set of quantitative and qualitative performance criteria that has been approved by the Board. The performance criteria for the Board's evaluation are in respect of:

- Board size and composition;
- access to information;
- Board processes;
- Board information and accountability;
- risk management; and
- Board Committee performance in relation to discharging their responsibilities set out in their respective terms of reference.

The NC had concurred that it was difficult to evaluate the effectiveness of the Board as a whole given the changes to the composition of the Board during FY2018. As such, no assessment was carried out in respect of the Board's performance for FY2018.

The NC had decided unanimously that the Directors will not be evaluated individually but factors taken into consideration for the nomination are the extent of their attendance, participation and contribution in the proceeding of the meetings. The NC had also concurred that it was difficult to evaluate the performance of each Board Committee given the changes to the composition of the Board Committees during FY2018. As such, no assessment was carried out for each Board Committee and individual Director for FY2018. The NC would consider implementing such performance evaluation for each Board Committee and individual Director at a time deemed appropriate.

The Board has not engaged any external facilitator to conduct the performance evaluation of the Board. Where relevant and when the need arises, the NC will consider such an engagement.

# CORPORATE GOVERNANCE REPORT

## Access To Information

### Principle 6: Board members to have access to complete, adequate and timely information

In order to ensure that the Board is able to fulfil its responsibilities, Management provides all Directors with complete, adequate and timely information prior to Board meetings and on an on-going basis so as to enable them to make informed decisions to discharge their duties and responsibilities. In addition, all relevant information on the Group's annual budgets, financial statements, internal and external auditors' reports, shareholding statistics, material events and transactions complete with background information and explanations are circulated to Directors as and when they arise. Management provides the Board with management accounts and such explanation and information relating to the Company's and/or the Group's performance at least on a half yearly basis and as the Board may require from time to time. Due to the size of the Group's current operations, the Board is satisfied that such access to information is sufficient for its purposes. All Directors have separate and independent access to the Company's senior management, who together with the Company Secretaries, are responsible for ensuring that the Board procedures are followed and that applicable rules and regulations are complied with. Whenever necessary, senior management staff will be invited to attend the Board meetings and/or AC meetings to answer queries and provide detailed insights into their areas of responsibilities.

All Directors have separate and independent access to the Company Secretaries. The Company Secretaries ensure that Board procedures are observed and that the Company's constitution, relevant rules and regulations, including requirements of the Companies Act, Cap. 50 and the Catalist Rules of the SGX-ST, are complied with.

The roles of the Companies Secretaries include:

- assisting the Chairman/Acting Chairman to ensure good information flows within the Board, Board Committees and key management personnel;
- attending and preparing minutes for all Board and Board Committee meetings;
- assisting to ensure coordination and liaison between the Board, Board Committees and key management personnel;
- advising the Board on governance matters and assisting in professional development, and
- assisting the Chairman/Acting Chairman, the Chairperson of each Board Committee and key management personnel in the development of the agendas for the various Board and Board Committee meetings.

The appointment and removal of the Company Secretaries are subject to the approval of the Board as a whole.

Should the Directors, whether individually or as a group, require independent advice on any specific issues, they may engage independent professionals at the Company's expense to enable them to discharge their duties with adequate knowledge on the matters being deliberated.

Changes to regulations and accounting standards are closely monitored by Management. The Directors are briefed either during Board and Board Committee meetings or by any of the Company Secretaries and/or the EA of these changes especially where these changes, *inter alia*, have an important bearing on the Directors' disclosure obligations.



# CORPORATE GOVERNANCE REPORT

## II. REMUNERATION MATTERS

### Procedures For Developing Remuneration Policies

#### Principle 7: Formal and transparent procedure for developing policy on executive remuneration and for fixing remuneration packages of Directors

As at the date of this report, the RC comprises the following three members, all of whom, including the RC Chairwoman, are Non-Executive, and of which two are Independent Directors:

Ding Xinyan	Chairwoman
Chia Siak Yan Vincent (Xie Shuoyan Vincent)	Member
Kevin John Chia	Member

The RC is guided by the key terms of reference as follows:

- (a) reviewing and recommending to the Board for endorsement by the entire Board, a general framework of remuneration for the Board, the specific remuneration packages and terms of employment for each Director, the CEO (if the CEO is not a Director) and key management personnel and employee related to the Executive Director(s) or controlling shareholders of the Group;
- (b) reviewing and recommending for endorsement by the entire Board, share-based incentives or awards or any long-term incentive schemes which may be set up from time to time, in particular, to review whether Directors and key management personnel should be eligible for such schemes and also evaluating the cost and benefits of such scheme and doing all acts necessary in connection therewith;
- (c) carrying out its duties in the manner that it deemed expedient, subject always to any regulations or restrictions that may be imposed upon the RC by the Board from time to time; and
- (d) ensuring that all aspects of remuneration including but not limited to Directors' fees, salaries, allowances, bonuses, options, share-based incentives and awards and benefits-in-kind are covered.

The RC met once during FY2018.

The RC recommends to the Board for endorsement, a framework of remuneration for the Board and key management personnel to ensure that the structure is competitive and sufficient to attract, retain and motivate senior management to run the Company successfully in order to maximise shareholders' value.

There is a formal and transparent procedure for fixing the remuneration packages of the Directors. It comprises of a basic retainer fee, additional fees for appointment to Board Committees. No individual Director is involved in deciding his/her own remuneration. Independent Directors are paid Directors' fees annually on a standard fee basis.

In reviewing the remuneration packages, the RC takes into account the current market circumstances and the need to attract and retain Directors of experience and good standing. The RC has full authority to obtain external professional advice on matters relating to remuneration should the need arise.

No remuneration consultants were engaged by the Company in FY2018.

# CORPORATE GOVERNANCE REPORT

The RC reviews the terms and conditions of service agreements of the Executive Director and key management personnel before their execution. In the course of such review, the RC will consider the Group's obligations arising in the event of termination of Executive Director and key management personnel, to ensure that the service agreements contain fair and reasonable termination clauses and are not overly generous so as to avoid rewarding poor performance.

The service agreement entered into with the Executive Director commenced on the effective date and will automatically continue from year to year unless terminated in accordance with the terms of the agreement. The service agreement does not contain any onerous removal clauses.

## Level And Mix Of Remuneration

### Principle 8: Remuneration of Directors should be adequate but not excessive

The Company adopts a remuneration policy, which comprises fixed and variable components. The fixed and variable components comprise a base salary, variable bonus and other benefits. In setting remuneration packages, the Company takes into account the Group's relative performance and the performance of individual Directors. The pay and employment conditions within the same industry and in comparable companies are also given due consideration.

The review of the remuneration of the Executive Director and key management personnel takes into consideration the performance and the contributions of the Executive Director and key management personnel to the Company and/or the Group and gives due regard to the financial and business performance of the Group. The Group seeks to offer a competitive level of remuneration to attract, motivate and retain senior management of the required competency to run the Group successfully.

The Executive Director does not receive any Director's fee. The remuneration of the Executive Director and key management personnel comprises primarily a basic salary component and a variable component which is inclusive of bonuses and other benefits.

Currently, the Company does not have long-term incentive schemes. The RC will explore a suitable incentive plan/scheme as and when it deems necessary.

The fees of the Non-Executive Directors are determined by the Board according to the level of contribution, and taking into account factors such as the effort and time spent, and their respective responsibilities. The fees are subject to approval by the shareholders at each AGM. Except as disclosed, the Non-Executive Directors do not receive any other remuneration from the Company and they do not have any service agreements with the Company and/or the Group.

The current notice period for Executive Directors and key management personnel under the respective service contracts are less than six months.

The Company currently does not have any contractual provisions which allow it to reclaim incentives from the Executive Director and key management personnel. The Board is of the view that as the Group pays performance bonuses based on the actual performance of the Group (and not on forward looking results) as well as the actual performance of its Executive Director and key management personnel, "claw-back" provisions in the service agreements may not be relevant or appropriate.

## Disclosure On Remuneration

### Principle 9: Disclosure on remuneration policy, level and mix of remuneration and procedure for setting remuneration

The Board has not included a separate annual remuneration report to shareholders in the Annual Report on the remuneration of Directors and the top five key management personnel (who are not Directors or the CEO of the Company) as the Board is of the view that the matters which are required to be disclosed in such annual remuneration report have already been sufficiently disclosed in this report and in the Group's financial statements.

## CORPORATE GOVERNANCE REPORT

The remuneration of each individual Director and key management personnel of the Group is not disclosed as the Company believes that disclosure may be prejudicial to its business interests, affect the retention or recruitment of competent personnel as well as the competitive pressures in the talent market given the highly competitive environment it is operating in. Additionally, the Company has experienced turnover in Directors during FY2018 and the disclosure of remuneration packages does not give a meaningful picture to shareholders. The RC has reviewed the practice of the industry in this regard, weighting the advantages and disadvantages of such disclosure.

The Board is of the opinion that due to confidentiality and sensitivity issues attached to remuneration matters, it would not be in the best interests of the Company to disclose the remuneration of each individual Director to the nearest thousand as recommended by the Code. The RC has also reviewed the practice of the industry and considered the pros and cons of such disclosure.

### Disclosure On Directors' Fees And Remuneration

A breakdown showing the level and mix of the remuneration payable to each individual Director for FY2018 is as follows:

Name of Director	Remuneration Band	Salary (%)	Bonus (%)	Other Benefits (%)	Directors' fee (%)	Total (%)
<b>Present Director</b>						
Chia Siak Yan Vincent (Xie Shuoyan Vincent) <sup>(1)</sup>	<\$100,000	-	-	-	100	100
<b>Past Director</b>						
Goh Chin Soon <sup>(2)</sup>	<\$150,000	86	-	14	-	100
Tan Wee Peng Kelvin <sup>(3)</sup>	<\$100,000	-	-	-	100	100
Tan Chade Phang Roger <sup>(4)</sup>	<\$50,000	-	-	-	100	100
Tan Wee Heong <sup>(5)</sup>	<\$50,000	-	-	-	100	100
Peter Lai Hock Meng <sup>(6)</sup>	<\$50,000	-	-	-	100	100

Notes:

- <sup>(1)</sup> Appointed as Acting Non-Executive Chairman on 12 December 2018 while continuing to be Independent Director
- <sup>(2)</sup> Ceased as Executive Chairman on 27 February 2018
- <sup>(3)</sup> Ceased as Lead Independent Director on 31 October 2018
- <sup>(4)</sup> Retired as Independent Director at the Annual General Meeting held on 27 February 2018
- <sup>(5)</sup> Appointed as Non-Executive Non-Independent Director on 25 May 2018 and ceased on 3 August 2018
- <sup>(6)</sup> Appointed as Non-Executive Chairman and Independent Director on 3 August 2018 and ceased on 12 December 2018

### Disclosure On Key Management Personnel's Remuneration

A breakdown of the remuneration bands payable to the key management personnel (who are not Directors or the CEO) for FY2018 is as follows:

Name of Key Management Personnel	Remuneration Band	Salary (%)	Bonus (%)	Other Benefits (%)	Total (%)
Chua Heng Chuan Ronnie	<\$250,000	100	-	-	100
Lim Boon Ping <sup>(1)</sup>	<\$250,000	100	-	-	100

Note:

- <sup>(1)</sup> Resigned as Chief Financial Officer on 5 November 2018

## CORPORATE GOVERNANCE REPORT

The total remuneration paid to the two key management personnel in FY2018 was \$320,070.

The Group and the Company does not have any other employee who is an immediate family member of any Director or the CEO whose remuneration exceeded \$50,000 during FY2018.

The Company does not have any employee performance and share option scheme.

There were no termination or retirement benefits, as well as post-employment benefits that are granted to the Executive Director and key management personnel.

The Executive Director does not receive any Director's fee. The Company advocates a performance-based remuneration system for Executive Director and key management personnel that is flexible and responsive to the market, comprising a base salary and other fixed allowances, as well as variable performance bonus which is based on the Group's performance and the individual's performance such as management skills, process skills, people skills and business planning skills. This is designed to align remuneration with the interests of shareholders and link rewards to corporate and individual performance so as to promote the long-term sustainability of the Group.

The following performance conditions were chosen for the Company to remain competitive and to motivate the Executive Director and key management personnel to work in alignment with the goals of all stakeholders:

Performance Conditions	Performance Criteria
Qualitative	<ol style="list-style-type: none"> <li>1. Leadership and people development</li> <li>2. Brand development</li> <li>3. Commitment</li> <li>4. Teamwork</li> <li>5. Current market and industry practices</li> <li>6. Macro-economic factors</li> </ol>
Quantitative	<ol style="list-style-type: none"> <li>1. Profit before tax</li> <li>2. Return on equity</li> <li>3. Relative financial performance of the Group to its industry peers</li> <li>4. Sales growth</li> </ol>

The above performance conditions were not met for FY2018, hence no performance bonus was granted to Management.

### III. ACCOUNTABILITY AND AUDIT

#### Accountability

#### Principle 10: Presentation of a balanced and understandable assessment of Company's performance, position and prospects

The Board, with the assistance of the professional advisors, ensures compliance with the disclosure requirements under the Catalist Rules. In this regard, the Company demonstrates its accountability to its shareholders by announcing its financial results on a half yearly basis and other information via SGXNet in accordance with the requirements of the SGX-ST, so that the shareholders can have a detailed explanation and balanced assessment of the Company's and the Group's financial position and prospects.

# CORPORATE GOVERNANCE REPORT

The Board reviews and approves the results announcement as well as any other announcements before their release, with a view to ensuring that the Company's announcements are understandable by shareholders. Strong emphasis is placed on removing technical jargon and using simple language for clarity.

The Board will furnish, among others and whenever necessary, interim and other price sensitive public reports, and reports to the regulators with the aim of providing a balanced and understandable assessment of the Company's performance, position and prospects.

Management provides the Board with management accounts and such explanation and information relating to the Company's and/or the Group's performance at least on a half yearly basis and as the Board may require from time to time to assist the Board in understanding and in making a balanced and informed assessment of the Company's and the Group's performance, financial position and prospects. Due to the size of the Group's current operations, the Board is satisfied that such access to information is sufficient for its purposes.

## **Risk Management And Internal Controls**

### **Principle 11: Maintenance of sound system of risk management and internal controls**

The Board is responsible for the governance of risk and sets the direction for the Group in the way risks are managed in the Group's businesses. Management of all forms of business risks continues to be an important part of ensuring that the Group creates and protects value for its shareholders. The main risk faced by the Group is credit risk which is primarily attributable to its trade and other receivables as disclosed in page 94 of this Annual Report.

The Company's current approach to risk management is set out on pages 93 to 95 of this Annual Report.

Despite the changes to the composition of the Board and the Board Committees during FY2018, the AC, together with the Board, continues to assess the Group's internal controls (including financial, operational, compliance and information technology control) and risk management policies and processes to be assured that there are adequate internal controls in place.

The Board is committed to maintaining a sound system of internal controls, including financial, operational, compliance and information technology controls, and risk management systems to safeguard the interests of the shareholders and the Group's assets. The Company intends to improve its risk management policies and processes and internal controls through the following:

1. Chief Financial Officer ("CFO")

As at the date of this report, the Company does not have a CFO. The Company has been actively searching for a suitably qualified candidate to take on this role since the resignation of the former CFO, Mr Lim Boon Ping, on 5 November 2018 and his successor, Mr Wang Yingyang, on 7 December 2018. As the CFO assumes his/her role, he/she will be tasked to oversee the financial controls and improving internal controls. Currently, this role is being covered by the Executive Director and the rest of the finance team.

2. Internal Audit

The Company's policy was to perform an internal audit by an outsourced Internal Auditors ("IA") once every two years. The last internal audit was performed in FY2017. Internal audit will be done on an annual basis with effects from FY2019.

# CORPORATE GOVERNANCE REPORT

Nevertheless, the Board is committed to maintaining a sound system of internal controls, including financial, operational, compliance and information technology controls, and risk management systems to safeguard the interests of the shareholders and the Group's assets. To achieve this, regular internal reviews will be undertaken to ensure that the system of internal controls maintained by the Group is sufficient to provide reasonable assurance that the Group's assets are safeguarded against loss from unauthorised use or dispositions, transactions are properly authorised and proper financial records are being maintained.

As for the operational and compliance controls, the Group has and will periodically review these control areas through the various heads of department, and will make improvements with the assistance of regular internal review.

For FY2018, the Executive Director and the AC, with the concurrence of the Board, is of the view that there are some minor deficiencies in certain organisational functions, administrative and financial procedures (collectively referred to as the "**Minor Deficiencies**"), the observations and the remedy actions undertaken and to be undertaken are as follows:

## **(A) Organisational functions**

### **(i) Vacancy of the office of CFO**

#### **Observation**

The Company did not have a CFO since 7 December 2018, the Company has engaged a qualified external consultant to assist in the consolidation, full year financial results announcement and the preparation of the Annual Report. There is a need to recruit a suitably qualified person to fill this position and strengthen the finance team.

#### **Remedy action**

The Company will continue to actively seek for a replacement CFO/Financial Controller/Finance Manager to strengthen the finance team.

### **(ii) Internal audit function**

#### **Observation**

Currently, the Group's policy is to perform an internal audit on a biennial basis. Due to the unforeseen circumstances whereby there were many changes to the composition of the Board, resulting in three out of four Directors been appointed after FY2018, hence, the Board, without the opinion from an IA for FY2018, required additional time to carefully assess the adequacy and effectiveness of the Group's internal controls, thereby resulting in a delay of the AGM for FY2018.

#### **Remedy action**

The AC, with the concurrence of the Board, has decided to perform an internal audit on an annual basis with effective from FY2019.

# CORPORATE GOVERNANCE REPORT

## (iii) Human Resource function

### Observation

Currently, the Group's payroll listing is prepared by the Accounts Executive, Management is of the view that this role should be performed by the Human Resource Department ("HR Department").

### Remedy action

The preparation of payroll listing has been performed by the HR Department since February 2019.

## (B) Administrative procedures

### (i) Standard operating procedure for handling and taking over for key executive officers

#### Observation

The Group currently does not have any established procedures to document the handling and taking over when key executives officers leave and/or join the Group.

#### Remedy action

Management will establish a standard operating procedure to address this matter.

### (ii) Documents maintenance

#### Observation

During the course of the audit, it was brought to the attention of Management that a motor vehicle returned by a subsidiary to a supplier was still recorded in the inventories listing and the internal documents relating to this return have been misplaced.

#### Remedy actions

This accounting error amounting to \$23,591 was adjusted by an audit adjustment and the finance staff have been briefed to take greater care in the filing and maintenance of all documents.

### (iii) Handling and taking over of duties when staff go on leave

#### Observation

It was noted the temporary handling and taking over of duties when staff goes on leave is lacking. This resulted in undue delays and inefficiencies in the daily operations.

#### Remedy action

The HR Department will review the existing roles and duties of the staff within the Group to ensure that the duties of the staff going on leave are well covered by other staff.

# CORPORATE GOVERNANCE REPORT

## (C) Financial procedures

### (i) Cheque signing mandate

During FY2018, the Group's cheque signing mandate were as follows:

Entity	Mandate
Company and Regal Motors Pte. Ltd.	<\$10,000: Single signatory >\$10,000: Two signatories
Stallion Auto Pte. Ltd. and Regal Prestige Pte. Ltd.	Single signatory for all amounts

Management is of the view that any cheque payment should be signed by two signatories.

#### Remedy actions

With effect from January 2019, the Company's cheques are being signed by two signatories. Similarly, Management will be amending the subsidiaries' cheque signing mandate with the banks to two signatories regardless of value.

### (ii) Acceptance of cash payment

#### Observation

In January 2019, there were refunds from a supplier amounting to \$47,000. Management is of the view that all payment should only be in form of cheque or bank transfer so as to provide proper audit trail and the avoidance of risk of misappropriation.

#### Remedy action

With immediate effect, Management has instructed all suppliers and customers that all payment must be in form of cheque or bank transfer.

### (iii) Payment vouchers

#### Observation

The Executive Director has observed that there are instances that the "preparer" and/or "approver" in the payment vouchers have not been duly initialled. Though these payments vouchers have been checked, authorised and duly supported with the necessary contracts and invoices, it is necessary for the "preparer" and the "approver" to initial as this will provide audit trail of the payment process.

#### Remedy actions

The finance staff and Management has been instructed to initial on all payment vouchers as "preparer" or "approver", as applicable, and the cheque signatories have been instructed not to sign any cheques if they notice that "preparer" and/or "approver" have not been initialled. Until the appointment of a CFO, the Executive Director will review and approve all payment vouchers.



## CORPORATE GOVERNANCE REPORT

The AC, with the concurrence of the Board, is of the view that the Minor Deficiencies are restricted to organisational functions, administrative and financial procedures and are not associated with any material risks faced by the Group and the Company. Hence, the integrity of the Group's and the Company's financial statements for FY2018 are not affected by such Minor Deficiencies.

Hence, for FY2018, the Board has received assurance from the Executive Director that:

- a) the financial records have been properly maintained and the financial statements give a true and fair view of the Group's operations and finances; and
- b) the system of risk management and internal control in place within the Group (including financial, operational and compliance and information technology) are sufficiently adequate and effective in addressing the material risks in the Group in its current business environment.

Despite the Minor Deficiencies, taking into account the reviews performed by Management, the AC and the Board, the size of the Group's operations, straight forward business model, non-complex information technology system and the fact that the Group only operates in Singapore, the Board, with the concurrence of the AC, is of the opinion that the current set of internal controls, including financial, operational, compliance and information technology controls, and the risk management systems, is adequate and effective. These controls will be further enhanced when the Company appoint a CFO/ Financial Controller/Finance Manager and by the annual internal audit with effective from FY2019.

The Company manages risks under an overall strategy determined by the Board and supported by the AC, RC and NC respectively. The Company sets acceptable risk management standards and periodically reviews the risks that the Group is subject to.

Despite the changes to the composition of the Board and the Board Committees during FY2018, the AC, together with the Board, continues to assess the Group's internal controls and risk management policies and processes to be assured that there are adequate internal controls in place. Despite the Minor Deficiencies, the AC notes that the existing system of internal controls and risk management established by the Group should provide reasonable, but not absolute, assurance that the Group will not be adversely affected by any event that can be reasonably foreseen as the Group strives to achieve its business objectives. However, the Board also notes that no system of internal controls and risk management can provide absolute assurance in this regard, or absolute assurance against the occurrence of material errors, poor judgment in decision-making, human error, losses, fraud or other irregularities.

### Audit Committee

#### Principle 12: Establishment of Audit Committee with written terms of reference

As at the date of this report, the AC comprises the following three members, all of whom, including the AC Chairman, are Non-Executive, and of which two are Independent Directors:

Chia Siak Yan Vincent (Xie Shuoyan Vincent)	Chairman
Ding Xinyan	Member
Kevin John Chia	Member

The Board is of the opinion that the majority of members of the AC has many years of experience in accounting and related financial management and is qualified to discharge the AC's responsibilities.

## CORPORATE GOVERNANCE REPORT

The AC has the explicit authority to investigate any matter within its terms of reference, gain full access to and co-operation by Management, exercise full discretion to invite any Director or executive officer to attend its meetings, and gain reasonable access to resources to enable it to discharge its functions properly.

The AC is guided by the key terms of reference as follows:

- (a) reviewing the audit plan with the EA, the evaluation of the system of internal accounting controls, the audit report and the management letter and Management's response;
- (b) ensuring co-ordination where more than one audit firm is involved;
- (c) reviewing the half year and annual financial statements announcements to ensure integrity of the said financial statements before the Board's approval prior to release to the SGX-ST;
- (d) reviewing any announcement relating to the Group's financial performance;
- (e) discussing problems and concerns, if any, arising from the interim and final audits, in consultation with the EA and the IA where necessary;
- (f) meeting with the EA and with the IA without the presence of Management, at least annually, to discuss any problem and concern they may have;
- (g) reviewing the assistance given by Management to the EA;
- (h) reviewing annually the scope and results of the external audit and its cost effectiveness as well as the independence and objectivity of the EA;
- (i) reviewing the internal audit program and the adequacy and effectiveness of the Company's internal audit function, as well as to ensure co-ordination between the IA, the EA and Management;
- (j) overseeing and advising the Board in formulating its risk policies to effectively identify and manage the Group's current (and future) risks in its financial, operational, compliance and information technology systems and all strategic transactions to be undertaken by the Group;
- (k) overseeing the design and implementation of the overall risk management systems and internal control systems (including financial, operational, compliance and information technology controls);
- (l) reviewing the adequacy and effectiveness of the Group's risk management and internal control systems (including financial, operational, compliance and information technology controls) and to report to the Board annually;
- (m) reviewing the scope and results of the internal audit procedures including effectiveness of the internal audit functions and ensuring that the internal audit function is adequately resourced and has appropriate standing within the Group;
- (n) reviewing and discussing with the EA, any suspected fraud or irregularity, or suspect infringement of any law, rules and regulations, which has or is likely to have a material impact on the Group's operating results or financial position, and Management's response;
- (o) investigating any matter within its terms of reference, with full access to and cooperation by Management and full discretion to invite any Director or executive officer to attend its meetings, and reasonable resources to enable it to discharge its functions properly;

## CORPORATE GOVERNANCE REPORT

- (p) reviewing policy and arrangements by which staff of the Group and any other persons may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters and ensuring that arrangements are in place for such concerns to be raised and independently investigated and for appropriate follow up actions to be taken;
- (q) reporting to the Board its findings from time to time on matters arising and requiring the attention of the AC;
- (r) reviewing interested person transactions falling within the scope of the listing rules;
- (s) approving the hiring, removal, evaluation and compensation of the head of the internal audit function, or the accounting firm/auditing firm or corporation which the internal audit function is outsourced. The AC also ensures that the internal audit function is staffed with persons with the relevant qualification and experience and that they carry out their function according to the standards set by nationally or internationally recognised professional bodies, including the Standards for the Professional Practice of Internal Auditing set by the Institute of Internal Auditors;
- (t) recommending to the Board the appointment, re-appointment and removal of the EA, and approving the remuneration and terms of engagement of the EA;
- (u) reviewing the management's representation letters before consideration by the Board, giving particular consideration to matters that related to non-standard issues;
- (v) undertaking such other reviews and projects as may be requested by the Board; and
- (w) undertaking such other functions and duties as may be required by statute or the Listing Manual, and by such amendments made thereto from time to time.

The AC had met with the EA once in the absence of Management during FY2018 to review the adequacy of audit arrangements, with emphasis on the scope and quality of their audit, and the independence, objectivity and observations of the auditors. The EA present to the AC the audit plan and updates relating to any change of accounting standards and issues which have a direct impact on financial statements during the AC meetings.

The AC has reviewed the non-audit services provided by the EA and is satisfied that the nature and extent of such services would not prejudice the independence of the EA, and has recommended the re-appointment of Messer Baker Tilly TFW LLP as the EA of the Company at the forthcoming AGM.

External auditor fees in FY2018	\$	% of total
Audit fees	58,210	77.0
Non-audit fees	17,347	23.0
Total	75,557	100.0

The Company's EA are a firm of Chartered Accountants in Singapore registered with the Accounting and Corporate Regulatory Authority. The Company's EA are engaged to audit the financial statements of the Company and all its Singapore-incorporated subsidiaries. The Company does not have any foreign-incorporated subsidiaries and associated companies. Accordingly, the Company complies with the requirements of Rules 712 and 715 of the Catalist Rules of the SGX-ST.

The AC noted that the EA has identified impairment of investment in subsidiaries, net realisable value of inventories, carrying value of deposits to a supplier and carrying value of refundable deposit to a related party as key audit matters in its audit report.

## CORPORATE GOVERNANCE REPORT

The AC agreed that these are indeed significant matters for the Group in view of the challenging business conditions the Group is facing. The AC also noted the approach taken by the EA and is satisfied with the work done by both the EA and Management in dealing with these matters.

The AC would like to highlight to shareholders that while inventories were written down and investment in subsidiaries and other receivables (deposits paid to a supplier and refundable deposit to a related party) have been impaired, these write down and impairments do not at this moment represent a realised loss to the Group. In this regard, the AC and the Board have supported Management's decision to explore new business areas to improve the Group's performance.

The AC has put in place a whistle-blowing policy, whereby employees of the Group and external parties, may in confidence, raise concerns about possible improper financial reporting or other matters to the AC Chairman, Mr Chia Siak Yan Vincent (Xie Shuoyan Vincent), via email at [whistleblowing@transcorp.com.sg](mailto:whistleblowing@transcorp.com.sg). The objective for such arrangement is to ensure independent investigations of such matters and for appropriate follow-up actions. The AC did not receive any whistle-blowing report during FY2018.

The AC members take measures to keep abreast of changes of accounting standards and issues which have a direct impact on financial statements through attending training and seminars as well as receiving updates from the Group's EA.

None of the AC members were previous partners or directors of the Company's external audit firm within the last twelve (12) months and none of the AC members hold any financial interest in the external audit firm.

### Internal Audit

#### Principle 13: Effective and independent internal audit function

The Board recognises the importance of maintaining a system of internal controls, procedures and processes for the Group to safeguard the shareholders' investments and the Group's assets.

Although no internal audit was performed for FY2018, the key features of the control environment include the terms of reference for the Board Committees, a clear organisation structure and methods of assigning authority and responsibility, Management's internal control systems and defined procedures for the approval of major transactions are the methods used by the Group to safeguard the shareholders' investment.

As the size of the operations of the Group does not warrant the Group having an in-house internal audit function, the Company intends to outsource its internal audit function to an independent external service provider who will report directly to the AC and has been actively searching for a suitable accounting firm to provide internal audit function to the Group. There was no internal audit performed and no internal audit function for FY2018. Internal audit will be performed on an annual basis with effective from FY2019. The AC will ensure that the internal audit function is independent, effective and adequately resourced.

The AC reviews the needs of the internal audit function on a regular basis, including overseeing and monitoring the implementation of the improvements required for various internal control weaknesses identified by Management, IA and the EA. Despite the changes to the composition of the Board and the Board Committees during FY2018, the AC, together with the Board, continues to assess the Group's internal controls and risk management policies and processes to be assured that there are adequate internal controls in place. The AC is of the opinion that an on-going review and continuing efforts to enhance the adequacy of internal controls, including financial, operational, compliance and information technology controls and the risk management systems, through the appointment of a CFO and engagement of an IA, would be adequate.

# CORPORATE GOVERNANCE REPORT

The AC is responsible for the hiring, removal, evaluation and compensation of the accounting/auditing firm which the internal audit function of the Company is outsourced to. The internal audit plan complements that of the EA and together forms a robust risk-based audit approach to facilitate the AC's review of the adequacy and effectiveness of the Group's risk management and internal control systems.

## IV. SHAREHOLDER RIGHTS AND RESPONSIBILITIES

**Principle 14: Shareholder rights**

**Principle 15: Communication with shareholders**

**Principle 16: Conduct of shareholder meetings**

The Board recognises that it is accountable to shareholders for the Group's performance. The Board believes in transparency and strives towards timeliness in the dissemination of material information to the Company's shareholders and the public. Pertinent information will be disclosed to shareholders through the SGXNet and press releases in a fair and equitable manner.

The Company encourages shareholders' participation during the AGMs and Extraordinary General Meetings ("EGMs"). Shareholders are able to engage the Board and Management on the Group's business activities, financial performance and other business-related matters during such meetings. Resolutions are passed through a process of voting and shareholders are entitled to vote in accordance with established voting rules and procedures.

The Company allows any shareholder, who is unable to attend AGMs and/or EGMs in person, to appoint not more than two (2) proxies to attend and vote in his/her place at the meetings via proxy forms submitted in advance (i.e. not less than forty-eight (48) hours before the time appointed for holding the AGMs and/or EGMs). The proxy form is sent with the notice of AGMs and/or EGMs to all shareholders.

A member who is a relevant intermediary (the meaning ascribed to it in Section 181 of the Companies Act, Cap. 50) is entitled to appoint more than two (2) proxies to attend and vote at the AGMs and/or EGMs, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member (which number and class of shares shall be specified).

For the time being, the Board is of the view that this is adequate to enable shareholders to participate in AGMs and/or EGMs of the Company and is not proposing to amend its constitution to allow votes in absentia.

In line with the Group's disclosure obligations pursuant to the Catalist Rules of the SGX-ST and the Companies Act, Cap. 50, the Board's policy is that all shareholders should be informed simultaneously in an accurate and comprehensive manner for all material developments that impact the Group through SGXNet on an immediate basis.

Copies of the Annual Report, Circular and Notices of the AGMs and/or EGMs, where applicable, are sent to every shareholder of the Company. The Notices of such meetings are also advertised in the newspapers and released via SGXNet.

The Company does not practice selective disclosure of material information. The Group makes all necessary disclosures to the public via SGXNet.

The Company currently does not have an Investor Relation Policy as the numbers of shareholders is relatively low. The Company will assess the need to have such a policy as and when there is a substantial increase in the number of shareholders.

## CORPORATE GOVERNANCE REPORT

Before and after AGMs and/or EGMs, the Chairman and other members of the Board will engage in dialogue with shareholders, to gather views or inputs, and address shareholders' concerns.

Separate resolutions on each distinct issue are tabled at AGMs and/or EGMs and voting on each resolution by poll is carried out systematically with proper recording of votes cast and the resolution passed. "Bundling" of resolutions are kept to a minimum and are done only where the resolutions are interdependent so as to form one significant proposal and only where there are reasons and material implications justifying the same.

The Board, the Chairperson of the Board Committees, Management and EA are available at AGMs and/or EGMs to address any questions the shareholders may have concerning the Group and/or matters being tabled for shareholders' approval.

The Company records minutes of all AGMs and/or EGMs including questions and comments from shareholders together with the responses of the Board and Management. These are available to shareholders at their request.

In support of greater transparency of the voting process and to enhance shareholders' participation, the Company puts all resolutions proposed at the AGMs and/or EGMs to vote by poll since 2016. Shareholders who are present in person or represented by proxies will be entitled to one vote for each share held. A scrutineer is appointed to count and validate the votes cast at the meetings. The total number of votes cast for and against each resolution and the respective percentage are announced and released to the SGX-ST via SGXNet.

The Company also solicits the views of the shareholders through analyst briefings and meetings with investors and fund managers, where necessary. The Company is open to meetings with investors and analysts, and in conducting such meetings, the Company is mindful of the need to ensure fair disclosure.

The Company does not have a formal dividend policy. The form, frequency and amount of dividends will depend on the Group's earnings, financial position, results or operations, capital needs, plans for expansion, and other factors as the Board may deem appropriate. For the FY2018, the Company did not declare any dividend.

### **Dealings in Securities**

The Company has adopted an internal Code of Best Practices on dealings in the securities to provide guidance to the officers, including Directors, of the Group with regard to dealings in the Company's securities.

The Code of Best Practices prohibits the officers of the Group from dealing in the Company's securities during the period commencing one month before the announcement of the Company's half year and full year financial results and ending on the date of announcement of those results, or when they are in possession of the unpublished price sensitive information of the Group. Notifications of the 'closed window' periods are sent to all officers concerned.

The Directors are also required to notify the Company of any dealings in the Company's securities within two days of the transaction and to submit an annual confirmation on their compliance with the Code of Best Practices.

In addition, the Directors, key management personnel and employees of the Group are discouraged from dealing in the Company's securities on short-term considerations.

## CORPORATE GOVERNANCE REPORT

### Interested Persons Transactions

The Company has established internal control procedures governing all Interested Person Transactions (“**IPTs**”) to ensure that they are properly documented and reported on a timely manner to the AC and that they are carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its minority shareholders.

The Company does not have a general mandate from shareholders for IPTs. Should there be a need to; the Company will hold a shareholders’ meeting to seek the necessary shareholders’ approval.

The AC has reviewed the IPTs for FY2018 and is of the view that the transactions were on normal commercial terms and not prejudicial to the interests of the Company and its minority shareholders.

The Company’s disclosure in accordance with Rule 907 of the Catalist Rules of the SGX-ST in respect of the IPTs for FY2018 is as follows:

Name of Interested Person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than \$100,000 and transactions conducted under shareholders’ mandate pursuant to Rule 920) \$	Aggregate value of all interested person transactions conducted under shareholder’s mandate pursuant to Rule 920 (excluding transactions less than \$100,000) \$
Chu Wan Zhen <sup>(1)</sup> – Consultancy services: Explore, evaluate and recommend potential project, investment and M&A target for the Company <sup>(2)</sup> – Interest-free advances <sup>(3)</sup> – Sale of motor vehicle <sup>(4)</sup>	210,000 126,243 270,000	Nil Nil Nil
Cheng MingMing <sup>(5)</sup> – Consultancy services: Explore, evaluate and recommend new car businesses from countries like China, Hong Kong & Vietnam etc. <sup>(6)</sup>	216,000	Nil
Goh Chin Soon – Interest-free advances <sup>(7)</sup>	167,520	Nil

# CORPORATE GOVERNANCE REPORT

## Notes:

- (1) Madam Chu Wan Zhen owns 100% of the issued shares of SG Royal Group Pte. Ltd., a controlling shareholder, holding 26.21% of the issued and paid-up shares of the Company.
- (2) Terminated in September 2018.
- (3) Interest-free advances made in FY2018 by SG Royal Group Pte. Ltd., a controlling shareholder, holding 26.21% of the issued and paid-up shares of the Company.
- (4) A motor vehicle was sold to Madam Chu Wan Zhen with a gain of \$28,372, this was a one-time transaction.
- (5) A controlling shareholder holding 24.02% of the issued and paid-up shares of the Company.
- (6) Terminated in October 2018.
- (7) Interest-free advances made by Mr Goh Chin Soon, former Executive Chairman of the Company and spouse of Madam Chu Wan Zhen (a controlling shareholder).

## Material Contracts

Pursuant to Rule 1204(8) of the Catalist Rules, the Company confirms that except as disclosed in the above section on IPTs, the Directors' Statement and Financial Statements, there were no other material contracts to which the Company and its subsidiaries is a party and which involve the interests of the CEO or any Director or controlling shareholder, either still subsisting at the end of FY2018 or if not then subsisting, which were entered into since the end of the previous financial year.

## Non-Sponsor Fees

No non-sponsor fees were paid to the Company's sponsor, Asian Corporate Advisors Pte. Ltd., for FY2018.



## DIRECTORS' STATEMENT

The directors hereby present their statement to the members together with the audited consolidated financial statements of Transcorp Holdings Limited (the "**Company**") and its subsidiaries (collectively, the "**Group**") and the balance sheet and statement of changes in equity of the Company for the financial year ended 31 October 2018.

In the opinion of the directors,

- (a) the consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company as set out on pages 56 to 97 are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 October 2018 and of the financial performance, changes in equity, and cash flows of the Group and changes in equity of the Company for the financial year then ended in accordance with the provisions of the Companies Act, Chapter 50 (the "**Act**") and Financial Reporting Standards in Singapore; and
- (b) at the date of this statement there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

### Directors

The directors in office at the date of this statement are:

Chia Siak Yan Vincent (Xie Shuoyan Vincent)	(Appointed as Acting Non-Executive Chairman on 12 December 2018)
You Zihui	(Appointed on 19 November 2018)
Ding Xinyan	(Appointed on 19 November 2018)
Kevin John Chia	(Appointed on 11 January 2019)

### Arrangements to enable directors to acquire shares or debentures

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose objects are, or one of whose objects is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

### Directors' interests in shares and debentures

The director of the Company holding office at the end of the financial year had no interest in the shares and debentures of the Company and related corporations as recorded in the Register of Directors' Shareholdings kept by the Company under Section 164 of the Act. The director's interest in the ordinary shares of the Company as at 21 November 2018 were the same as that as at 31 October 2018.

Mr You Zihui, who was appointed on 19 November 2018, holds 85,000 ordinary shares in the Company at the date of his appointment, his interest in the ordinary shares of the Company as at 21 November 2018 were the same as those on his date of appointment. Ms Ding Xingyan does not hold any ordinary shares in the Company at the date of her appointment and her interest in the ordinary shares of the Company as at 21 November 2018 were the same as those as at on her date of appointment.

Mr Kevin John Chia does not hold any ordinary shares in the Company at the date of his appointment.

## DIRECTORS' STATEMENT

### Directors' interests in shares and debentures (cont'd)

No director who held office at the end of the financial year had interests in shares, share options, warrants or debentures of the Company, or of related corporations, either at the beginning of the financial year or at the end of the financial year.

### Share options

No option to take up unissued shares of the Company or any corporation in the Group was granted during the financial year.

There were no shares issued during the financial year by virtue of the exercise of options to take up unissued shares of the Company or any corporation in the Group whether granted before or during the financial year.

There were no unissued shares of the Company or any corporation in the Group under option at the end of the financial year.

### Audit committee

The Audit Committee ("**AC**") carried out its functions in accordance with Section 201B(5) of the Act, including the following:

- reviewed the audit plans of the external auditors of the Group and the Company and the assistance given by the management of the Group and the Company to the external auditors;
- reviewed the financial statements and the auditors' report on the financial statements of the Group and the Company before their submission to the Board of Directors ("**Board**");
- reviewed the effectiveness of the Group and the Company's material internal controls, including financial, operational, compliance, information technology controls and risk management;
- met with the external auditors, other committees, and management in separate sessions to discuss any matters that these groups believe should be discussed privately with the AC;
- reviewed legal and regulatory matters that may have a material impact on the financial statements, related compliance policies and programmes and any reports received from regulators;
- reviewed the cost effectiveness and the independence and objectivity of the external auditors;
- reviewed the nature and extent of non-audit services provided by the external auditors;
- recommended to the Board the external auditors to be nominated, approved the compensation of the external auditors, and reviewed the scope and results of the audit;
- reported actions and minutes of the AC to the Board with such recommendations as the AC considers appropriate; and
- reviewed interested person transactions in accordance with the requirements of the Singapore Exchange Securities Trading Limited's Listing Manual Section B: Rules of Catalist.

## DIRECTORS' STATEMENT

### **Audit committee (cont'd)**

The AC, having reviewed all non-audit services provided by the external auditors to the Group, is satisfied that the nature and extent of such services would not affect the independence of the external auditors. The AC has also conducted a review of interested person transactions.

The AC has also met with external auditors, without the presence of the Company's management, at least once a year.

Further details regarding the AC are disclosed in the Report on Corporate Governance.

### **Independent auditor**

The independent auditor, Baker Tilly TFW LLP, has expressed its willingness to accept re-appointment.

On behalf of the Board of Directors

Chia Siak Yan Vincent  
(Xie Shuoyan Vincent)  
Director

You Zihui  
Director

6 March 2019

# INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF TRANSCORP HOLDINGS LIMITED

## Report on the Audit of the Financial Statements

### *Opinion*

We have audited the accompanying financial statements of Transcorp Holdings Limited (the “**Company**”) and its subsidiaries (the “**Group**”) as set out on pages 56 to 97, which comprise the balance sheets of the Group and of the Company as at 31 October 2018, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group and the statement of changes in equity of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the “**Act**”) and Financial Reporting Standards in Singapore (“**FRSS**”) so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 October 2018 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and of the changes in equity of the Company for the financial year ended on that date.

### *Basis for Opinion*

We conducted our audit in accordance with Singapore Standards on Auditing (“**SSAs**”). Our responsibilities under those standards are further described in the *Auditor’s Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority (“**ACRA**”) *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* (“**ACRA Code**”) together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### *Key Audit Matters*

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current financial year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

#### Net realisable value of inventories

The Group’s inventories comprise of motor vehicles. As disclosed in Note 13 to the financial statements, the inventories stated at the lower of cost and net realisable value amounted to \$1,892,701 as at 31 October 2018.

The determination of the estimated net realisable value of inventories is highly dependent on the Group’s expectation of estimated selling prices and estimated selling expenses. Market conditions and any change in government policies on issuance of certificates of entitlement for motor vehicles may exert pressure on transaction volumes and market prices. In determining the estimated selling prices, management applied their knowledge of the business and made reference to publicly available market prices.

The assessment on the appropriateness of carrying value of the Group’s inventories is considered to be a key audit matter because the carrying value of inventories amounting to \$1,892,701 recognised in the Group’s balance sheet is material to the financial statements. Moreover, we focused on this area because of the estimation uncertainty and assumptions made by management in determining the estimated selling prices of inventories.

# INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF TRANSCORP HOLDINGS LIMITED

## Report on the Audit of the Financial Statements (cont'd)

### *Key Audit Matters (cont'd)*

#### Net realisable value of inventories (cont'd)

##### *Our procedures to address the key audit matter*

We obtained an understanding of management's process of estimating the net realisable value of inventories.

Our audit procedures focused on assessment of the net realisable value of inventories provided by the management. We corroborated the Group's assessment of estimated selling prices by comparing the estimated selling prices to, where available, market prices of similar motor vehicles from independent source which are publicly available. We assessed the reasonableness of adjustments made to the market prices of motor vehicles in calculating the estimated net realisable value of inventories by management.

We have also assessed the adequacy and appropriateness of the disclosures made in the financial statements.

#### Carrying value of advance deposits to a supplier

As disclosed in Note 14 to the financial statements, advance deposits to a supplier amounted to \$90,000 as at 31 October 2018, after recognising an allowance for impairment of \$2,695,471.

The assessment on the valuation of advance deposits involves significant management's judgement. The supply of vehicles agreement signed between the Group's subsidiary and the supplier expires on 31 December 2019. The supplier's ability to return the deposit in the event of non-delivery of motor vehicles is critical in determining the recoverability of the advance deposits at balance sheet date.

The assessment of the carrying value of the Group's advance deposits to a supplier is considered to be a key audit matter because the charge recognised in the Group's profit or loss amounting to \$2,695,471 is material to the financial statements.

##### *Our procedures to address the key audit matter*

We obtained an understanding and evaluated management's assessment on the supplier's ability to return the deposits and the valuation of the carrying value of the advance deposits.

We sighted the supply of vehicles contract signed between the Group's subsidiary and the supplier.

We circularised and obtained confirmation from the supplier acknowledging the balance as at 31 October 2018.

We examined refunds received from the supplier during the financial year and subsequent refund received from the supplier after balance sheet date.

We have also assessed the adequacy and appropriateness of the disclosures made in the financial statements.

# INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF TRANSCORP HOLDINGS LIMITED

## Report on the Audit of the Financial Statements (cont'd)

### Key Audit Matters (cont'd)

#### Carrying value of refundable deposit – related party

As disclosed in Note 14 to the financial statements, refundable deposit to a related party amounted to \$2,727,189 as at 31 October 2018.

Refundable deposit to a related party comprises deposit placed with Dongshan Dibao Property Co., Ltd ("**Project Company**") incorporated in the People's Republic of China for a property development project. During the financial year ended 31 October 2018, the Company obtained an undertaking to provide a share charge on 64,703,400 shares in the Company held by a controlling shareholder of the Company (being the shareholder of the related party) and a deed of guarantee ("**Deed**"), for a sum of up to \$6,003,000 and any interest that may be accrued, costs, charges, expenses and disbursement that the Company may incur to preserve its rights or seeking to enforce to preserve its rights under the Deed or otherwise due under the Deed, from SG Royal Group Pte. Ltd., being another controlling shareholder of the Company.

During the financial year ended 31 October 2018, the Group and the Company recognised an allowance for impairment amounted to \$3,275,811 on the refundable deposit to a related party due to the uncertainty over its recoverability as disclosed in Note 14.

The assessment of the carrying value of refundable deposit to a related party is a key audit matter because the carrying value of refundable deposit to a related party is significant on the balance sheet of the Group and the Company, and the allowance for impairment of \$3,275,811 recognised in the Group's and Company's profit or loss is material to the financial statements.

#### *Our procedures to address the key audit matter*

We obtained an understanding from management about the current status of the Group's participation in the property development project as disclosed in Note 14. We evaluated management's assessment on the valuation of the carrying value of the refundable deposit to a related party and management's basis for the impairment allowance.

We circularised and obtained confirmation from the controlling shareholder acknowledging the undertaking to provide a share charge of 64,703,400 shares in the Company.

We sighted the Deed signed between the Company and the controlling shareholder of the Company.

We circularised and obtained confirmation from the Project Company acknowledging the refundable deposit balance as at 31 October 2018.

We have also assessed the adequacy and appropriateness of the disclosures made in the financial statements.

#### Impairment review of the Company's investment in subsidiaries

As disclosed in Note 11 to the financial statements, an impairment loss of \$6,833,736 was recognised in profit or loss of the Company in current financial year to write down the investments in its subsidiaries.

# INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF TRANSCORP HOLDINGS LIMITED

## **Report on the Audit of the Financial Statements (cont'd)**

### ***Key Audit Matters (cont'd)***

#### Impairment review of the Company's investment in subsidiaries (cont'd)

The recoverable amounts of the investments in Regal Motors Pte. Ltd. and Stallion Auto Pte. Ltd. have been determined by management based on fair value less cost to sell. The recoverable amounts were determined with references made to market prices of non-financial assets of the subsidiaries that are publicly available. In calculating the adjusted market prices of those non-financial assets, adjustments made to the market prices were based on management's judgement and estimate such as market condition, the age, specification, model and selling prices of motor vehicles subsequent to the balance sheet date. Management has determined that financial assets and financial liabilities whose carrying amounts are measured at amortised costs approximate their fair values.

The assessment of recoverable amount of the Company's investments in subsidiaries is considered to be a key audit matter because of the significance of the carrying value of investments in subsidiaries on the Company's balance sheet, and the impairment loss of \$6,833,736 recognised in the Company's profit or loss is material to the financial statements of the Company. The calculation of fair value less cost to sell also requires application of judgement and estimation by management.

#### *Our procedures to address the key audit matter*

We obtained an understanding of management's impairment policy and assessment process.

We assessed management's determination of recoverable amounts based on our understanding of the nature of the Group's business and the economic environment in which the Group operates.

Our audit procedures focused on the assessment of the fair values of the non-financial assets provided by the management. Our procedures include comparing fair values provided by the management to independent sourced publicly available market prices and assessing the reasonableness of adjustments made to the market prices by management.

We have also assessed the adequacy and appropriateness of the disclosures made in the financial statements.

#### ***Other Information***

Management is responsible for the other information. The other information comprises the information included in the Annual Report 2018, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

# INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF TRANSCORP HOLDINGS LIMITED

## **Report on the Audit of the Financial Statements (cont'd)**

### ***Responsibilities of Management and Directors for the Financial Statements***

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and FRSs, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.



# INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF TRANSCORP HOLDINGS LIMITED

## **Report on the Audit of the Financial Statements (cont'd)**

### *Auditor's Responsibilities for the Audit of the Financial Statements (cont'd)*

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## **Report on Other Legal and Regulatory Requirements**

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Lee Chee Sum Gilbert.

Baker Tilly TFW LLP  
Public Accountants and  
Chartered Accountants  
Singapore

6 March 2019

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 OCTOBER 2018

		Group	
	Note	2018 \$	2017 \$
Revenue	3	3,819,536	6,083,356
Cost of sales		(5,617,329)	(6,521,825)
Gross loss		<u>(1,797,793)</u>	<u>(438,469)</u>
Other income	4	46,241	305,358
<b>Expenses</b>			
Administrative expenses		(4,179,438)	(4,604,447)
Finance costs	5	(217,736)	(163,676)
Other operating expenses	6	(7,748,779)	(1,071,157)
<b>Loss before tax</b>	7	<u>(13,897,505)</u>	<u>(5,972,391)</u>
Income tax credit	8	139,754	263,610
<b>Loss for the financial year and total comprehensive loss for the financial year</b>		<u><b>(13,757,751)</b></u>	<u><b>(5,708,781)</b></u>
<b>Loss and total comprehensive loss attributable to:</b>			
Equity holders of the Company		(13,057,626)	(5,348,446)
Non-controlling interest		(700,125)	(360,335)
		<u><b>(13,757,751)</b></u>	<u><b>(5,708,781)</b></u>
<b>Losses per share for loss attributable to equity holders of the Company (Singapore cents per share)</b>			
Basic and diluted	9	<u><b>(5.24)</b></u>	<u><b>(2.23)</b></u>

The accompanying notes form an integral part of these financial statements.

## BALANCE SHEETS

AS AT 31 OCTOBER 2018

	Note	Group		Company	
		2018 \$	2017 \$	2018 \$	2017 \$
<b>Non-current assets</b>					
Property, plant and equipment	10	3,057,071	3,619,672	57,501	131,376
Investment in subsidiaries	11	-	-	1,584,600	7,868,036
Available-for-sales financial asset	12	1,500,000	-	1,500,000	-
<b>Total non-current assets</b>		<b>4,557,071</b>	<b>3,619,672</b>	<b>3,142,101</b>	<b>7,999,412</b>
<b>Current assets</b>					
Inventories	13	1,892,701	6,388,640	-	-
Trade and other receivables	14	3,030,228	10,263,730	5,901,330	12,960,850
Prepayments		99,154	122,462	7,796	4,507
Cash and cash equivalents		19,542	268,903	5,563	240,654
<b>Total current assets</b>		<b>5,041,625</b>	<b>17,043,735</b>	<b>5,914,689</b>	<b>13,206,011</b>
<b>Total assets</b>		<b>9,598,696</b>	<b>20,663,407</b>	<b>9,056,790</b>	<b>21,205,423</b>
<b>Non-current liabilities</b>					
Other payables	15	1,373,993	1,321,147	1,373,993	1,321,147
Finance lease liabilities	16	2,293,857	872,882	-	-
Deferred tax liabilities	17	-	139,706	-	-
<b>Total non-current liabilities</b>		<b>3,667,850</b>	<b>2,333,735</b>	<b>1,373,993</b>	<b>1,321,147</b>
<b>Current liabilities</b>					
Trade and other payables	15	1,649,680	1,827,845	2,616,669	2,246,654
Finance lease liabilities	16	489,236	278,345	-	-
Income tax payable		-	173,801	-	-
<b>Total current liabilities</b>		<b>2,138,916</b>	<b>2,279,991</b>	<b>2,616,669</b>	<b>2,246,654</b>
<b>Total liabilities</b>		<b>5,806,766</b>	<b>4,613,726</b>	<b>3,990,662</b>	<b>3,567,801</b>
<b>Net assets</b>		<b>3,791,930</b>	<b>16,049,681</b>	<b>5,066,128</b>	<b>17,637,622</b>
<b>Equity</b>					
Share capital	18	28,667,767	27,167,767	28,667,767	27,167,767
Accumulated losses		(24,684,704)	(11,616,796)	(23,601,639)	(9,530,145)
Equity attributable to equity holders of the Company		3,983,063	15,550,971	5,066,128	17,637,622
Non-controlling interest		(191,133)	498,710	-	-
<b>Total equity</b>		<b>3,791,930</b>	<b>16,049,681</b>	<b>5,066,128</b>	<b>17,637,622</b>

The accompanying notes form an integral part of these financial statements.

# STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 OCTOBER 2018

	Attributable to equity holders of the Company			Non- controlling interest \$	Total equity \$
	Share capital \$	Accumulated losses \$	Total \$		
<b>Group</b>					
Balance at 1 November 2016	27,167,767	(6,268,350)	20,899,417	859,045	21,758,462
Loss and total comprehensive loss for the financial year	-	(5,348,446)	(5,348,446)	(360,335)	(5,708,781)
Balance at 31 October 2017	<b>27,167,767</b>	<b>(11,616,796)</b>	<b>15,550,971</b>	<b>498,710</b>	<b>16,049,681</b>
Issue of shares during the financial year	1,500,000	-	1,500,000	-	1,500,000
Subscription of additional shares in a subsidiary (Note 11(b))	-	(10,282)	(10,282)	10,282	-
Loss and total comprehensive loss for the financial year	-	(13,057,626)	(13,057,626)	(700,125)	(13,757,751)
<b>Balance at 31 October 2018</b>	<b>28,667,767</b>	<b>(24,684,704)</b>	<b>3,983,063</b>	<b>(191,133)</b>	<b>3,791,930</b>
<b>Company</b>					
Balance at 1 November 2016	27,167,767	(5,262,342)	21,905,425	-	21,905,425
Loss and total comprehensive loss for the financial year	-	(4,267,803)	(4,267,803)	-	(4,267,803)
Balance at 31 October 2017	<b>27,167,767</b>	<b>(9,530,145)</b>	<b>17,637,622</b>	-	<b>17,637,622</b>
Issue of shares during the financial year	1,500,000	-	1,500,000	-	1,500,000
Loss and total comprehensive loss for the financial year	-	(14,071,494)	(14,071,494)	-	(14,071,494)
<b>Balance at 31 October 2018</b>	<b>28,667,767</b>	<b>(23,601,639)</b>	<b>5,066,128</b>	-	<b>5,066,128</b>

The accompanying notes form an integral part of these financial statements.

## CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 OCTOBER 2018

		Group	
	Note	2018	2017
<b>Cash flows from operating activities</b>			
Loss before tax		(13,897,505)	(5,972,391)
Adjustments for:			
Finance costs	5	217,736	163,676
Property, plant and equipment written off	6	179,917	-
Write down of inventories to net realisable value	6	1,597,580	1,071,157
Loss on disposal of property, plant and equipment	7	125,153	-
Depreciation of property, plant and equipment	10	568,677	479,809
Impairment in trade and other receivables	14	5,971,282	-
Operating cash flows before changes in working capital		(5,237,160)	(4,257,749)
Decrease in trade and other receivables		1,262,220	6,867,006
Decrease/(Increase) in prepayments		23,308	(40,535)
Decrease/(Increase) in inventories		1,892,627	(1,752,559)
(Decrease)/Increase in trade and other payables		(261,847)	299,625
Cash (used in)/generated from operations		(2,320,852)	1,115,788
Income taxes paid		(173,753)	(31,505)
<b>Net cash (used in)/generated from operating activities</b>		<b>(2,494,605)</b>	<b>1,084,283</b>
<b>Cash flows from investing activities</b>			
Purchases of property, plant and equipment	10	(24,912)	(1,013,355)
Proceeds from the disposal of property, plant and equipment		719,498	-
<b>Net cash generated from/(used in) investing activities</b>		<b>694,586</b>	<b>(1,013,355)</b>
<b>Cash flows from financing activities</b>			
Financing from/(Repayment of) finance lease liabilities		1,631,866	(245,475)
Advances from shareholders		83,682	42,698
Interest paid		(164,890)	(80,621)
<b>Net cash generated from/(used in) financing activities</b>	16	<b>1,550,658</b>	<b>(283,398)</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(249,361)</b>	<b>(212,470)</b>
Cash and cash equivalents at beginning of financial year		268,903	481,373
<b>Cash and cash equivalents at end of financial year</b>		<b>19,542</b>	<b>268,903</b>

The accompanying notes form an integral part of these financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 OCTOBER 2018

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

## 1. Corporate information

The Company (Co. Reg. No. 199502905Z) is listed on the Singapore Exchange (“SGX”) and incorporated and domiciled in Singapore. The address of its registered office is at 237 Alexandra Road #05-11, The Alexcier, Singapore 159929.

The principal activities of the Company is investment holding. The principal activities of the subsidiaries are disclosed in Note 11.

## 2. Summary of significant accounting policies

### (a) Basis of preparation

The financial statements are presented in Singapore dollar (\$), which is the Company’s functional currency. The financial statements have been prepared in accordance with the provisions of the Companies Act, Chapter 50 and Financial Reporting Standards in Singapore (“FRSs”). The financial statements have been prepared under the historical cost convention except as disclosed in the accounting policies below.

The preparation of financial statements in conformity with FRSs requires the use of estimates and assumption that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the financial year. Although these estimates are based on management’s best knowledge of current events and actions, historical experiences and various other factors that are believed to be reasonable under the circumstances, actual results may ultimately differ from those estimates.

#### *Use of estimates and judgements*

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The areas involving a higher degree of judgement in applying accounting policies, or areas where assumptions and estimates have a significant risk of resulting in material adjustment within the next financial year are disclosed in Note 2(t).

The carrying amounts of cash and cash equivalents, trade and other current receivables and payables and finance lease liabilities approximate their respective fair values due to the relatively short-term maturity of these financial instruments.

#### *New and revised standards*

In the current financial year, the Group has adopted all the new and revised FRSs and Interpretations of FRSs (“INT FRSs”) that are relevant to its operations and effective for the current financial year. The adoption of these new/revised FRSs and INT FRSs did not have any material effect on the financial results or position of the Group and the Company.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 OCTOBER 2018

## 2. Summary of significant accounting policies (cont'd)

### (a) Basis of preparation (cont'd)

#### *New and revised standards (cont'd)*

From 1 November 2017, as a result of the amendments to FRS 7 Statement of Cash Flows (Disclosure Initiative), the Group has provided additional disclosure in relation to changes in liabilities from financing activities for the current financial year (Note 16).

New standards, amendments to standards and interpretations that have been issued at the balance sheet date but are not yet effective for the financial year ended 31 October 2018 have not been applied in preparing these financial statements. None of these are expected to have a significant effect on the financial statements of the Group and the Company, except as follows:

#### **Convergence with International Financial Reporting Standards ("IFRS")**

The Accounting Standards Council ("ASC") announced that Singapore incorporated companies listed on the SGX or are in the process of issuing equity or debt instruments for trading on SGX, will apply a new financial reporting framework identical to the International Financial Reporting Standards ("IFRS Convergence"), known as Singapore Financial Reporting Standards (International) ("SFRS(I)", with effect from annual periods beginning on or after 1 January 2018.

The Group's financial statements for the financial year ending 31 October 2019 will be prepared in accordance with SFRS(I) issued by ASC. These financial statements will be the last set of financial statements prepared under the current FRSS.

In adopting the new framework, the Group will be required to apply the specific transition requirements in SFRS(I) 1 *First-time Adoption of Singapore Financial Reporting Standards (International)*. In addition to the adoption of the new framework, the Group will be adopting other new SFRS(I), amendments to standards and interpretations of SFRS(I) which are effective from the same date.

The Group does not expect the application of IFRS Convergence to have significant impact on the financial statements.

#### **SFRS(I) 15 Revenue from Contracts with Customers**

SFRS(I) 15 replaces FRS 18 'Revenue', FRS 11 'Construction contracts' and other revenue-related interpretations. It applies to all contracts with customers, except for leases, financial instruments, insurance contracts and certain guarantee contracts and non-monetary exchange contracts. SFRS(I) 15 provides a single, principle-based model to be applied to all contracts with customers. An entity recognises revenue in accordance with the core principle in SFRS(I) 15 by applying a 5-step approach.

Under SFRS(I) 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

The standard is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted. SFRS(I) 15 includes disclosure requirements that will result in disclosure of comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 OCTOBER 2018

## 2. Summary of significant accounting policies (cont'd)

### (a) Basis of preparation (cont'd)

*New and revised standards (cont'd)*

#### ***SFRS(I) 15 Revenue from Contracts with Customers (cont'd)***

The Group plans to adopt the new standard when it becomes effective in the financial year ending 31 October 2019 using the full retrospective approach. As a result, the Group will apply the changes in the accounting policies retrospectively to each reporting year presented.

Based on the existing sources of revenue as at 31 October 2018, management does not anticipate that the application of SFRS(I) 15 will have a material impact on the Group's financial statements. Further evaluation will be undertaken should the source of revenue change in the financial year when SFRS(I) 15 becomes effective.

#### ***SFRS(I) 9 Financial Instruments***

SFRS(I) 9 which replaces FRS 39, includes guidance on (i) the classification and measurement of financial assets and financial liabilities; (ii) impairment requirements for financial assets; and (iii) general hedge accounting. Financial assets are classified according to their contractual cash flow characteristics and the business model under which they are held. The impairment requirements in SFRS(I) 9 are based on an expected credit loss model and replace FRS 39 incurred loss model.

##### *(i) Classification and measurement*

The Group does not expect a significant change to the measurement basis arising from adopting the new classification and measurement model under SFRS(I) 9. Loans and receivables that are currently accounted for at amortised cost will continue to be accounted using amortised cost model under SFRS(I) 9.

For unquoted equity securities currently classified as available-for-sale financial assets which are measured at cost, the financial assets will be measured at fair value under SFRS(I) 9 and the Group will present changes in fair value of these assets in other comprehensive income.

##### *(ii) Impairment*

SFRS(I) 9 requires the Group to record expected credit losses on all of its loans and receivables, either on a 12-month or lifetime basis. The Group expects to apply the simplified approach and record lifetime expected losses on all trade receivables. The Group and Company expect the impact (if any) to be immaterial.

The Group will adopt SFRS(I) 9 when it becomes effective in the financial year ending 31 October 2019.

Management does not anticipate that the application of SFRS(I) 9 will have a material impact on the Group's and the Company's financial statements.



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 OCTOBER 2018

## 2. Summary of significant accounting policies (cont'd)

### (a) Basis of preparation (cont'd)

*New and revised standards (cont'd)*

#### SFRS(I) 16 Leases

SFRS(I) 16 replaces the existing FRS 17: Leases. It reforms lessee accounting by introducing a single lessee accounting model. Lessees are required to recognise all leases on their balance sheets to reflect their rights to use leased assets (a "right-of-use" asset) and the associated obligations for lease payments (a lease liability), with limited exemptions for short term leases (less than 12 months) and leases of low value items. In addition, the nature of expenses related to those leases will change as SFRS(I) 16 replaces the straight-line operating lease expense with depreciation charge of right-of-use asset and interest expense on lease liability. The accounting for lessors will not change significantly.

The standard is effective for annual periods beginning on or after 1 January 2019. The Group will assess the potential impact of SFRS(I) 16 and plans to adopt the standard on the required effective date.

### (b) Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and provision of services, net of goods and services tax, rebates and discounts, and after eliminating sales within the Group. Revenue is recognised to the extent that it is probable that the economic benefits associated with the transaction will flow to the entity, and the amount of revenue and related cost can be reliably measured.

#### Sale of goods

Revenue from sale of goods is recognised when a group entity has delivered the products to the customer and significant risks and rewards of ownership of the goods have been passed to the customer.

#### Interest income

Interest income is recognised on a time proportion basis using the effective interest method.

#### Rental income

Rental income from operating leases are recognised on a straight-line basis over the lease term.

### (c) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

In the Company's balance sheet, investments in subsidiaries are accounted for at cost less accumulated impairment losses. On disposal of the investment, the difference between disposal proceeds and the carrying amounts of the investments are recognised in profit or loss.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 OCTOBER 2018

## 2. Summary of significant accounting policies (cont'd)

### (d) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the balance sheet date. Subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

The financial statements of the subsidiaries are prepared for the same reporting date as the parent company. Consistent accounting policies are applied for like transactions and events in similar circumstances.

Intragroup balances and transactions, including income, expenses and dividends, are eliminated in full. Profits and losses resulting from intragroup transactions that are recognised in assets, such as inventory and property, plant and equipment, are eliminated in full.

Business combinations are accounted for using the acquisition method. The consideration transferred for the acquisition comprises the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Acquisition-related costs are recognised as expenses as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

Any excess of the fair value of the consideration transferred in the business combination, the amount of any non-controlling interest in the acquiree (if any) and the fair value of the Group's previously held equity interest in the acquiree (if any), over the fair value of the net identifiable assets acquired is recorded as goodwill. In instances where the latter amount exceeds the former and the measurement of all amounts has been reviewed, the excess is recognised as gain from bargain purchase in profit or loss on the date of acquisition.

Contingent consideration transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration (other than measurement period adjustment) are recognised in profit or loss.

Non-controlling interests are that part of the net results of operations and of net assets of a subsidiary attributable to the interests which are not owned directly or indirectly by the equity holders of the Company. They are shown separately in the consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and balance sheet. Total comprehensive income is attributed to the non-controlling interests based on their respective interests in a subsidiary, even if this results in the non-controlling interests having a deficit balance.

For non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation, the Group elects on an acquisition-by-acquisition basis whether to measure them at fair value, or at the non-controlling interests' proportionate share of the acquiree's net identifiable assets, at the acquisition date. All other non-controlling interests are measured at acquisition-date fair value or, when applicable, on the basis specified in another standard.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 OCTOBER 2018

### 2. Summary of significant accounting policies (cont'd)

#### (d) Basis of consolidation (cont'd)

When a change in the Company's ownership interest in a subsidiary results in a loss of control over the subsidiary, the assets and liabilities of the subsidiary, non-controlling interest and other components of equity related to the subsidiary are derecognised. Amounts recognised in other comprehensive income in respect of that entity are also reclassified to profit or loss or transferred directly to accumulated losses/profits if required by a specific FRS.

#### (e) Property, plant and equipment

The property, plant and equipment are initially recognised at cost and subsequently carried at cost less accumulated depreciation and any impairment in value.

The cost of property, plant and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Dismantlement, removal or restoration costs are included as part of the cost of property, plant and equipment if the obligation for dismantlement, removal or restoration is incurred as a consequence of acquiring or using the asset.

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group, and its cost can be measured reliably.

On disposal of a property, plant and equipment, the difference between the net disposal proceeds and its carrying amount is taken to profit or loss.

#### Depreciation

Depreciation is calculated on a straight-line basis to write off the cost of property, plant and equipment over their expected useful lives. The estimated useful lives are as follows:

	<u>Years</u>
Computers	1 to 3
Office equipment	3
Motor vehicles	6 to 10
Furniture and fittings	1.5
Renovation	3

The residual values, estimated useful lives and depreciation method of property, plant and equipment are reviewed, and adjusted as appropriate, at each balance sheet date. The effects of any revision are recognised in profit or loss when the changes arise.

Fully depreciated assets are retained in the financial statements until they are no longer in use.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 OCTOBER 2018

## 2. Summary of significant accounting policies (cont'd)

### (f) Impairment of non-financial assets

At each reporting date, the Group assesses the carrying amounts of its non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A previously recognised impairment loss for an asset is only reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. A reversal of an impairment loss is recognised immediately in profit or loss.

### (g) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a specific identification basis. Cost comprises costs of purchase and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less selling expenses.

### (h) Leases

When a Group entity is the lessee:

#### Finance leases

Leases of property, plant and equipment where the Group assumes substantially all the risks and rewards incidental to ownership are classified as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased asset or the present value of the minimum lease payments. Each lease payment is allocated between reduction of the liability and finance charges. The corresponding lease liabilities, net of finance charges, are included in finance lease liabilities. The interest element of the finance cost is taken to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 OCTOBER 2018

## 2. Summary of significant accounting policies (cont'd)

### (h) Leases (cont'd)

#### Operating leases

Leases where a significant portion of the risks and rewards incidental to ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are taken to profit or loss on a straight-line basis over the period of the lease. Contingent rents, if any, are charged as expenses in the periods in which they are incurred.

When an operating lease is terminated before the lease period expires, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

When a Group entity is the lessor:

#### Operating leases

Leases where the Group entity retains substantially all the risks and rewards incidental to ownership of the asset are classified as operating leases. Rental income (net of any incentives given to lessees) is recognised on a straight-line basis over the lease term.

Contingent rents are recognised as revenue in the period in which they are earned.

### (i) Income taxes

Income tax on the profit or loss for the year comprises current and deferred tax. Current and deferred tax are recognised in profit or loss except to the extent that they relate to items recognised outside profit or loss, either in other comprehensive income or directly in equity in which the tax is also recognised outside profit or loss (either in other comprehensive income or directly in equity respectively).

Current tax is the expected tax payable or recoverable on the taxable income for the current year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable or recoverable in respect of previous years.

Deferred income tax is provided using the liability method, on all temporary differences at the balance sheet date arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements except where the deferred income tax arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination, and at the time of the transaction, affects neither the accounting nor taxable profit or loss.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries except where the timing of the reversal of the temporary difference can be controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilised.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 OCTOBER 2018

## 2. Summary of significant accounting policies (cont'd)

### (i) Income taxes (cont'd)

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on currently enacted or substantively enacted tax rates at the balance sheet date.

### (j) Financial assets

#### Classification

The classification depends on the nature of the asset and the purpose for which the assets were acquired. Management determines the classification of its financial assets at initial recognition. The Group classifies its financial assets in the following categories: loans and receivables and available-for-sale financial assets.

#### Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except those maturing later than 12 months after the balance sheet date which are classified as non-current assets. Loans and receivables are presented as "trade and other receivables" (excluding advance deposits to a supplier) and "cash and cash equivalents" on the balance sheets.

#### Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are presented as non-current assets unless management intends to dispose of the assets within 12 months after the balance sheet date.

#### Recognition and derecognition

Regular purchases and sales of financial assets are recognised on trade-date - the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

On disposal of a financial asset, the difference between the net sale proceeds and its carrying amount is recognised in profit or loss.

#### Initial measurement

Financial assets are initially recognised at fair value plus transaction costs.

#### Subsequent measurement

Loans and receivables are carried at amortised cost using the effective interest method, less impairment.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 OCTOBER 2018

## 2. Summary of significant accounting policies (cont'd)

### (j) Financial assets (cont'd)

#### *Subsequent measurement (cont'd)*

Available-for-sale financial assets are subsequently carried at fair value. Available-for-sale investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measurable, are measured at cost less impairment loss.

Interest and dividend income on available-for-sale financial assets are recognised separately in profit or loss.

#### *Impairment*

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired.

#### *Loans and receivables*

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the receivable is impaired.

The carrying amount of these assets is reduced through the use of an impairment allowance account, and the amount of the loss is recognised in profit or loss. The allowance amount is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. When the asset becomes uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are recognised against the same line item in profit or loss.

If in subsequent periods, the impairment loss decreases, and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversed date.

#### *Available-for-sale financial assets*

For available-for-sale financial assets carried at cost, the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. The amount of impairment loss is recognised in profit or loss and such losses are not reversed in subsequent periods.

### (k) Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and deposits with financial institutions which are subject to an insignificant risk of changes in value.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 OCTOBER 2018

## 2. Summary of significant accounting policies (cont'd)

### (l) Financial liabilities

Financial liabilities include trade and other payables and finance lease liabilities. Financial liabilities are recognised on the balance sheet when and only when, the Group becomes a party to the contractual provisions of the financial instruments. Financial liabilities are initially recognised at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

A financial liability is derecognised when the obligation under the liability is extinguished. Gains and losses are recognised in profit or loss when the liabilities are derecognised and through the amortisation process.

### (m) Share capital

Proceeds from issuance of ordinary shares are recognised as share capital in equity. Incremental costs directly attributable to the issuance of ordinary shares are deducted against share capital.

### (n) Provisions for other liabilities

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past event, and it is probable that an outflow of economic resources will be required to settle that obligation and the amount can be estimated reliably. Provisions are measured at management's best estimate of the expenditure required to settle the obligation at the balance sheet date. Where the effect of the time value of money is material, the amount of the provision shall be discounted to present value using a pre-tax discount rate that reflects the current market assessment of the time value of money and risks specific to the obligation.

When discounting is used, the increase in the provision due to passage of time is recognised as a finance cost in profit or loss.

### (o) Borrowing costs

Borrowing costs, which comprise interest and other costs incurred in connection with the borrowing of funds, are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale. All other borrowing costs are recognised in the profit or loss using the effective interest method.

### (p) Employee benefits

#### *Employee leave entitlements*

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long-service leave as a result of services rendered by employees up to the balance sheet date.



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 OCTOBER 2018

## 2. Summary of significant accounting policies (cont'd)

### (p) Employee benefits (cont'd)

#### *Defined contribution plans*

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities such as the Central Provident Fund, and will have no legal or constructive obligation to pay further contributions once the contributions have been paid. Contributions to defined contribution plans are recognised as an expense in the period in which the related service is performed.

### (q) Foreign currencies

#### *Functional and presentation currency*

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which that entity operates (the "**functional currency**"). The financial statements of the Group and the Company are presented in Singapore dollar, which is the Company's functional currency.

#### *Transactions and balances*

Transactions in a currency other than the functional currency ("**foreign currency**") are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Currency translation gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Non-monetary items measured at fair values in foreign currencies are translated using the exchange rates at the date when the fair values are determined.

### (r) Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. Where the grant relates to an asset, the fair value is recognised as deferred capital grant on the balance sheet and is amortised to profit or loss over the expected useful life of the relevant asset by equal annual instalments.

When the grant relates to an expense item, it is recognised in profit or loss over the period necessary to match them on a systematic basis to the costs that it is intended to compensate.

### (s) Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incurs expenses, including revenues and expenses that relate to transactions with other components of the Group. Operating segments are reported in a manner consistent with the internal reporting provided to the Group's chief operating decision maker for making decisions about allocating resources and assessing performance of the operating segments.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 OCTOBER 2018

## 2. Summary of significant accounting policies (cont'd)

### (t) Significant accounting judgements and estimates

In the process of applying the Group's accounting policies, management has made the following judgements and estimations that have the most significant effect on the amounts recognised in the financial statements.

#### Net realisable value of inventories

The Group's inventories comprises of motor vehicles. As disclosed in Note 13, the inventories stated at the lower of cost and net realisable value amounted to \$1,892,701 (2017: \$6,388,640) as at 31 October 2018.

The determination of the estimated net realisable value of inventories is highly dependent on the Group's expectation of estimated selling prices and estimated selling expenses. Market conditions and any change in government policies on issuance of certificates of entitlement for motor vehicles may exert pressure on transaction volumes and market prices. In determining the estimated selling prices, management applied their knowledge of the business and made reference to publicly available market prices. In general, such an evaluation process involves estimation uncertainty and assumptions in determining the estimated selling prices of inventories and materially affects the carrying amount of inventories at the balance sheet date. Possible changes in these estimates could result in revisions to the valuation of inventories.

#### Carrying value of refundable deposit - related party

As disclosed in Note 14, refundable deposit paid to a related party amounted to \$2,727,189 (2017: \$6,003,000) as at 31 October 2018. During the financial year, \$3,275,811 (2017: \$Nil) of allowance for impairment was charged to the Group's and the Company's profit or loss due to the uncertainty over its recoverability.

The assessment on the valuation of this deposit involves significant management's judgement. In the event that the Proposed Transaction (as defined in Note 14) does not materialise and the related party is unable to refund the deposit, the deposit may need to be written off and a corresponding charge may need to be recognised in the Group's and the Company's profit or loss. In general, such an evaluation process requires significant judgement and materially affects the carrying value of the refundable deposit at the balance sheet date.

#### Carrying value of advance deposits to a supplier

As disclosed in Note 14, advance deposits to a supplier amounted to \$90,000 (2017: \$4,025,271) as at 31 October 2018. During the financial year, \$2,695,471 (2017: \$Nil) of impairment was charged to the Group's profit or loss.

The assessment on the valuation of advance deposits involves significant management's judgement. The supply of vehicles agreement signed between the Group's subsidiary and the supplier expires on 31 December 2019. The supplier's ability to return the deposit in the event of non-delivery of motor vehicles is critical in determining the recoverability of the advance deposits at balance sheet date. In the event of non-delivery of motor vehicles and the supplier is unable to refund the deposit, the deposits may need to be written off and a corresponding charge may need to be recognised in the Group's profit or loss. In general, such an evaluation process requires significant judgement and materially affects the carrying value of the advance deposits at balance sheet date.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 OCTOBER 2018

### 2. Summary of significant accounting policies (cont'd)

#### (t) Significant accounting judgements and estimates (cont'd)

##### *Impairment of investment in subsidiaries*

Investment in subsidiaries are tested for impairment whenever there is objective evidence or indication that these assets may be impaired. Judgement is required to determine if any such indication exists, based on the evaluation of both internal and external sources of information. If any such indication exists, management assesses the recoverable amount of the subsidiaries based on the higher of fair value less costs to sell and value in use calculation at the balance sheet date.

The recoverable amounts of the investments in subsidiaries have been determined by management based on fair value less costs to sell. In calculating the recoverable amounts, references are made to market prices of non-financial assets of the subsidiaries that are publicly available. Financial assets and financial liabilities whose carrying amounts are measured at amortised costs approximate their fair values. Any changes to the expected fair value of the underlying assets will affect the carrying amount of assets.

The Company recognised an impairment loss of \$6,833,736 (2017: \$1,748,885) in relation to investment in subsidiaries during the current financial year. The carrying amount of the Company's investment in subsidiaries at the balance sheet date is disclosed in Note 11.

### 3. Revenue

	Group	
	2018	2017
	\$	\$
Sales of motor vehicles	3,551,727	6,083,356
Rental of motor vehicles	267,809	-
	<b>3,819,536</b>	<b>6,083,356</b>

### 4. Other income

	Group	
	2018	2017
	\$	\$
Gain on foreign currency exchange, net	13,999	276,355
Government grants	28,276	28,470
Miscellaneous income	3,966	533
	<b>46,241</b>	<b>305,358</b>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 OCTOBER 2018

## 5. Finance costs

	Group	
	2018	2017
	\$	\$
Interest expense:		
third parties	23,668	16,441
finance lease liabilities	141,222	64,180
interest accretion on consideration payable to a related party	52,846	83,055
	<b>217,736</b>	<b>163,676</b>

## 6. Other operating expenses

	Group	
	2018	2017
	\$	\$
Impairment in trade and other receivables:		
advance deposits to a supplier	2,695,471	-
refundable deposit – related party	3,275,811	-
Write down of inventories to net realisable value	1,597,580	1,071,157
Property, plant and equipment written off	179,917	-
	<b>7,748,779</b>	<b>1,071,157</b>

## 7. Loss before tax

Loss before tax is stated after charging/(crediting):

	Group	
	2018	2017
	\$	\$
Car registration expenses	2,927,396	3,665,118
Cost of inventories sold	2,467,954	2,622,356
Salaries and related costs	1,471,539	1,533,249
Legal and other professional fees	840,778	841,192
Rental expenses	616,782	705,958
Depreciation of property, plant and equipment	568,677	479,809
Loss on disposal of property, plant and equipment	125,153	-
Contributions to defined contribution plans	113,600	108,094
Audit fees paid/payable to auditors of the Company:		
current financial year	58,210	72,000
(over)/under-provision in prior years	(23,110)	41,000
Fees for non-audit services paid/payable to:		
auditors of the Company	17,347	17,500
other auditors	20,000	23,950
	<b>17,347</b>	<b>17,500</b>
	<b>20,000</b>	<b>23,950</b>

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 OCTOBER 2018

### 8. Income tax credit

Tax credit is made up of:

	Group	
	2018	2017
	\$	\$
Current income tax provision (over)/under provision in respect of previous financial years	(48)	30,000
Deferred income tax (Note 17)	(139,706)	(293,610)
	<u>(139,754)</u>	<u>(263,610)</u>

The income tax credit on the results of the financial year differs from the amount of income tax determined by applying the Singapore's statutory rate of income tax due to the following factors:

	Group	
	2018	2017
	\$	\$
Loss before tax	<u>(13,897,505)</u>	<u>(5,972,391)</u>
Tax calculated at 17% (2017: 17%)	(2,362,576)	(1,015,306)
Expenses not deductible for tax purposes	1,383,481	540,152
Deferred tax assets not recognised	851,211	248,907
Utilisation of tax assets previously not recognised	(11,822)	-
Income not subject to tax	-	(67,363)
(Over)/Under provision in respect of previous financial years	(48)	30,000
	<u>(139,754)</u>	<u>(263,610)</u>

As at the balance sheet date, the Group has unutilised tax losses of approximately \$7,296,000 (2017: \$2,289,000) that are available for carry forward to offset against future taxable income subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation. The potential deferred tax assets arising from the unutilised tax losses have not been recognised in the financial statements, as it is not probable that future taxable income will be sufficient to allow the unutilised tax losses to be realised in the foreseeable future.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 OCTOBER 2018

### 9. Losses per share

The calculation of the basic and diluted losses per share attributable to the ordinary equity holders of the Company is based on the following data:

	Group	
	2018	2017
	\$	\$
Net loss for the financial year attributable to equity holders of the Company	<u>(13,057,626)</u>	<u>(5,348,446)</u>
Weighted average number of ordinary shares outstanding for basic and diluted earnings per share	<u>249,393,000</u>	<u>239,393,000</u>
Basic and diluted losses per share (Singapore cents per share)	<u>(5.24)</u>	<u>(2.23)</u>

The weighted average number of ordinary shares outstanding for the financial year ended 31 October 2018 is adjusted for the effects of the issuance of 30,000,000 (2017: Nil) ordinary shares during the financial year.

The diluted losses per share is the same as the basic losses per share as there were no outstanding potential ordinary shares.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 OCTOBER 2018

### 10. Property, plant and equipment

	Computers \$	Office equipment \$	Motor vehicles \$	Furniture and fittings \$	Renovation \$	Total \$
<b>Group</b>						
<b>Cost</b>						
Balance at 1 November 2017	65,253	9,909	4,044,860	162,244	367,292	4,649,558
Additions	1,299	1,653	-	8,993	12,967	24,912
Reclassification from inventories	-	-	1,005,732	-	-	1,005,732
Written off	-	-	-	(2,500)	(380,259)	(382,759)
Disposal	-	-	(1,381,671)	-	-	(1,381,671)
Balance at 31 October 2018	<b>66,552</b>	<b>11,562</b>	<b>3,668,921</b>	<b>168,737</b>	<b>-</b>	<b>3,915,772</b>
<b>Accumulated depreciation</b>						
Balance at 1 November 2017	56,606	5,067	815,546	63,070	89,597	1,029,886
Depreciation charge	6,131	2,874	402,264	45,691	111,717	568,677
Written off	-	-	-	(1,528)	(201,314)	(202,842)
Disposal	-	-	(537,020)	-	-	(537,020)
Balance at 31 October 2018	<b>62,737</b>	<b>7,941</b>	<b>680,790</b>	<b>107,233</b>	<b>-</b>	<b>858,701</b>
<b>Net carrying amount</b>						
Balance at 31 October 2018	<b>3,815</b>	<b>3,621</b>	<b>2,988,131</b>	<b>61,504</b>	<b>-</b>	<b>3,057,071</b>
<b>Cost</b>						
Balance at 1 November 2016	60,626	5,519	3,167,726	55,182	47,150	3,336,203
Additions	4,627	4,390	877,134	107,062	320,142	1,313,355
Balance at 31 October 2017	65,253	9,909	4,044,860	162,244	367,292	4,649,558
<b>Accumulated depreciation</b>						
Balance at 1 November 2016	52,871	3,653	425,323	35,112	33,118	550,077
Depreciation charge	3,735	1,414	390,223	27,958	56,479	479,809
Balance at 31 October 2017	56,606	5,067	815,546	63,070	89,597	1,029,886
<b>Net carrying amount</b>						
Balance at 31 October 2017	<b>8,647</b>	<b>4,842</b>	<b>3,229,314</b>	<b>99,174</b>	<b>277,695</b>	<b>3,619,672</b>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 OCTOBER 2018

## 10. Property, plant and equipment (cont'd)

	Computers \$	Office equipment \$	Furniture and fittings \$	Renovation \$	Total \$
<b>Company</b>					
<b>Cost</b>					
Balance at 1 November 2017	15,166	708	99,500	40,000	155,374
Written off	-	-	(2,500)	(40,000)	(42,500)
Balance at 31 October 2018	15,166	708	97,000	-	112,874
<b>Accumulated depreciation</b>					
Balance at 1 November 2017	6,518	452	11,472	5,556	23,998
Depreciation charge	5,055	236	33,168	13,333	51,792
Written off	-	-	(1,528)	(18,889)	(20,417)
Balance at 31 October 2018	11,573	688	43,112	-	55,373
<b>Net carrying amount</b>					
Balance at 31 October 2018	3,593	20	53,888	-	57,501
<b>Cost</b>					
Balance at 1 November 2016	10,539	708	-	-	11,247
Additions	4,627	-	99,500	40,000	144,127
Balance at 31 October 2017	15,166	708	99,500	40,000	155,374
<b>Accumulated depreciation</b>					
Balance at 1 November 2016	2,784	216	-	-	3,000
Depreciation charge	3,734	236	11,472	5,556	20,998
Balance at 31 October 2017	6,518	452	11,472	5,556	23,998
<b>Net carrying amount</b>					
Balance at 31 October 2017	8,648	256	88,028	34,444	131,376

As at the balance sheet date, the net carrying value of property, plant and equipment of the Group acquired under finance lease arrangements amounted to \$2,988,131 (2017: \$2,694,537). Additions include \$Nil (2017: \$300,000) of property, plant and equipment acquired under finance leases.

During the financial year ended 31 October 2018, a subsidiary, Stallion Auto Pte. Ltd., acquired a motor vehicle with a cost of \$2,925,000 from another subsidiary, Regal Motors Pte. Ltd., which recorded the motor vehicle as inventories (Note 13). After the elimination of intragroup profit amounting to \$1,919,268, the net amount of \$1,005,732 is presented as a "Reclassification from inventories". Stallion Auto Pte. Ltd. financed the purchase of the motor vehicle via finance leases amounting to \$2,065,000 (Note 16).



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 OCTOBER 2018

### 11. Investment in subsidiaries

	Company	
	2018	2017
	\$	\$
Unquoted equity shares, at cost		
Balance at 1 November	16,363,814	16,363,814
Additions	550,300	-
Balance at 31 October	<u>16,914,114</u>	<u>16,363,814</u>
Less: Accumulated impairment losses		
Balance at 1 November	(8,495,778)	(6,746,893)
Impairment loss	(6,833,736)	(1,748,885)
Balance at 31 October	<u>(15,329,514)</u>	<u>(8,495,778)</u>
	<u>1,584,600</u>	<u>7,868,036</u>

Details of subsidiaries are as follows:

Name of subsidiary	Country of incorporation	Principal activities	Proportion of effective ownership interest (%)	
			2018	2017
<b><i>Held by the Company</i></b>				
Regal Motors Pte. Ltd. <sup>(a)</sup>	Singapore	Wholesale of motor vehicles except motorcycles and scooters	89.5	88.5
Stallion Auto Pte. Ltd. <sup>(a) (b)</sup>	Singapore	Import of motor vehicles except motorcycles and scooters	100.0	100.0
<b><i>Held through Regal Motors Pte. Ltd.</i></b>				
Regal Prestige Pte. Ltd. <sup>(a)</sup>	Singapore	Renting and leasing of private cars without operator	89.5	88.5

<sup>(a)</sup> Audited by Baker Tilly TFW LLP, Singapore.

<sup>(b)</sup> Dormant for the financial year ended 31 October 2017

#### **Regal Motors Pte. Ltd.**

On 5 February 2018, the Company subscribed to an additional 550,300 ordinary shares for a consideration of \$550,300 in Regal Motors Pte. Ltd. resulting in an increase in its interest from 88.5% to 89.5%.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 OCTOBER 2018

## 11. Investment in subsidiaries (cont'd)

### Stallion Auto Pte. Ltd.

On 25 October 2017, Transcorp Holdings Limited incorporated a wholly-owned subsidiary, Stallion Auto Pte. Ltd. in Singapore, with 2,000,000 shares at \$1 per share. The capital has not been paid up as at 31 October 2018.

### Regal Prestige Pte. Ltd.

On 27 March 2017, Regal Motors Pte. Ltd. incorporated a wholly-owned subsidiary, Regal Prestige Pte. Ltd., in Singapore with 2,000,000 shares at \$1 per share.

#### (a) Summarised financial information of subsidiary with material Non-Controlling Interest ("NCI")

The Group has the following subsidiaries that have NCI that is considered by management to be material to the Group:

Name of subsidiary	Principal place of business/ Country of incorporation	Ownership interests held by NCI	
		2018	2017
Regal Motors Pte. Ltd. ("Regal Motors")	Singapore	10.5%	11.5%
<u>100% held by Regal Motors</u>			
Regal Prestige Pte. Ltd. ("Regal Prestige")	Singapore	10.5%	11.5%

The following are the summarised financial information of Regal Motors Group (consisting Regal Motors and Regal Prestige) with NCI that is considered by management to be material to the Group. These financial information include consolidation adjustments but before inter-company eliminations.

	Regal Motor Group	
	2018	2017
	\$	\$
<u>Summarised Balance Sheet</u>		
Non-current assets	2,056,034	5,488,296
Current assets	3,170,168	7,678,074
Non-current liabilities	(585,749)	(1,012,588)
Current liabilities	(6,460,777)	(7,817,175)
<b>Net (liabilities)/assets</b>	<b>(1,820,324)</b>	<b>4,336,607</b>
<b>Net (liabilities)/assets attributable to NCI</b>	<b>(191,134)</b>	<b>498,710</b>

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 OCTOBER 2018

### 11. Investment in subsidiaries (cont'd)

- (a) Summarised financial information of subsidiary with material Non-Controlling Interest ("NCI") (cont'd)

	Regal Motor Group	
	2018	2017
	\$	\$
<b><i>Summarised Income Statement</i></b>		
Revenue	6,476,927	6,083,356
Loss before tax	(6,775,367)	(3,103,351)
Income tax credit/(expense)	141,617	(30,000)
Loss after tax and total comprehensive loss	(6,633,750)	(3,133,351)
<b>Loss allocated to NCI</b>	<b>(700,125)</b>	<b>(360,335)</b>
<b><i>Summarised Cash Flows</i></b>		
Cash (used in)/generated from operating activities	(944,466)	3,298,679
Cash generated from/(used in) investing activities	695,885	(2,869,228)
Cash generated from/(used in) financing activities	233,712	(650,161)
<b>Net decrease in cash and cash equivalents</b>	<b>(14,869)</b>	<b>(220,710)</b>

- (b) Transaction with NCI

On 5 February 2018, the Company subscribed for an additional 550,300 ordinary shares in its subsidiary, Regal Motors, for a consideration of \$550,330 thereby increasing its interest in Regal Motors from 88.5% to 89.5%. The Group transferred \$10,282 of NCI share of prior years' accumulated losses to the accumulated losses attributable to equity holders of the Company as presented in the Group's statement of changes in equity.

As a result of the dilution of NCI interest in Regal Motors, the losses allocated to NCI for the financial year ended 31 October 2018 includes \$41,187 and \$658,938 for the period before and the period after dilution respectively.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 OCTOBER 2018

## 11. Investment in subsidiaries (cont'd)

### (c) Company - Impairment review of investment in subsidiaries

During the financial year, management performed an impairment test on its investment in subsidiaries, the following impairment losses were recognised in the Company's profit or loss to write down the investment in subsidiaries to their recoverable amount:

Subsidiary	Impairment loss charged to Company's profit or loss		Recoverable amount	
	2018	2017	2018	2017
	\$	\$	\$	\$
Regal Motors Pte. Ltd.	6,418,336	1,748,885	-	5,868,036
Stallion Auto Pte. Ltd.	415,400	-	1,584,600	2,000,000
	<b>6,833,736</b>	<b>1,748,885</b>	<b>1,584,600</b>	<b>7,868,036</b>

The recoverable amounts of the investment in subsidiaries have been determined by management based on fair value less cost to sell. The recoverable amounts were determined by management with references made to market prices of non-financial assets of the subsidiaries that are publicly available. In calculating the adjusted market prices of those non-financial assets, adjustments made to market prices were based on management's judgement and estimate such as market condition, the age, specification, model and selling prices of motor vehicles subsequent to the balance sheet date. Management has determined that financial assets and financial liabilities whose carrying amounts are measured at amortised costs approximate their fair values. The fair value measurement is categorised in Level 3 of the fair value hierarchy.

## 12. Available-for-sale financial asset

	Group and Company	
	2018	2017
	\$	\$
Unquoted equity shares, at cost		
Additions during the financial year and balance at 31 October 2018	<b>1,500,000</b>	-

Unquoted equity shares represent a 10% equity interest in Motor Megamall Pte. Ltd., a company incorporated in Singapore which is engaged in retail sales of motor vehicles and provision of motor financing. The investment is measured at cost less impairment.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 OCTOBER 2018

### 13. Inventories

The Group's inventories consist solely of motor vehicles. At 31 October 2018, inventories with carrying amounts of S\$184,578 (2017: \$Nil) were pledged as securities for other payables (Note 15).

During the financial year ended 31 October 2018, a subsidiary, Regal Motors Pte. Ltd., sold a motor vehicle for \$2,925,000 to another subsidiary, Stallion Auto Pte. Ltd.. After the elimination of intragroup profit amounting to \$1,919,268, the net amount of \$1,005,732 was presented as "Reclassification from inventories" in Note 10.

### 14. Trade and other receivables

	Group		Company	
	2018 \$	2017 \$	2018 \$	2017 \$
Trade receivables	17,406	-	-	-
Other receivables				
Refundable deposit - related party, net of allowance for impairment	2,727,189	6,003,000	2,727,189	6,003,000
Advance deposits to a supplier, net of allowance for impairment	90,000	4,025,271	-	-
Sundry deposits	195,633	235,459	19,658	57,997
Amounts due from subsidiaries, net of allowance for impairment	-	-	3,154,483	6,899,853
	<b>3,030,228</b>	<b>10,263,730</b>	<b>5,901,330</b>	<b>12,960,850</b>

Allowances for impairment:

Refundable deposit - related party

Charge for the financial year and balance as at 31 October	3,275,811	-	3,275,811	-
--	-----------	---	-----------	---

Advance deposits to a supplier

Charge for the financial year and balance as at 31 October	2,695,471	-	-	-
--	-----------	---	---	---

Amounts due from subsidiaries

Charge for the financial year and balance as at 31 October	-	-	2,047,636	-
--	---	---	-----------	---

Total charge for the financial year and balance as at 31 October	<b>5,971,282</b>	<b>-</b>	<b>5,323,447</b>	<b>-</b>
--	------------------	----------	------------------	----------

The amounts due from subsidiaries are non-trade in nature, unsecured, interest-free and repayable on demand.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 OCTOBER 2018

## 14. Trade and other receivables (cont'd)

### Refundable deposit – related party

Refundable deposit comprises deposit placed with Dongshan Dibao Property Co., Ltd ("**Project Company**") incorporated in the People's Republic of China for a property development project. Under the Memorandum of Understanding ("**MOU**") dated 31 October 2017, the Company shall be granted the exclusive right but not the obligation to participate up to an interest of 51% in the Project, whether by way of subscription of new shares in the Project Company, entering into a funding and management contract with the Project Company, or via a combination of any of the aforesaid structures ("**Proposed Transaction**"). The Company has paid the Project Company a sum of \$6,003,000 as good faith deposit upon signing of MOU. The Proposed Transaction will be considered as an Interested Person Transaction as the Project Company is held by Madam Cheng MingMing, a controlling shareholder of the Company.

During the financial year ended 31 October 2018, the Company obtained an undertaking to provide a share charge on 64,703,400 shares in the Company held by a controlling shareholder of the Company (being the shareholder of the related party), which is valued at \$776,441 as at balance sheet date, and a deed of guarantee ("**Deed**"), for a sum of up to \$6,003,000 and any interest that may be accrued, costs, charges, expenses and disbursement that the Company may incur to preserve its rights or seeking to enforce to preserve its rights under the Deed or otherwise due under the Deed, from SG Royal Group Pte. Ltd., being another controlling shareholder of the Company.

During the financial year, \$3,275,811 (2017: \$Nil) of impairment was recognised in the Group's and the Company's profit or loss for the estimated amount with uncertainty over its recoverability, after considering the cash flows that are expected to be received by the Company with respect to the deposit placed.

Subsequent to the financial year ended 31 October 2018, the Company gave notice to terminate the MOU (Note 25(b)).

### Advance deposits to a supplier

As at balance sheet date, the advance deposits paid to a supplier for the supply of motor vehicles in accordance with an agreement amounted to \$90,000 (2017: \$4,025,271). The amount is secured by letters of undertaking from a deemed shareholder of the Company (being the Ex-Executive Chairman of the Company and spouse of a controlling shareholder of the Company) and the owner of the supplier. During the financial year, \$2,695,471 (2017: \$Nil) of allowance for impairment was recognised in the Group's profit or loss as the refund was not forthcoming.

Subsequent to the financial year ended 31 October 2018, Regal Motor, the contracting party to the agreement, has issued a notice of demand to seek full recovery of the advance deposits (Note 25(c)).

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 OCTOBER 2018

### 15. Trade and other payables

	Group		Company	
	2018 \$	2017 \$	2018 \$	2017 \$
<b>Non-current</b>				
Consideration payable	<b>1,373,993</b>	1,321,147	<b>1,373,993</b>	1,321,147
<b>Current</b>				
Trade payables	<b>528,043</b>	1,542,508	-	-
Accrued operating expenses	<b>602,533</b>	206,593	<b>345,736</b>	167,422
Other payables	<b>391,724</b>	35,046	<b>266,758</b>	79,232
Amount due to a shareholder	<b>127,380</b>	43,698	-	-
Amount due to subsidiaries	-	-	<b>2,004,175</b>	2,000,000
	<b>1,649,680</b>	1,827,845	<b>2,616,669</b>	2,246,654

#### Group and Company - Non-current liability

As part of the acquisition agreement for Regal Motors in financial year 2016, the Group and the Company is required to pay the previous owner of Regal Motors additional cash payment of \$6,000,000 if Regal Motors generates profit after tax of \$2,500,000, \$3,000,000 and \$3,500,000 for the financial year ended 31 October 2016, 31 October 2017 and 31 October 2018 respectively. Based on Regal Motors' actual results for the respective financial years, it did not meet the financial targets and therefore, no contingent consideration is recognised.

Apart from the above contingent consideration, the Group is required to pay \$1,499,986 to the previous shareholder of Regal Motors in January 2021. The fair value of the consideration payable due in January 2021 was estimated at \$1,232,614 at date of acquisition. The fair value of the consideration payable was calculated by discounting the consideration payable at 4% per annum. The balance is measured at amortised cost using the effective interest method. During the financial year ended 31 October 2018, interest amounting to \$52,846 (2017: \$83,055) was accredited based on 4% (2017: 4%) per annum.

Based on discounted cash flow analysis using market lending rate for similar borrowings which the management expects would be available to the Company at the balance sheet date, the fair value of the consideration payable at the balance sheet date approximates its carrying amount as there are no significant changes in the interest rates available to the Group and Company at the balance sheet date. This fair value measurement for disclosure purpose is categorised in Level 3 of the fair value hierarchy.

#### Current liabilities:

##### Group

The amount due to shareholder are non-trade in nature, unsecured, interest-free and repayable on demand.

As at 31 October 2018, other payables amounting to \$110,000 (2017: \$Nil) was non-trade in nature, secured on inventories (Note 13), bore interest at 1.95% (2017: not applicable) per month and is repayable on demand.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 OCTOBER 2018

## 15. Trade and other payables (cont'd)

### Company

The amount due to subsidiaries are non-trade in nature, unsecured, interest-free and repayable on demand.

## 16. Finance lease liabilities

	Group			
	2018		2017	
	Minimum lease payments \$	Present value \$	Minimum lease payments \$	Present value \$
Not later than one financial year	699,035	489,236	332,138	278,345
Later than one financial year but not later than five financial years	2,179,815	1,751,517	887,935	814,909
Later than five financial years	575,148	542,340	59,690	57,973
Total minimum lease payments	<b>3,453,998</b>	<b>2,783,093</b>	1,279,763	1,151,227
Less: Future finance charges	<b>(670,905)</b>	-	(128,536)	-
Present value of finance lease liabilities	<b>2,783,093</b>	<b>2,783,093</b>	1,151,227	1,151,227
Representing finance lease liabilities				
Current	489,236		278,345	
Non-current	2,293,857		872,882	
	<b>2,783,093</b>		<b>1,151,227</b>	

At 31 October 2018, the finance leases bear effective interest rates ranging from 3.57% to 9.21% (2017: 3.57% to 5.42%) per annum.

The net carrying value of property, plant and equipment acquired under finance lease arrangements is disclosed in Note 10.

Based on discounted cash flow analysis using market lending rate for similar borrowings which the management expects would be available to the Group at the balance sheet date, the fair values of the non-current finance lease liabilities at the balance sheet date approximates its carrying amount as there are no significant changes in the interest rates available to the Group at the balance sheet date. This fair value measurement for disclosure purpose is categorised in Level 3 of the fair value hierarchy.



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 OCTOBER 2018

### 16. Finance lease liabilities (cont'd)

#### Reconciliation of movement in borrowings to cash flows from financing activities

	Group 2018			Total cash flows from financing activities
	Interest expense \$	Finance lease liabilities \$	Advances from shareholders \$	\$
Balance as at 1 November 2017		1,151,227	43,698	
Total for the financial year	(217,736)	-	-	(217,736)
Accreditation of interest – non cash item (Note 15)	52,846	-	-	52,846
New finance leases	-	2,065,000	-	2,065,000
Advances from shareholders	-	-	83,682	83,682
Repayment	-	(433,134)	-	(433,134)
Cash flows from financing activities	(164,890)	1,631,866	83,682	1,550,658
Balance as at 31 October 2018		<u>2,783,093</u>	<u>127,380</u>	

### 17. Deferred tax liabilities

The movement in the deferred tax account is as follows:

	Group	
	2018 \$	2017 \$
<b><u>Fair value adjustment</u></b>		
Balance at 1 November	139,706	433,316
Charge to profit or loss (Note 8)	(139,706)	(293,610)
Balance at 31 October	<u>-</u>	<u>139,706</u>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 OCTOBER 2018

## 18. Share capital

	Group and Company			
	Number of shares	2018 \$	Number of shares	2017 \$
<b>Issued and fully paid ordinary shares</b>				
Balance at 1 November	239,393,000	27,167,767	239,393,000	27,167,767
Issue of shares	30,000,000	1,500,000	-	-
Balance at 31 October	<b>269,393,000</b>	<b>28,667,767</b>	239,393,000	27,167,767

On 7 June 2018, the Company issued 30,000,000 ordinary shares at a consideration of \$0.05 per share to satisfy the consideration of \$1,500,000 for the investment in available-for-sale financial asset (Note 12). The newly issued shares rank *pari passu* in all respects with the previously issued shares.

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restriction. The ordinary shares have no par value.

## 19. Related party transactions

- (a) In addition to the information disclosed elsewhere in the financial statements, the following significant transactions took place between the Group and its related parties on terms agreed between the parties concerned:

	Group	
	2018 \$	2017 \$
<b>With director</b>		
Advances from director <sup>(i)</sup>	70,000	130,000
Expenses paid on behalf by director <sup>(i)</sup>	595	-
Expenses paid on behalf by the Group <sup>(i)</sup>	<b>1,674</b>	20,000
<b>With shareholders</b>		
Consultancy fees paid by the Group	426,000	456,000
Sale of a motor vehicle	270,000	-
Advances from shareholder	126,243	-
Interest expense (Note 15)	52,846	83,055
Expenses paid on behalf by the Group	-	445,126
Expenses paid on behalf for the Group	<b>173,183</b>	43,698

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 OCTOBER 2018

### 19. Related party transactions (cont'd)

- (a) In addition to the information disclosed elsewhere in the financial statements, the following significant transactions took place between the Group and its related parties on terms agreed between the parties concerned: (cont'd)

	Group	
	2018	2017
	\$	\$
<b>With deemed shareholder</b>		
Advances from deemed shareholder <sup>(ii)</sup>	97,520	-
Expenses paid on behalf by deemed shareholder <sup>(ii)</sup>	25,212	-
Expenses paid on behalf by the Group <sup>(ii)</sup>	<u>31,653</u>	-
<b>With related parties</b>		
Refundable deposit paid	-	<u>6,003,000</u>

<sup>(i)</sup> The transactions during the financial year ended 31 October 2018 were conducted with the former Executive Chairman from 1 November 2017 up to the date of his cessation as a director of the Company on 27 February 2018.

<sup>(ii)</sup> The former Executive Chairman's spouse is a controlling shareholder of the Company, hence he is deemed a shareholder. After his cessation as a director of the Company, he remained as a director of a subsidiary. The transactions during the financial year ended 31 October 2018 were conducted from 28 February 2018 to 31 October 2018.

Included in consultancy fees are \$216,000 (2017: \$336,000) paid to key management personnel of the Group (Note 19(b)).

Related parties refer to companies in which the controlling shareholders of the Company have controlling interest.

- (b) Compensation of key management personnel

Total key management personnel compensation is analysed as follow:

	Group	
	2018	2017
	\$	\$
Salaries and related costs	560,543	790,510
Consultancy fees	216,000	336,000
Contributions to defined contribution plans	27,360	33,195
Directors' fees	<u>125,615</u>	<u>177,809</u>
	<u>929,518</u>	<u>1,337,514</u>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 OCTOBER 2018

## 20. Segment information

The Group is organised into business units based on the nature of their activities. The Group has three (2017: two) reportable segments as follows:

- (i) Corporate segment providing corporate support services to the Group;
- (ii) Sales of motor vehicles; and
- (iii) Rental of motor vehicles.

Except as indicated above, no operating segments have been aggregated to form the above reportable segments. Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which in certain respects, as explained in the table below, is measured differently from operating profit or loss in the consolidated financial statements.

The Group does not have any customer who individually contributed 10% or more of the Group's revenue.

	Corporate \$	Sales of motor vehicles \$	Rental of motor vehicles \$	Eliminations \$	Consolidated \$
<b>Group</b>					
<b>2018</b>					
Revenue	-	6,476,927	267,809	(2,925,200)	3,819,536
Segmental results	(1,802,896)	(1,936,526)	153,972	(1,823,104)	(5,408,554)
Depreciation of property, plant and equipment	(51,791)	(453,390)	(63,496)	-	(568,677)
Other income	17,169	141,824	4,070	(116,822)	46,241
Finance costs	(52,846)	(76,391)	(88,499)	-	(217,736)
Other expenses	(12,179,267)	(4,450,884)	(284,870)	9,166,242	(7,748,779)
Impairment in investment in subsidiaries	(6,833,736)	-	-	6,833,736	-
Write down of inventories to net realisable value	-	(1,597,580)	-	-	(1,597,580)
Impairment in amount due from subsidiaries	(2,047,636)	-	-	2,047,636	-
Impairment in trade and other receivables	(3,275,811)	(2,695,471)	-	-	(5,971,282)
Property, plant and equipment written off	(22,084)	(157,833)	(284,870)	284,870	(179,917)
Loss before tax	(14,069,631)	(6,775,367)	(278,823)	7,226,316	(13,897,505)
Income tax (expense)/ credit	(1,863)	141,617	-	-	139,754
Loss for the financial year	(14,071,494)	(6,633,750)	(278,823)	7,226,316	(13,757,751)

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 OCTOBER 2018

### 20. Segment information (cont'd)

	Corporate \$	Sales of motor vehicles \$	Rental of motor vehicles \$	Eliminations \$	Consolidated \$
<b>Group</b>					
<b>2018</b>					
<u>Segmental assets</u>					
Additions to property, plant and equipment	-	23,614	1,920,767	(1,919,469)	24,912
Additions to available -for - sale financial asset	1,500,000	-	-	-	1,500,000
Segment assets	<b>9,056,790</b>	<b>5,226,202</b>	<b>4,462,282</b>	<b>(9,146,578)</b>	<b>9,598,696</b>
Segment liabilities	<b>3,990,662</b>	<b>7,046,526</b>	<b>2,877,682</b>	<b>(8,108,104)</b>	<b>5,806,766</b>
<b>2017</b>					
Revenue	-	6,083,356	-	-	6,083,356
Segmental results	(2,414,865)	(2,148,242)	-	-	(4,563,107)
Depreciation of property, plant and equipment	(20,998)	(458,811)	-	-	(479,809)
Other income	-	363,769	-	(58,411)	305,358
Finance costs	(83,055)	(80,621)	-	-	(163,676)
Other expenses	(1,748,885)	(1,071,157)	-	1,748,885	(1,071,157)
Impairment in investment in subsidiaries	(1,748,885)	-	-	1,748,885	-
Write down of inventories to net realisable value	-	(1,071,157)	-	-	(1,071,157)
Loss before tax	(4,267,803)	(3,395,062)	-	1,690,474	(5,972,391)
Income tax credit	-	263,610	-	-	263,610
Loss for the financial year	<b>(4,267,803)</b>	<b>(3,131,452)</b>	<b>-</b>	<b>1,690,474</b>	<b>(5,708,781)</b>
<u>Segmental assets</u>					
Additions to property, plant and equipment	144,127	1,169,228	-	-	1,313,355
Segment assets	<b>21,205,423</b>	<b>17,462,540</b>	<b>-</b>	<b>(18,004,556)</b>	<b>20,663,407</b>
Segment liabilities	<b>3,567,801</b>	<b>9,864,539</b>	<b>-</b>	<b>(8,818,614)</b>	<b>4,613,726</b>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 OCTOBER 2018

## 20. Segment information (cont'd)

### Geographical information

The Group only operates in a single geographical segment, Singapore. All revenue and non-current assets information are based on geographical location of customers and assets which is Singapore.

## 21. Operating leases commitments

### (a) Where the Group is a lessee

The Group and Company lease shops and office from non-related parties under non-cancellable operating lease agreements. The leases have a tenure of between 2 to 3 years (2017: 1 to 3 years), varying terms, escalation clauses and renewal options. No restrictions are imposed on dividends or further leasing.

Commitments in relation to non-cancellable operating leases contracted for at balance sheet date, but not recognised as liabilities, are as follows:

	Group		Company	
	2018	2017	2018	2017
	\$	\$	\$	\$
Not later than one financial year	288,360	689,804	-	150,000
Later than one financial year but not later than five financial years	201,015	1,045,505	-	237,500
	<b>489,375</b>	<b>1,735,309</b>	<b>-</b>	<b>387,500</b>

### (b) Where the Group is a lessor

The Group lease out motor vehicles to non-related parties under non-cancellable operating leases. The leases have a tenure of between 26 weeks to 52 weeks.

The future minimum lease receivables under non-cancellable operating leases contracted for at the balance sheet date but not recognised as receivables, are as follows:

	Group		Company	
	2018	2017	2018	2017
	\$	\$	\$	\$
Not later than one financial year	167,950	-	-	-

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 OCTOBER 2018

### 22. Financial instruments

#### (a) Categories of financial instruments

Financial instruments at their carrying amounts at the balance sheet date are as follows:

	Group		Company	
	2018 \$	2017 \$	2018 \$	2017 \$
<u>Financial assets</u>				
Available-for-sale financial asset	1,500,000	-	1,500,000	-
Loans and receivables (including cash and cash equivalents)	2,959,770	6,507,362	5,906,893	13,201,504
Total financial assets	<b>4,459,770</b>	<b>6,507,362</b>	<b>7,406,893</b>	<b>13,201,504</b>
<u>Financial liabilities</u>				
Trade and other payables	3,023,673	3,148,992	3,990,662	3,567,801
Finance lease liabilities	2,783,093	1,151,227	-	-
At amortised cost	<b>5,806,766</b>	<b>4,300,219</b>	<b>3,990,662</b>	<b>3,567,801</b>

#### (b) Financial risk management

The Group and Company are exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk, foreign currency risk and interest rate risk. The Board reviews and agrees policies and procedures for the management of these risks, which are executed by the management. The Audit Committee provides independent oversight to the effectiveness of the risk management process. It is, and has been throughout the current and previous financial year, the Group's policy that no derivatives shall be undertaken except for the use as hedging instruments where appropriate and cost-efficient. During the current and previous financial year, the Group and Company did not undertake any hedging, hence hedge accounting was not applied.

The following sections provide details regarding the Group's and Company's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 OCTOBER 2018

## 22. Financial instruments (cont'd)

### (b) Financial risk management (cont'd)

#### (i) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. For trade receivables, the Group adopts the policy of dealing only with customers of appropriate credit history and obtaining sufficient security where appropriate to mitigate credit risk. For other financial assets, the Group adopts the policy of dealing only with high credit quality counterparties.

The Group's refundable deposit paid to a related party accounted for approximately 90% (2017: 58%) of the Group's total trade and other receivables.

The Company's balances due from subsidiaries and refundable deposits paid to a related party accounted for approximately 53% (2017: 53%) and 46% (2017: 46%) of the Company's total trade and other receivables respectively.

The credit enhancement obtained by the Group and the Company to mitigate the credit risk relating to the refundable deposit paid to a related party and advance deposits paid to a supplier are disclosed in Note 14. The maximum exposure to credit risk is represented by the carrying amount of each class of financial instruments presented on the balance sheets.

#### *Financial assets that are neither past due nor impaired*

Trade and other receivables that are neither past due nor impaired are creditworthy debtors with good payment record with the Group. Cash and cash equivalents are neither past due nor impaired are placed with reputable financial institutions with high credit ratings and no history of default.

#### *Financial assets that are past due and/or impaired*

Other than those disclosed in Note 14, there are no financial assets that are significant and past due and/or impaired.

#### (ii) Liquidity risk

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities.

In managing its liquidity, management monitors and reviews the Group's and Company's forecasts of liquidity reserves. The table below summarises the maturity profile of the Group's and Company's financial assets and liabilities at the balance sheet date based on contractual undiscounted repayment obligations.



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 OCTOBER 2018

### 22. Financial instruments (cont'd)

#### (b) Financial risk management (cont'd)

##### (ii) Liquidity risk (cont'd)

	One year or less \$	One to five years \$	Five years or more \$	Total \$
<b><u>Group</u></b>				
<b><u>2018</u></b>				
Trade and other payables	1,649,680	1,499,986	-	3,149,666
Financial lease liabilities	699,035	2,179,815	575,148	3,453,998
	<b>2,348,715</b>	<b>3,679,801</b>	<b>575,148</b>	<b>6,603,664</b>
2017				
Trade and other payables	1,827,845	1,499,986	-	3,327,831
Financial lease liabilities	332,138	887,935	59,690	1,279,763
	<b>2,159,983</b>	<b>2,387,921</b>	<b>59,690</b>	<b>4,607,594</b>
<b><u>Company</u></b>				
<b><u>2018</u></b>				
Trade and other payables	<b>2,616,669</b>	<b>1,499,986</b>	-	<b>4,116,655</b>
2017				
Trade and other payables	2,246,654	1,499,986	-	3,746,640

##### (iii) Foreign currency risk

At 31 October 2018 and 31 October 2017, the Group and Company have no significant foreign currency risk as its financial assets and liabilities are mainly denominated in their functional currency.

##### (iv) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flow of the Group's and Company's financial instruments will fluctuate due to changes in market interest rates.

The Group's and Company's exposure to interest rate risk as at the balance sheet date are not significant as they do not have material interest bearing financial assets and any interest rates fluctuations relating to the finance lease obligations is not expected to be material.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 OCTOBER 2018

## 23. Fair value of assets and liabilities

### (a) Fair value hierarchy

The tables below analyse the fair value measurements by the levels in the fair value hierarchy based on the inputs to the valuation techniques. The different levels are defined as follows:

- (i) Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;
- (ii) Level 2 - inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly (ie derived from prices); and
- (iii) Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

### (b) Carrying amounts of financial assets and financial liabilities approximate to fair values

Other than finance lease liabilities (Note 16) and non-current consideration payable (Note 15), the financial assets and financial liabilities whose carrying amounts are measured at amortised cost approximate their fair values due to their short-term nature and thus the effect of discounting is immaterial.

## 24. Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy working ratios in order to support its business and maximise shareholder value.

The Group's working capital comprises inventories, trade and other receivables, trade and other payables and cash and cash equivalents as stated on the consolidated balance sheet. The Group manages its working capital structure and makes adjustment to it, in light of changes in economic conditions. To maintain or adjust the working capital structure, the Group may adjust the dividend payment to shareholders. No changes were made in the objectives, policies or processes during the financial years ended 31 October 2018 and 31 October 2017.

Capital comprises share capital and accumulated losses. The Company manages capital by regularly monitoring its current and expected liquidity requirements. The Company is not subject to either internally or externally imposed capital requirements.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 OCTOBER 2018

## 25. Events occurring after balance sheet date

- (a) On 31 January 2019, the Company announced that (i) the Company's board of directors is in the midst of reviewing the Proposed Transaction (Note 14) and is facing some hurdles in ascertaining its potential risks and benefits and (ii) on 29 January 2019 the MOU (Note 14) was extended for one month and shall expire on the 28 February 2019.
- (b) On 28 February 2019, the Company announced that it has written to the Project Company and Madam Cheng MingMing, being a controlling shareholder of the Company, to give the required one month notice to terminate the MOU and has requested the full refund of the Refundable Deposit (Note 14) by 31 March 2019.
- (c) On 5 March 2019, the Company announced that Regal Motors issued a notice of demand to seek full recovery of the advance deposits (Note 14) within seven days from 4 March 2019, failure of which, Regal Motors will commence legal actions against the supplier to recover the advance deposits and any associated legal costs.

## 26. Authorisation of financial statements for issue

The consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company for the financial year ended 31 October 2018 were authorised for issue in accordance with a resolution of the directors dated 6 March 2019.

# SHAREHOLDERS' INFORMATION

AS AT 1 MARCH 2019

CLASS OF EQUITY SECURITIES	NUMBER OF ISSUED SHARES EXCLUDING TREASURY SHARES	VOTING RIGHTS
Ordinary shares	269,393,000	One vote per share

There are no treasury shares and subsidiary holdings held in the issued capital of the Company.

## DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NUMBER OF SHAREHOLDERS	%	NUMBER OF SHARES	%
1 – 99	12	0.96	504	0.00
100 - 1,000	54	4.31	28,650	0.01
1,001 - 10,000	750	59.90	2,518,383	0.93
10,001 - 1,000,000	422	33.71	35,228,412	13.08
1,000,001 and above	14	1.12	231,617,051	85.98
<b>Total</b>	<b>1,252</b>	<b>100.00</b>	<b>269,393,000</b>	<b>100.00</b>

## SUBSTANTIAL SHAREHOLDERS

(As recorded in the Register of Substantial Shareholders)

NAME	DIRECT INTEREST	%	DEEMED INTEREST	%
SG ROYAL GROUP PTE LTD	70,616,151	26.21	-	-
CHU WAN ZHEN <sup>(1)</sup>	-	-	70,616,151	26.21
GOH CHIN SOON <sup>(2)</sup>	-	-	70,616,151	26.21
CHENG MINGMING	64,703,400	24.02	-	-
OH CHEE TAT (HU ZHIDA)	30,000,000	11.14	-	-
CHUA HENG CHUAN RONNIE	16,955,000	6.29	-	-
TSAI YEOU-TSANG	14,846,325	5.51	-	-

### Notes:

<sup>(1)</sup> Madam Chu Wan Zhen owns 100% of the issued shares of SG Royal Group Pte Ltd and is deemed to be interested in the 70,616,151 ordinary shares in the Company held by SG Royal Group Pte Ltd.

<sup>(2)</sup> Mr Goh Chin Soon is deemed to be interested in the 70,616,151 shares in the Company through his spouse, Madam Chu Wan Zhen, by virtue of her interest in the Company's shares held by SG Royal Group Pte Ltd.

# SHAREHOLDERS' INFORMATION

AS AT 1 MARCH 2019

## TWENTY LARGEST SHAREHOLDERS

No.	NAME	NUMBER OF SHARES	%
1	SG ROYAL GROUP PTE LTD	70,616,151	26.21
2	CHENG MINGMING	64,703,400	24.02
3	OH CHEE TAT (HU ZHIDA)	30,000,000	11.14
4	CHUA HENG CHUAN RONNIE	16,955,000	6.29
5	TSAI, YEOU-TSANG	14,846,325	5.51
6	PHILLIP SECURITIES PTE LTD	13,271,050	4.93
7	KOH TUCK SENG	4,454,600	1.65
8	WONG JOO WAN	4,439,675	1.65
9	NG TECK CHUAN (HUANG DEQUAN)	2,876,300	1.07
10	DBS NOMINEES (PRIVATE) LIMITED	2,774,550	1.03
11	TAY KOK KIONG	2,762,000	1.03
12	KIM SENG HOLDINGS PTE LTD	1,733,000	0.64
13	TAM WANG KEI	1,165,000	0.43
14	SAW TIN SOO	1,020,000	0.38
15	LIM BOON TECK JERRY	1,000,000	0.37
16	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	876,250	0.33
17	OCBC NOMINEES SINGAPORE PRIVATE LIMITED	807,750	0.30
18	LEE CHOON YEOW	800,000	0.30
19	MAYBANK KIM ENG SECURITIES PTE. LTD.	724,500	0.27
20	LIM LIANG HUA	681,625	0.25
<b>Total</b>		<b>236,507,176</b>	<b>87.80</b>

### Percentage of Shareholdings in Public's Hands

26.80% of the Company's shares are held in the hands of public. Accordingly, the Company has complied with Rule 723 of the Listing Manual Section B: Rules of Catalist of the Singapore Exchange Securities Trading Limited.

## NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Transcorp Holdings Limited (the “**Company**”) will be held at Level 1, Function Hall 1, NTU@One-North Campus, 11 Slim Barracks Rise, One-North Alumni House, Singapore 138664 on Friday, 22 March 2019, at 3:00 p.m. for the following purposes:

### AS ORDINARY BUSINESS

- To receive and adopt the Directors’ Statement and the Audited Financial Statements of the Company for the financial year ended 31 October 2018 together with the Auditors’ Report thereon. **(Resolution 1)**
- To re-elect the following Directors of the Company retiring pursuant to Articles 91 and 97 of the constitution of the Company:-

Mr Chia Siak Yan Vincent (Xie Shuoyan Vincent)	(retiring under Article 91)	<b>(Resolution 2)</b>
Mr You Zihui	(retiring under Article 97)	<b>(Resolution 3)</b>
Ms Ding Xinyan	(retiring under Article 97)	<b>(Resolution 4)</b>
Mr Kevin John Chia	(retiring under Article 97)	<b>(Resolution 5)</b>

Mr Chia Siak Yan Vincent (Xie Shuoyan, Vincent) will, upon re-election as a Director of the Company, remain as the Chairman of the Audit and Nominating Committees and a member of the Remuneration Committee respectively, and will be considered independent.

Ms Ding Xinyan will, upon re-election as a Director of the Company, remain as the Chairwoman of the Remuneration Committee and a member of the Audit and Nominating Committees respectively, and will be considered independent.

Mr Kevin John Chia, upon re-election as a Director of the Company, remain as a member of the Audit, Remuneration and Nominating Committees respectively, and will be considered non-independent.

- To approve the payment of Directors’ fees of \$165,000 for the financial year ending 31 October 2019, payable half yearly in arrears (FY2018: \$160,000). **(Resolution 6)**
- To re-appoint Messrs Baker Tilly TFW LLP as the Auditors of the Company and to authorise the Directors of the Company to fix their remuneration. **(Resolution 7)**
- To transact any other ordinary business which may properly be transacted at an Annual General Meeting.

### AS SPECIAL BUSINESS

To consider and if thought fit, to pass the following resolution as an Ordinary Resolution, with or without any modifications:

#### 6. Authority to issue shares

That pursuant to Section 161 of the Companies Act, Cap. 50 and Rule 806 of the Listing Manual Section B: Rules of Catalist (“**Catalist Rules**”) of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”), the Directors of the Company be authorised and empowered to:

- (i) issue shares in the Company (“**Shares**”) whether by way of rights, bonus or otherwise; and/or

## NOTICE OF ANNUAL GENERAL MEETING

- (ii) make or grant offers, agreements or options (collectively, “**Instruments**”) that might or would require Shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into Shares,

at any time and upon such terms and conditions and for such purposes and to such persons as the Directors of the Company may in their absolute discretion deem fit; and

- (b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue Shares in pursuance of any Instruments made or granted by the Directors of the Company while this Resolution was in force,

provided that:

- (1) the aggregate number of Shares (including Shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution) to be issued pursuant to this Resolution shall not exceed one hundred per centum (100%) of the total number of issued Shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of Shares to be issued other than on a *pro-rata* basis to shareholders of the Company shall not exceed fifty per centum (50%) of the total number of issued Shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below);
- (2) (subject to such calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of Shares that may be issued under sub-paragraph (1) above, the total number of issued Shares (excluding treasury shares and subsidiary holdings) shall be based on the total number of issued Shares (excluding treasury shares and subsidiary holdings) in the capital of the Company at the time of the passing of this Resolution, after adjusting for:
  - (a) new Shares arising from the conversion or exercise of any convertible securities;
  - (b) new Shares arising from exercising share options or vesting of share awards which are outstanding or subsisting at the time of the passing of this Resolution; and
  - (c) any subsequent bonus issue, consolidation or subdivision of Shares;
- (3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Catalist Rules for the time being in force (unless such compliance has been waived by the SGX-ST) and the constitution of the Company; and
- (4) unless revoked or varied by the Company in a general meeting, such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier.

[See Explanatory Note (i)]

**(Resolution 8)**

# NOTICE OF ANNUAL GENERAL MEETING

By Order of the Board

Victor Lai Kuan Loong  
Kelly Kiar Lee Noi  
Secretaries  
Singapore, 7 March 2019

## Explanatory Note:

- (i) The Ordinary Resolution 8 in item 6 above, if passed, will empower the Directors of the Company, effective until the conclusion of the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue Shares, make or grant Instruments convertible into Shares and to issue Shares pursuant to such Instruments, up to a number not exceeding, in total, one hundred per centum (100%) of the total number of issued Shares (excluding treasury shares and subsidiary holdings) in the capital of the Company, of which up to fifty per centum (50%) may be issued other than on a *pro-rata* basis to shareholders.

For determining the aggregate number of Shares that may be issued, the total number of issued Shares (excluding treasury shares and subsidiary holdings) will be calculated based on the total number of issued Shares (excluding treasury shares and subsidiary holdings) in the capital of the Company at the time this Ordinary Resolution is passed after adjusting for new Shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time when this Ordinary Resolution is passed and any subsequent bonus issue, consolidation or subdivision of Shares.

## Notes:

1. (a) A member who is not a relevant intermediary, is entitled to appoint one or two proxies to attend and vote at the Annual General Meeting (the "**Meeting**"). A member of the Company, which is a corporation, is entitled to appoint its authorised representative or proxy to vote on its behalf.
- (b) A member who is a relevant intermediary, is entitled to appoint more than two proxies to attend and vote at the Meeting, but each proxy must be appointed to exercise the rights attached to a different Share or Shares held by such member (which number and class of shares shall be specified).

"Relevant intermediary" has the meaning ascribed to it in Section 181 of the Companies Act, Cap. 50.

2. A proxy need not be a member of the Company.
3. The instrument appointing a proxy must be deposited at the Registered Office of the Company at 237 Alexandra Road #05-11 The Alexcier Singapore 159929 not less than forty-eight (48) hours before the time appointed for holding the Meeting.

## Personal data privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting ("**AGM**") and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.



## NOTICE OF ANNUAL GENERAL MEETING

**Sponsor's statement:**

This notice has been prepared by the Company and its contents have been reviewed by the Company's sponsor ("**Sponsor**"), Asian Corporate Advisors Pte. Ltd., for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited ("**SGX-ST**"). The Company's Sponsor has not independently verified the contents of this notice including the correctness of any of the figures used, statements or opinions made.

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

The contact person for the Sponsor is Mr Liao H.K.  
Telephone number: 6221 0271

# TRANSCORP HOLDINGS LIMITED

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

## IMPORTANT:

1. A relevant intermediary may appoint more than two proxies to attend the Annual General Meeting and vote (please see note 4 for the definition of "relevant intermediary").
2. For CPF/SRS investors who have used their CPF/SRS monies to buy the Company's shares, this form of proxy is not valid for use and shall be ineffective for all intents and purpose if used or purported to be used by them. CPF/SRS investors should contact their respective Agent Banks/SRS Operators if they have any queries regarding their appointment as proxies.

## PROXY FORM

(Please see notes overleaf before completing this Form)

I/We, \_\_\_\_\_

of \_\_\_\_\_

being a member/members of **Transcorp Holdings Limited** (the "Company"), hereby appoint:

Name	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

and/or (delete as appropriate)

Name	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

or failing the person, or either or both of the persons, referred to above, the Chairman of the Meeting as my/our proxy/proxies to vote for me/us on my/our behalf at the Annual General Meeting (the "Meeting") of the Company to be held on Friday, 22 March 2019, at 3:00 p.m. and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the Resolutions proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given, the proxy/proxies will vote or abstain from voting at his/her/their discretion, as he/she/they will on any other matter arising at the Meeting and at any adjournment thereof.

No.	Resolutions relating to:	Number of Votes For <sup>(1)(3)</sup>	Number of Votes Against <sup>(1)(3)</sup>
1	Directors' Statement and Audited Financial Statements for the financial year ended 31 October 2018		
2	Re-election of Mr Chia Siak Yan Vincent (Xie Shuoyan Vincent) as a Director		
3	Re-election of Mr You Zihui as a Director		
4	Re-election of Ms Ding Xinyan as a Director		
5	Re-election of Mr Kevin John Chia as a Director		
6	Approval of Directors' fees amounting to \$165,000 for the financial year ending 31 October 2019, payable half yearly in arrears		
7	Re-appointment of Messrs Baker Tilly TFW LLP as Auditors		
8	Authority to issue new Shares		

<sup>(1)</sup> If you wish to exercise all your votes "For" or "Against", please tick within the box provided. Alternatively, please indicate the number of votes as appropriate.

Dated this \_\_\_\_\_ day of March 2019

Total number of Shares in:	No. of Shares
(a) CDP Register	
(b) Register of Members	

\_\_\_\_\_  
Signature of Shareholder(s)  
or, Common Seal of Corporate Shareholder



**Notes:**

1. Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act (Cap. 289)), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Shares held by you.
2. A member of the Company entitled to attend and vote at the Meeting of the Company is entitled to appoint one or two proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.
3. Where a member appoints two proxies, the appointments shall be invalid unless he/she specifies the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each proxy.
4. A member who is a relevant intermediary entitled to attend the Meeting and vote is entitled to appoint more than two proxies to attend and vote instead of the member, but each proxy must be appointed to exercise the rights attached to a different Share or Shares held by such member. Where such member appoints more than two proxies, the appointments shall be invalid unless the member specifies the number of Shares in relation to which each proxy has been appointed.

"Relevant intermediary" means:

- (a) a banking corporation licensed under the Banking Act (Cap. 19) or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity;
  - (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act (Cap. 289) and who holds shares in that capacity; or
  - (c) the Central Provident Fund Board established by the Central Provident Fund Act (Cap. 36), in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.
5. Completion and return of this instrument appointing a proxy shall not preclude a member from attending and voting at the Meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the Meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy to the Meeting.
  6. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 237 Alexandra Road #05-11 The Alexcier Singapore 159929 not less than forty-eight (48) hours before the time appointed for the Meeting.
  7. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his/her attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is/are executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised. Where the instrument appointing a proxy or proxies is/are executed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified copy thereof must be lodged with the instrument.
  8. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Meeting, in accordance with Section 179 of the Companies Act (Cap. 50) of Singapore.

**PERSONAL DATA PRIVACY:**

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 7 March 2019.

**General:**

The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible, or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of Shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have Shares entered against his/her name in the Depository Register as at seventy-two (72) hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.



**Transcorp Holdings Limited**

237 Alexandra Road, #05-11 The Alexcier

Singapore 159929

Tel: (65) 6235 2182

Fax: (65) 6735 2168

Email: [info@transcorp.com.sg](mailto:info@transcorp.com.sg)