TOMO Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8463)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2018

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given that companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

This announcement, for which the directors (the "Directors") of TOMO Holdings Limited (the "Company", together with its subsidiaries, the "Group") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "GEM Listing Rules") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquires, confirm that, to the best of their knowledge and belief, the information contained in this announcement is accurate and complete in all material aspects and not misleading or deceptive and there are no other matters the omission of which would make any statement herein or this announcement misleading.

The original announcement is prepared in the English language. This announcement is translated into Chinese. In the event of any inconsistencies between the Chinese and the English version, the latter shall prevail and it is available on the Company's website at ***www.thetomogroup.com****.*

SUMMARY

- The revenue of the Group amounted to approximately S$17,818,000 for the year ended 31 December 2018, representing an increase of approximately S$3,284,000 or 22.6% as compared with the year ended 31 December 2017.
- The profit for the year of the Group was approximately S$4,242,000 for the year ended 31 December 2018 as compared to the profit of approximately S$401,000 for the year ended 31 December 2017. By excluding the listing expenses, the Group's net profit for the year ended 31 December 2017 would be approximately S$2,972,000.
- Basic and diluted profit per share was 0.94 Singapore cents for the year ended 31 December 2018 compared to basic and diluted profit per share of 0.10 Singapore cents for the year ended 31 December 2017.
- No final dividend is recommended by the Board for the year ended 31 December 2018.

ANNUAL RESULTS

The board (the "Board") of directors (the "Director") of the Company is pleased to announce the consolidated results of the Group for the financial year ended 31 December 2018 (the "Current Year") together with the comparative figures for the financial year ended 31 December 2017 (the "Corresponding Year") as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2018

		Year ended 31 December	
		2018	2017
	Notes	***S$***	*S$*
Revenue	*4*	**17,818,277**	14,534,289
Cost of sales	*5*	**(10,271,061)**	(8,597,194)
Gross profit		**7,547,216**	5,937,095
Other income		**72,030**	38,525
Other gains/(losses) — net		**64,941**	(396,376)
Selling and distribution expenses	*5*	**(422,310)**	(361,096)
Administrative expenses	*5*	**(1,868,622)**	(4,109,176)
Fair value loss on investment properties		**(238,850)**	—
Finance income		**97,584**	6,862
Profit before income tax		**5,251,989**	1,115,834
Income tax expense	*6*	**(1,009,892)**	(714,621)
Profit for the year		**4,242,097**	401,213
Profit and total comprehensive income for the year attributable to equity holders of the Company		**4,242,097**	401,213
Earnings per share for profit attributable to equity holders of the Company			
Basic and diluted (Singapore cents)	*8*	**0.94**	0.10

CONSOLIDATED BALANCE SHEET

As at 31 December 2018

		As at 31 December	
		2018	2017
	Notes	***S$***	*S$*
ASSETS			
Non-current assets			
Investment properties		**3,150,000**	—
Property, plant and equipment		**1,328,115**	1,151,833
		4,478,115	1,151,833
Current assets			
Inventories		**1,381,437**	1,046,148
Trade and other receivables	*9*	**3,353,691**	3,160,236
Fixed deposits		**—**	6,494,172
Cash and cash equivalents		**16,472,052**	9,001,040
		21,207,180	19,701,596
Total assets		**25,685,295**	20,853,429
EQUITY AND LIABILITIES			
Capital and reserve attributable to equity holders of the Company			
Share capital	*10*	**793,357**	793,357
Share premium		**12,398,264**	12,398,264
Other reserve		**200,000**	200,000
Retained earnings		**9,778,323**	5,536,226
Total equity		**23,169,944**	18,927,847

		As at 31 December	
		2018	2017
	Notes	***S$***	*S$*
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities		**4,000**	13,000
Current liabilities			
Trade and other payables	*11*	**1,522,351**	1,323,680
Current income tax liabilities		**989,000**	588,902
		2,511,351	1,912,582
Total liabilities		**2,515,351**	1,925,582
Total equity and liabilities		**25,685,295**	20,853,429

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

1. GENERAL INFORMATION AND REORGANISATION

1.1 General Information

The Company was incorporated in the Cayman Islands on 16 January 2017 as an exempted company with limited liability under Companies Law Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The shares of the Company have been listed on the GEM on 13 July 2017 (the "Listing").

The Company's registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands, the principal place of business in Singapore of the Company is Block 3018, Bedok North Street 5, #02–08 Eastlink, Singapore 486132 and the principal place of business in Hong Kong of the Company is 57/F, The Center, 99 Queen's Road Central, Hong Kong.

The Company is an investment holding company. The Group is principally engaged in the (i) sale and installation of passenger vehicle leather upholstery and electronic accessories; and (ii) sale of electronic accessories. These consolidated financial statements are presented in Singapore dollars ("S$"), unless otherwise stated.

1.2 Reorganisation

Prior to the incorporation of the Company and the completion of the reorganisation (the "Reorganisation") as described below, the principal activities were carried out by TOMO-CSE Autotrim Pte Ltd ("TOMO-CSE" or "Operating Company"), a company incorporated in Singapore. Tomo-CSE is controlled by Mr. Siew Yew Khuen ("Mr. David Siew") and Ms. Lee Lai Fong ("Ms. Lee") collectively.

In preparation for listing of the Company's shares on the GEM, the Group underwent the Reorganisation to transfer the Listing Business to the Company principally through the following steps:

a. On 6 January 2017, TOMO Ventures Limited ("TOMO Ventures") was incorporated in the British Virgin Islands ("BVI") by Mr. David Siew and Ms. Lee.

b. On 16 January 2017, the Company was incorporated in the Cayman Islands with limited liability and with an authorised share capital of 380,000 Hong Kong Dollar ("HK$") divided into 38,000,000 shares. On the same date, one nil-paid ordinary share was allotted and issued to TOMO Ventures.

c. On 26 January 2017, TOMO Enterprises Limited ("TOMO Enterprises") was incorporated in the BVI. On the same date, one fully-paid share of TOMO Enterprises, representing its entire issued share capital was allotted and issued to the Company.

d. On 16 June 2017, Mr. David Siew and Ms. Lee, TOMO Enterprises and the Company entered into a sale and purchase agreement, pursuant to which, Ms. Lee and Mr. David Siew transferred 200,000 shares, representing the entire issued share capital of TOMO-CSE to TOMO Enterprises. The consideration is satisfied by Ms. Lee and Mr. David Siew procuring (a) the allotment and issuance of 99 shares by the Company to TOMO Ventures (as the nominee of Ms. Lee and Mr. David Siew), was credited as fully-paid and (b) the initial share held by TOMO Ventures is credited as fully-paid.

e. Pursuant to the written resolutions passed on 23 June 2017, upon completion of the Share Offer, the Company was authorised to capitalise a sum of approximately S$595,018 from the amount standing to the credit of the share premium account of the Company and applied such amount to pay up in full at par of 337,499,900 ordinary shares of the Company (the "Capitalisation Issue").

f. In connection with the Listing, 112,500,000 shares of HK$0.01 each were issued at the offer price of HK$0.73 with gross proceeds of S$14,478,764. S$198,339 was credited to the share capital account and S$12,993,282 (net of share issuing expenses of S$1,287,143) was credited to the share premium account.

Upon completion of the Reorganisation, the Company has become the holding company of the other companies now comprising the Group.

2. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") issued by International Accounting Standards Board (the "IASB") and the disclosure requirements of the Hong Kong Companies Ordinance Cap.622. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties, which are carried at fair value.

The preparation of consolidated financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies.

3. ACCOUNTING POLICIES

The accounting policies adopted are consistent with those of the Group's annual financial statements for the year ended 31 December 2018, except as mentioned below.

(a) Adoption of new and amendments to standards

The Group has adopted the following standards and amendments to standards which are relevant to the Group's operations and are mandatory for the financial year beginning on or after 1 January 2018:

IFRS 9	Financial Instruments
IFRS 4	Insurance Contracts
IFRS 15	Revenue from Contracts with Customers
IFRS 2 (Amendment)	Share-based Payment Transactions
IAS 40 (Amendment)	Investment Property
Interpretation 22	Foreign Currency Transactions and Advance Consideration

The adoption of the above standards and amendments to standards did not have any significant financial impact on these consolidated financial statements.

(b) New standards, interpretations and amendments to standards which are not yet effective

The following are new standards, interpretations and amendments to standards that have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2019 or later periods, but have not been early adopted by the Group.

		Effective for annual periods beginning on or after	*Note*
IAS 28 and IFRS 10 (Amendment)	Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture	A date to be determined by the IASB	
IFRS 9 (Amendment)	Prepayment Features with Negative compensation	1 January 2019	
IFRIC 23	Uncertainty over Income Tax Treatments	1 January 2019	
IFRS 16	Leases	1 January 2019	*i*
IFRS 17	Insurance Contracts	1 January 2021	

The Group will apply the above new standards, interpretations and amendments to standards when they become effective. The Group has commenced an assessment of the expected impact of the IFRS 16 as set out below. The rest of the new standards, interpretations and amendments to standards are not expected to have a significant effect on the consolidated financial statements of the Group.

Note i:

IFRS 16 "Leases" — The Group is a lessee of its office premises which are currently classified as operating leases. The Group's future operating lease commitments as at 31 December 2018 amounting to S$7,266. IFRS 16 provides new provisions for the accounting treatment of leases and will in the future no longer allow lessees to account for certain leases outside the balance sheet. Instead, all long-term leases must be recognised in the balance sheet in the form of assets (for the rights of use) and lease liabilities (for the payment obligations). Short-term leases with a lease term of twelve months or less and leases of low-value assets are exempt from such reporting obligations. The new standard will therefore result in recognition of a right-to-use asset and an increase in lease liabilities in the balance sheet. In profit or loss, rental expenses will be replaced with depreciation and interest expense. The impacts on the Group's financial results and position upon the adoption of IFRS16 as lessor of finance leases and operating leases are not expected to be material. The new standard is not expected to be applied by the Group until the financial year ended 31 December 2019.

3.1 Changes in accounting policies

(a) *IFRS 9 Financial Instruments*

IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of IFRS 9 Financial Instruments from 1 January 2018 resulted in changes in accounting policies. The adoption of the standards did not have any financial impact on these consolidated financial statements.

Impairment of financial assets

The Group has two types of financial assets that are subject to IFRS 9's new expected credit loss model:

- trade receivables for sales of inventory and sales and installation of inventory.
- Other financial assets measured at amortised costs (including cash and cash equivalents, deposit and other receivables).

The Group was required to revise its impairment methodology under IFRS 9 for the class of assets above. There is no impact of the change in impairment methodology on the Group's retained earnings and equity.

(i) Trade receivables

The Group applies IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. Group has assessed the expected credit loss model applied to the trade receivables as at 1 January 2018 and the change in impairment methodologies did not have any material impact on the Group's consolidated financial statements and the opening loss allowance is not restated in this respect.

The adoption of expected credit loss model under IFRS 9 did not have material impact on allowance for impairment of trade receivables calculated under IAS 39.

(ii) Other financial assets measured at amortised cost

Other financial assets at amortised cost include deposit and other receivables. The Group has applied the expected credit loss model to deposit and other receivables as at 1 January 2018 and the change in impairment methodologies did not have any material impact on the Group's consolidated financial statements and the opening loss allowance is not restated in this respect.

While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

(b) ***IFRS 15 Revenue from Contracts with Customers***

The Group has adopted IFRS 15 Revenue from Contracts with Customers from 1 January 2018 which resulted in changes in accounting policies. The adoption of the standards did not have any financial impact on these consolidated financial statements.

4. REVENUE AND SEGMENT INFORMATION

The chief operating decision-maker has been identified as the executive Directors. The executive Directors review the performance of the Group's operations mainly from a business operation perspective. The Group is organised into two main business segments, namely (i) passenger vehicle leather upholstery; and (ii) passenger vehicle electronic accessories. The passenger vehicle leather upholstery segment mainly represents the business of supplying and installing passenger vehicle leather upholstery to passenger vehicle distributors and dealers. The passenger vehicle electronic accessories segment represents the business of supplying and installing passenger vehicle electronic accessories to passenger vehicle distributors and dealers. Those passenger vehicle distributors and dealers are mainly located in Singapore.

Segment performance is evaluated based on reportable segment results, which is a measure of adjusted profit/loss before income tax. The adjusted profit/loss before income tax is measured consistently with the Group's profit/loss before income tax except that interest income, interest expenses, inter-segment transactions as well as head office and corporate expenses are excluded from such measurement.

Segment assets exclude intra-group balances and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude intra-group balances and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

	Passenger vehicle leather upholstery		Passenger vehicle electronic accessories		Total	
	2018	2017	**2018**	2017	**2018**	2017
	S$	*S$*	***S$***	*S$*	***S$***	*S$*
Segment revenue	**5,124,366**	5,318,452	**12,693,911**	9,215,837	**17,818,277**	14,534,289
Segment Profit	**1,653,079**	1,424,686	**4,094,761**	2,468,962	**5,747,840**	3,893,648
Depreciation	**(62,605)**	(66,288)	**(95,378)**	(80,884)	**(157,983)**	(147,172)
Unallocated expenses:						
Depreciation					**(99,018)**	(59,753)
Fair value loss on investment properties					**(238,850)**	—
Listing expenses					**—**	(2,570,889)
Profit before income tax					**5,251,989**	1,115,834
Income tax expense					**(1,009,892)**	(714,621)
Profit for the year					**4,242,097**	401,213
Segment assets	**405,035**	361,542	**1,236,968**	1,063,607	**1,642,003**	1,425,149
Unallocated assets:						
Cash and cash equivalents					**16,472,052**	9,001,040
Trade and other receivables					**3,353,691**	3,160,236
Investment properties					**3,150,000**	—
Property, plant and equipment					**1,067,549**	690,244
Fixed deposits					**—**	6,494,172
Others					**—**	82,588
Total assets					**25,685,295**	20,853,429
Additions to property, plant and equipment	**11,165**	62,122	**—**	96,326	**11,165**	158,448
Segment liabilities	**164,390**	154,422	**317,331**	340,486	**481,721**	494,908
Unallocated liabilities:						
Other payables and accruals					**1,040,630**	828,772
Current income tax liabilities					**989,000**	588,902
Deferred tax liabilities					**4,000**	13,000
Total liabilities					**2,515,351**	1,925,582

The Group derives revenue from the transfer of goods and services at a point in time in the following major product lines:

	Year ended 31 December	
	2018	2017
	S$	*S$*
Sales and installation of goods:		
Leather upholstery	**5,124,366**	5,318,452
Electronic accessories	**11,744,846**	9,215,837
	16,869,212	14,534,289
Sales of goods:		
Electronic accessories	**949,065**	—
	17,818,277	14,534,289

5. EXPENSES BY NATURE

	Year ended 31 December	
	2018	2017
	S$	*S$*
Costs of inventories	**8,236,777**	6,446,405
Freight and forwarding charges	**35,508**	32,798
Employee benefit costs	**2,961,502**	2,777,732
Depreciation of property, plant and equipment	**257,001**	206,925
Rental expenses on operating lease	**55,698**	64,005
Commission	**22,233**	34,294
Entertainment	**79,929**	69,547
Motor vehicles expenses	**42,395**	48,461
Insurance	**57,034**	63,373
Travelling expenses	**38,068**	16,205
Advertisement	**30,456**	16,294
Auditor's remuneration		
— Audit services	**154,000**	150,000
Legal and professional fees	**298,304**	157,149
Write-off of inventories	**21,415**	5,792
Provision for warranty cost	**85,266**	231,328
Listing expenses	**—**	2,570,889
Other operating expenses	**186,407**	176,269
Total cost of sales, selling and distribution expenses and administrative expenses	**12,561,993**	13,067,466

6. INCOME TAX EXPENSE

	Year ended 31 December	
	2018	2017
	S$	*S$*
Income tax:		
— Current income tax	**989,000**	654,000
— Under provision in prior years	**29,892**	43,621
	1,018,892	697,621
Deferred income tax:		
— Deferred income tax	**(8,000)**	14,000
— (Over)/under provision in prior years	**(1,000)**	3,000
	(9,000)	17,000
Income tax expense	**1,009,892**	714,621

The Company is incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of Cayman Islands and accordingly, is exempted from Cayman Islands income tax.

Singapore profits tax has been provided at the rate of 17% on the estimated assessable profit for the year (2017: 17%).

7. DIVIDENDS

No dividend has been paid or declared by the Company since its incorporation.

Dividends paid during the year ended 31 December 2017 represented dividends declared by the remaining companies now comprising the Group to the then equity holders of the companies for the year ended 31 December 2017. The rates for dividend and the number of shares ranking for dividends are not presented as such information is not considered meaningful for the purpose of this announcement.

8. EARNINGS PER SHARE

	Year ended 31 December	
	2018	2017
Profit attributable to equity holders of the Company (S$)	**4,242,097**	401,213
Weighted average number of ordinary shares in issue	**450,000,000**	390,514,000
Basic and diluted earnings per share (Singapore cents)	**0.94**	0.10

The calculation of the basic earnings per share is based on the profit for the year attributable to equity holders of the Company and the weighted average number of ordinary shares in issue.

Diluted earnings per share are the same as basic earnings per share due to the absence of dilutive potential ordinary shares during the years ended 31 December 2017 and 2018.

9. TRADE & OTHER RECEIVABLES

	As at 31 December	
	2018	2017
	S$	*S$*
Trade receivables *(Note a):*		
— Third parties	**3,277,511**	3,027,091
Deposit, prepayment and other receivables:		
— Rental and other deposits	**5,953**	5,803
— Advance payment to suppliers	**56,483**	120,275
— Prepayment of operating expenses	**13,744**	353
— Interest receivable	**—**	6,714
	76,180	133,145
	3,353,691	3,160,236

The carrying amounts of trade and other receivables approximate their fair values.

(a) Trade receivables

The Group normally grants credit terms to its customers ranging from 0 to 30 days. The aging analysis of the trade receivables based on invoice date is as follows:

	As at 31 December	
	2018	2017
	S$	*S$*
Unbilled revenue	**739,983**	516,848
1 to 30 days	**1,311,503**	1,215,179
31 to 60 days	**1,091,301**	1,157,195
61 to 90 days	**130,283**	115,859
Over 90 days	**4,441**	22,010
	3,277,511	3,027,091

The carrying amounts of the Group's trade receivables are denominated in S$.

The maximum exposure to credit risk at the reporting date is the carrying value of the receivables mentioned above. The Group does not hold any collateral as security.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. No material loss allowance was recognized at 31 December 2017, 1 January 2018 and 31 December 2018.

10. SHARE CAPITAL/PAID-IN CAPITAL AND SHARE PREMIUM

The share capital of the Group as at 31 December 2018 represented the share capital of the Company.

	Number of ordinary shares	Share capital	Share premium
		S$	*S$*
Authorised:			
At 16 January 2017 (date of incorporation) *(Note a)*	38,000,000	70,072	—
Increase in authorised share capital *(Note b)*	9,962,000,000	17,752,196	—
As at 31 December 2017, 1 January 2018 and 31 December 2018	10,000,000,000	17,822,268	—
Issued and fully paid:			
At 16 January 2017 (date of incorporation) *(Note a)*	1	—	—
Issue of shares pursuant to Reorganisation *(Note c)*	99	—	—
Shares issued pursuant to Capitalisation Issue *(Note d)*	337,499,900	595,018	(595,018)
New Shares issued pursuant to the Share Offer *(Note e)*	112,500,000	198,339	12,993,282
As at 31 December 2017, 1 January 2018 and 31 December 2018	450,000,000	793,357	12,398,264

(a) The Company was incorporated in the Cayman Islands under the Companies Law of the Cayman Island as an exempted company with limited liability on 16 January 2017 with an initial authorised share capital of HK$380,000 divided into 38,000,000 shares of HK$0.01 each. 1 share was allotted and issued nil-paid to the subscriber on 16 January 2017 and was subsequently transferred to TOMO Ventures on the same day.

(b) Pursuant to the written resolution of the then shareholders of the Company passed on 23 June 2017, the authorised share capital of the Company was increased from HK$380,000 to HK$100,000,000 by the creation of an additional of 9,962,000,000 shares of HK$0.01 each, each ranking *pari passu* with the shares then in issue in all respects.

(c) On 16 June 2017, pursuant to the Reorganisation and as consideration for the acquisition by the Company of the entire issued share capital of TOMO-CSE was transferred to TOMO Enterprises, in consideration of the Company (i) allotting and issuing an aggregate of 99 shares in its share capital, all credited as fully paid; (ii) crediting the initial share as fully paid in its share capital held in the name of TOMO Ventures; and (iii) procuring the registration of the name of TOMO Ventures in the register of members of our Company in respect of the said 99 newly issued shares.

(d) Pursuant to the written resolutions passed on 23 June 2017, upon completion of the Share Offer, the Company was authorised to capitalise a sum of approximately S$595,018 from the amount standing to the credit of the share premium account of the Company and applied such amount to pay up in full at par of 337,499,900 ordinary shares of the Company (the "Capitalisation Issue").

(e) In connection with the Listing, 112,500,000 shares of HK$0.01 each were issued at the offer price of HK$0.73 with gross proceeds of S$14,478,764. S$198,339 was credited to the share capital account and S$12,993,282 (net of share issuing expenses of S$1,287,143) was credited to the share premium account.

11. TRADE AND OTHER PAYABLES

	As at 31 December	
	2018	2017
	S$	*S$*
Trade payables *(Note a)*:		
— Third parties	**481,721**	494,908
Other payables and accruals:		
— Accrued operating expenses	**344,329**	375,798
— Provision for warranty cost *(Note b)*	**263,885**	281,003
— Goods and services tax payables	**161,390**	168,349
— Others	**271,026**	3,622
	1,040,630	828,772
	1,522,351	1,323,680

The carrying amounts of trade and other payables approximate their fair values.

(a) Trade payables

Trade payables are non-interest bearing and are normally settled on 60 days' terms.

The aging analysis of the trade payables based on invoice date is as follows:

	As at 31 December	
	2018	2017
	S$	*S$*
1 to 30 days	**481,721**	491,787
31 to 60 days	**—**	3,121
	481,721	494,908

The Group's trade payables are denominated in the following currencies:

	As at 31 December	
	2018	2017
	S$	*S$*
S$	**481,248**	492,685
US$	**473**	—
MYR	**—**	2,223
	481,721	494,908

(b) Provision for warranty cost

The movement in provision for warranty cost during the year is as follows:

	2018	2017
	S$	*S$*
At 1 January	**281,003**	228,957
Provisions utilised	**(102,384)**	(179,282)
Provisions charged to the consolidated statement of comprehensive income	**85,266**	231,328
At 31 December	**263,885**	281,003

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is principally engaged in the (i) sales and installation of passenger vehicle leather upholstery and electronic accessories; and (ii) sales of electronic accessories. The shares of the Company have been listed on the GEM of the Stock Exchange on 13 July 2017.

To alleviate traffic congestion, Singapore government controls the total number of vehicles in use by limiting the Certificate of Entitlement ("COE") quota. From 2011 to 2013, the COE quota was reduced due to declining numbers of deregistered passenger vehicles. From 2014 to 2018, there was a marked increase in the number of deregistered and newly registered passenger vehicles. In 2018, the number of newly registered passenger vehicles decreased by approximately 12.7% from 91,775 units in 2017 to 80,093 units. This is mainly due to the number of passenger vehicles reaching their ten-year COE period is decreasing as compared to the all time high in 2017.

The Singapore government has implemented a zero growth rate for the population of the cars and motorcycles from February 2018 pared down from 0.25% in 2017 and introduced the Vehicular Emissions Scheme ("VES") on 1 July 2018. The VES was introduced to reduce harmful vehicle emissions. The worst performing pollutant determines the vehicle's band and its corresponding VES rebate or surcharge.

The Directors understand that the zero growth rate and the VES will not have a significant impact on the COE quota and premium as COE quota is largely determined by the number of deregistered vehicles. The number of passenger vehicles reaching their ten-year COE period will remain high in 2019. Furthermore, the COE premiums have decreased to approximately S$26,000–S$37,000 in March 2019 from previous highs of 2018 ranging from approximately S$42,000–S$51,000 in January 2018.

The Group achieved satisfactory results in 2018, showing improved revenue offset by administrative expenses including listed company compliance expenses, legal and professional fees. The Group's revenue for the year ended 31 December 2018 increased by 22.6% to approximately S$17,818,000. Profit attributable to shareholders for the year ended 31 December 2018 was increased by 42.7% to approximately S$4,242,000 as compared to approximately S$2,972,000 in for the year ended 31 December 2017 after excluding the Listing expenses, primarily due to (i) an increase in the revenue from passenger vehicle electronic accessories segment of approximately 37.7%; (ii) a decrease in the warranty costs incurred from approximately S$146,000 to approximately S$85,000; (iii) an increase in finance income by approximately S$91,000; and (iv) foreign exchange gains position during the year ended 31 December 2018 as compared to a loss for the year ended 31 December 2017.

Despite the uncertainty and increased competition in the industry, the Directors remain cautiously optimistic of the outlook for the Group in 2019.

PROSPECTS

Notwithstanding the economic downturn in Singapore and the global uncertainty, the Group and the Directors will continue to strive to achieve their business objectives as stated in our prospectus dated 30 June 2017. The Group will focus on maintaining its leading position in the Singapore market, while seeking new business opportunities to expand its product offerings and services.

FINANCIAL REVIEW

Revenue

The total revenue of the Group for the year ended 31 December 2018 was approximately S$17,818,000 as compared to approximately S$14,534,000 for the year ended 31 December 2017, representing an increase of approximately 22.6%. Such an increase was attributable to the increase in the demand of safety and security accessories of approximately 27.4% and offset by the decrease in demand in leather upholstery of approximately 3.6%.

Gross Profit

As a result of increase in sales, the Group's gross profit rose by approximately S$1,610,000 or 27.1% from approximately S$5,937,000 for the Corresponding Year to approximately S$7,547,000 for the Current Year. Despite the economic slowdown, the Group still succeeded in improving its gross profit margin to approximately 42.4% for the year ended 31 December 2018, as compared to profit margins of approximately 40.8% for the year ended 31 December 2017. This was mainly due to reduction of warranty costs and the ability of the Group to maintain in its selling prices despite the economic slowdown.

Other income

Other income of the Group increased by approximately S$33,000 from approximately S$39,000 for the year ended 31 December 2017 to approximately S$72,000 for the year ended 31 December 2018. Such increase was mainly relating to rental income from the investment properties acquired during the Current Year and offset by lower Singapore government incentives granted under the Wages Credit Scheme and Special Employment Credit.

Other gains/(losses) — net

Other gains — net increased by approximately S$461,000 from approximately S$396,000 of net losses for the year ended 31 December 2017 to approximately S$65,000 of net gains for the year ended 31 December 2018. Other gains mainly represent foreign exchange gains resulting from the settlement of foreign currency transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies.

Selling and Distribution costs

Selling and Distribution costs increased by approximately S$61,000 from approximately S$361,000 for the year ended 31 December 2017 to approximately S$422,000 for the year ended 31 December 2018. The increase of the costs was mainly attributable to higher advertisement and business promotion, entertainment expenses, employee benefit costs and traveling expenses.

Administrative Expenses

Administrative expenses decreased by approximately S$2,240,000 from approximately S$4,109,000 for the year ended 31 December 2017 to S$1,869,000 for the year ended 31 December 2018. The decrease of administrative expenses was mainly due to one-off Listing expenses of approximately S$2,571,000 in 2017 and offset by our business expansion as well as increased payment of professional fees due to the Listing and increase in employee benefit costs.

PROFIT FOR THE YEAR

The Group reported profit was approximately S$4,242,000 for the year ended 31 December 2018. The profit increased by approximately S$3,841,000, or 957.3% from approximately S$401,000 for the Corresponding Year. By excluding the Listing expenses, the Group's net profit for the year ended 31 December 2017 would be approximately S$2,972,000.

LIQUIDITY AND FINANCIAL RESOURCES

During the Current Year, the Group financed its operations by cash flow from operating activities. As at 31 December 2018, the Group had net current assets of approximately S$18,696,000 (2017: S$17,789,000) including cash and cash equivalents of approximately S$16,472,000 (2017: S$9,001,000). The current ratio, being the ratio of current assets to current liabilities, was approximately 8.4 times as at 31 December 2018 (2017: 10.3 times). The decrease in the current ratio was mainly due to the higher balances of other payables and current income tax liabilities as at 31 December 2018 as compared to 31 December 2017.

The Group's operations were financed principally by revenues generated from business operations and available cash and cash equivalents. The Group did not have any debt as at 31 December 2018 (31 December 2017: NIL).

USE OF PROCEEDS

The net proceeds from the Share Offer were approximately S$10,300,000 after deducting the Listing related expenses.

An analysis of the amount utilised up to 31 December 2018 is set out as follow:

	Planned use of net proceeds (as stated in the Prospectus) in respect of business objectives from the Listing Date to 31 December 2018	Actual utilised amount up to 31 December 2018	Total remaining use of net proceeds as at 31 December 2018	Total use of net proceeds
	S$	*S$*	*S$*	*S$*
Upgrade existing facilities, acquire new machinery and premises	5,160,000	4,000,000	1,160,000	5,160,000
Strengthen our sales and marketing efforts	1,060,000	410,000	650,000	1,760,000
Expand our product offerings	870,000	590,000	280,000	1,430,000
Upgrade and integrate of our information technology system	700,000	170,000	530,000	920,000
Working capital and general corporate use	1,030,000	1,030,000	—	1,030,000
	8,820,000	6,200,000	2,620,000	10,300,000

The remaining net proceeds as at 31 December 2018 had been placed in interest-bearing deposits in bank in Hong Kong.

As at the date of this announcement, the Board did not anticipate any change to the plan as to the use of proceeds.

EMPLOYEE INFORMATION

As at 31 December 2018, the Group had 56 employees (2017: 54), comprising of three executive Directors (2017: three), two senior management (2017: three), nine administrative employees (2017: seven) and 42 technicians (2017: 41).

Our employees are remunerated according to their job scope and responsibilities. For our technicians in passenger vehicle leather upholstery and accessories business, we offer incentives in addition to their salary. We offer bonuses for all employees, provided their performance is satisfactory. We also believe in promoting internally as this promotes employee satisfaction and enables us to improve service quality to our customers and enjoy a low employee turnover rate. We review the performance of our employees on a regular basis for salary and promotion appraisals.

Total staff costs, including directors' emolument, amounted to approximately S$2,962,000 for the year ended 31 December 2018 (2017: S$2,778,000).

MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

The Company incorporated two new subsidiaries in the British Virgin Island, namely Giant Alliance Investments Holdings Limited and Easy Grand International Holdings Limited during the year 2018. Their registered, issued and paid-up capital is 1 ordinary share at US$1 each.

CHARGES ON THE GROUP'S ASSETS

As at 31 December 2018, leasehold properties with carrying values totalling S$587,859 (2017: S$630,433) were pledged to secure the Group's banking facilities.

FOREIGN EXCHANGE EXPOSURE

The turnover and business costs of the Group were principally denominated in Singapore dollars. The Group has exposure to foreign exchange risk arising mainly from the exposure of S$ against HK$. Foreign exchange risk arises mainly from recognised assets. At 31 December 2018, if the HK$ had weakened or strengthened by 10% against the S$ with all other variables held constant, post-tax profit for the year would have been approximately S$315,000 (2017: S$1,027,000) lower/higher as a result of foreign exchange losses/gains mainly on translation of HK$ denominated cash and bank balances.

OPERATING LEASE COMMITMENTS

(a) Operating lease commitments — as lessee

The Group leases office premises from third parties under non-cancellable operating lease agreement.

The future aggregate minimum lease payments under non-cancellable operating leases in respect of office premises are as follows:

	31 December 2018	31 December 2017
	S$	*S$*
No later than 1 year	**7,266**	42,912
Later than 1 year and not later than 5 years	**—**	7,266
	7,266	50,178

There was no option for renewal of the above operating lease agreement. The Group had no other material commitments as at 31 December 2017 and 31 December 2018.

(b) Operating lease commitments — as lessor

The Group has entered into commercial property leases on its investment properties. These non-cancellable leases have remaining lease terms of between one and two years. All leases include a clause to enable upward revision of the rental charge on an annual basis based on prevailing market conditions.

Future minimum rental receivable under non-cancellable operating leases at the end of the reporting period are as follows:

	31 December 2018	31 December 2017
	S$	*S$*
No later than 1 year	**134,400**	—
Later than 1 year and not later than 5 years	**65,600**	—
	200,000	—

SIGNIFICANT INVESTMENTS HELD BY THE GROUP

During the year ended 31 December 2018, there was no significant investment held by the Group.

CONTINGENT LIABILITIES

No material contingent liability had come to the attention of the Directors in the Current Year and up to the date of this announcement.

SHARE OPTION SCHEME

A share option scheme (the "Share Option Scheme") has been adopted by passing of written resolutions by the then shareholders of the Company and was effective on 23 June 2017. Unless otherwise cancelled or amended, the Share Option Scheme will remain in force for a period of 10 years from the date of its adoption. No share options had been granted under the Share Option Scheme since its effective date and up to the date of this announcement.

COMPETING INTERESTS

As at the date of this announcement, none of the Directors, the controlling shareholders (as defined in the GEM Listing Rules) of the Company and their respective associates (as defined in the GEM Listing Rules) had any interest in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

COMPLIANCE ADVISER'S INTERESTS

As at the date of this announcement, save and except for the compliance adviser's agreement entered into between the Company and Fortune Financial Capital Limited (the "Compliance Adviser") dated 7 March 2017, neither the Compliance Adviser nor its directors, employees or close associates had any interests in relation to the Company which is required to be notified to the Group pursuant to Rule 6A.32 of the GEM Listing Rules.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the required standard of dealings (the "Required Standard of Dealing") set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct for dealing in securities of the Company by the Directors. Having made specific enquiries of all the Directors, each of them has confirmed that he/she had complied with the Required Standard of Dealings throughout the year ended 31 December 2018.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

The listed securities of the Company were listed on GEM on 13 July 2017. Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities after the Listing and up to the date of this announcement.

COMPLIANCE WITH THE CORPORATE GOVERNANCE

The Company is committed to achieving high standards of corporate governance to safeguard the interests of the shareholders of the Company and enhance its corporate value. The Company's corporate governance practices are based on the principles and code provisions as set out in the Corporate Governance Code in Appendix 15 to the GEM Listing Rules (the "CG Code").

Throughout the year ended 31 December 2018, to the best knowledge of the Board, the Company had complied with all the code provisions in the CG Code, save for the deviation from code provision A.2.1 as explained below:

Pursuant to code provision A.2.1 of the CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established and set out in writing.

Given the current corporate structure, there is no separation between the roles of the chairman and the chief executive. Since October 1995, Mr. David Siew has been managing the Group's business and supervising the overall operations of the Group. The Directors believe that the vesting of the roles of chairman of the Board and chief executive in Mr. David Siew is beneficial to the business operations and management of the Group and will provide a strong and consistent leadership to the Group. Accordingly, the Company has not segregated the roles of the chairman and the chief executive as required by code provision A.2.1 of the CG Code.

ANNUAL GENERAL MEETING

The annual general meeting of the Company (the "AGM") will be held on Thursday, 9 May 2019. A notice convening the AGM will be issued and published in due course.

CLOSURE OF REGISTER OF MEMBERS

For ascertaining the entitlement of the shareholders of the Company to attend and vote at the AGM, the register of members of the Company will be closed from Monday, 6 May 2019 to Thursday, 9 May 2019, both dates inclusive. In order to be eligible to attend and vote at the AGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Friday, 3 May 2019.

DIVIDEND

The Board does not recommend the payment of final dividend for the year ended 31 December 2018.

AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") has been established with written terms of reference in compliance with Rules 5.28 and 5.29 of the GEM Listing Rules and code provision C.3.3 of the CG Code. The Audit Committee currently comprises three independent non-executive Directors and is chaired by Mr. Gary Chan Ka Leung. The other members of the Audit Committee are Mr. Clarence Tan Kum Wah and Mr. Au Ki Lun. The primary duties of the Audit Committee are to review and supervise the Company's financial reporting process and the internal control systems of the Group, and to monitor the continuing connected transactions. All members of the Audit Committee are appointed by the Board.

The Audit Committee has reviewed the consolidated financial statements of the Group for the year ended 31 December 2018 and is of the opinion that such consolidated financial statements complied with the applicable accounting standards, the requirements under the GEM Listing Rules and other applicable legal requirements, and that adequate disclosures has been made.

The figures in respect of the Group's consolidated statement of comprehensive income, consolidated balance sheet and the related notes thereto for the year ended 31 December 2018 as set out in the preliminary announcement have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the Current Year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with International Standards on Auditing, International Standards on Review Engagements or International Standards on Assurance Engagements issued by the International Auditing and Assurance Standards Board and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This results announcement is available for viewing on the websites of the Stock Exchange at www.hkexnews.hk and of the Company at www.thetomogroup.com, respectively. The annual report of the Company for the year ended 31 December 2018 containing the information required by the GEM Listing Rules and the applicable laws will be dispatched to the shareholders of the Company in due course.

By Order of the Board of
TOMO HOLDINGS LIMITED
Siew Yew Khuen
Chairman and Chief Executive Officer

Hong Kong, 21 March 2019

As at the date of this announcement, the Directors are:

Executive Directors
Mr. Siew Yew Khuen *(Chairman and Chief Executive Officer)*
Ms. Lee Lai Fong *(Compliance Officer)*
Mr. Siew Yew Wai
Mr. Zha Jianping

Independent non-executive Directors
Mr. Clarence Tan Kum Wah
Mr. Gary Chan Ka Leung
Mr. Au Ki Lun

*This announcement will remain on the "Latest Company Announcements" page of the GEM website (**www.hkgem.com**) for at least 7 days from the date of its publication and on the website of the Company (**www.thetomogroup.com**).*