

Asset Acquisitions and Disposals::PROPOSED ACQUISITION, PROPOSED DILUTION AND PROPOSED ADOPTION OF TCH ESOS

Issuer & Securities

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THAKRAL CORPORATION LTD

(Incorporated in the Republic of Singapore on 7 October 1993)
(Company Registration No. 199306606E)

ANNOUNCEMENT

- (I) **PROPOSED ACQUISITION OF 49% OF THE ISSUED AND PAID-UP SHARE CAPITAL OF TCAP PTE. LTD. BY THAKRAL CAPITAL HOLDINGS PTE. LTD. (“TCH”);**
- (II) **PROPOSED DILUTION OF UP TO 25% OF THE COMPANY’S SHAREHOLDING INTEREST IN TCH, A PRINCIPAL SUBSIDIARY OF THE COMPANY, RESULTING FROM THE ISSUANCE OF NEW SHARES IN TCH PURSUANT TO THE COMPLETION OF THE PROPOSED ACQUISITION; AND**
- (III) **PROPOSED ADOPTION OF THE THAKRAL CAPITAL HOLDINGS PTE. LTD. EMPLOYEE SHARE OPTION SCHEME (“TCH ESOS”)**

1. INTRODUCTION

The Board of Directors of Thakral Corporation Ltd (the **“Company”** or **“TCL”**, and together with its subsidiaries, the **“Group”**) wishes to announce that the Company and its wholly-owned subsidiary, Thakral Capital Holdings Pte. Ltd. (**“TCH”**), have on 29 January 2015 entered into a share sale agreement (the **“Share Sale Agreement”**) with each of (i) J & H Singh Pty Ltd (in its capacity as trustee for ASK Buyer Executive Superannuation Fund No. 1); (ii) Aljen Pty Ltd (in its capacity as trustee for Aljen Trust); (iii) Australian Forestry Investments Pty Ltd (in its capacity as trustee for Barry Family Trust); and (iv) GMC Investments (Aust) Pty Limited (in its capacity as trustee for GMC Investment Trust) (each, a **“Vendor”** and together, the **“Vendors”**). Pursuant to the Share Sale Agreement, TCH (under the direction of the Company) has agreed to purchase and each of the Vendors has agreed to sell their respective portions of the issued and paid-up share capital of TCAP Pte. Ltd. (**“TCAP”** and together with its subsidiaries, the **“TCAP Group”**) as set out in Section 2 of this Announcement (amounting to an aggregate of 49% of the issued and paid-up capital of TCAP), on the terms and subject to the conditions of the Share Sale Agreement (the **“Proposed Acquisition”**).

In consideration for the Proposed Acquisition, TCH shall allot and issue an aggregate of 250,000 new ordinary shares in the capital of TCH (the **“Consideration Shares”**) at an issue price of S\$80.80 per Consideration Share to the Vendors, of which 50,000 Consideration Shares (the **“Escrowed Shares”**) shall be held by the Company as bare trustee for and on behalf of the Vendors subject to the fulfilment of the Escrow Release Condition (as defined in Section 3.2 of this Announcement) or the occurrence of a Liquidity Event (as defined in Section 3.3 of this Announcement) before 31 December 2017.

As at the date of this Announcement, the Company holds 1 share in TCH (**“TCH Share”**), comprising 100% of the existing issued and paid-up capital in TCH (the **“TCH Existing Share Capital”**). The Company intends to increase its shareholding to 749,999 TCH Shares before the completion of the Share Sale Agreement, which would represent 99.99⁽¹⁾% of TCH’s then issued and paid-up share capital (the **“TCH Capital Increase”**). Pursuant to the allotment and issuance of the 250,000 Consideration Shares to the Vendors upon completion of the Share Sale Agreement and taking into account the TCH Capital Increase, the TCH Existing Share Capital will increase to 1,000,000 TCH Shares (the **“TCH Enlarged Share Capital”**), and the Company’s shareholding interest in TCH will be diluted by up to 25% based on the TCH Enlarged Share Capital (the dilution, the **“Proposed Dilution”**).

Pursuant to Rule 1014 of the listing manual of the Singapore Exchange Securities Trading Limited (the **“Listing Manual”**), the Proposed Acquisition constitutes a major transaction which requires approval of the shareholders of the Company (the **“Shareholders”**). Also, pursuant to Rule 805(2)(b) of the Listing Manual, an issuer is required to seek its Shareholders’ approval for a percentage reduction of more than 20% of its equity interest in its principal subsidiary as a

result of the issuance of shares by such subsidiary.

The Company is also proposing the adoption of the TCH ESOS. Accordingly, the Company will be convening an extraordinary general meeting to seek the Shareholders' approval for the Proposed Acquisition, the consequent Proposed Dilution and the proposed adoption of the TCH ESOS. The circulars containing the details of the Proposed Acquisition, the Proposed Dilution and the proposed adoption of the TCH ESOS will be despatched to the Shareholders in due course.

Note:-

(1) The remainder of 1 TCH Share will be issued to an external party at S\$80.80 as at the time of the TCH Capital Increase and subject to an agreement with the Company, this 1 TCH Share may be transferred to the Company for S\$80.80 after the completion of the Share Sale Agreement.

2. INFORMATION ON TCAP, THE VENDORS AND THE TCH GROUP

TCAP is a limited liability company incorporated in Singapore, and has an issued and paid-up share capital of S\$100,000 divided into 100,000 ordinary shares (the "**TCAP Shares**"), of which 49% comprising 49,000 TCAP Shares (the "**Sale Shares**") are directly owned by the Vendors in the following proportions:

Vendor	Beneficial Owner(s) of Vendor	No. of TCAP Shares	Percentage (%)
J & H Singh Pty Ltd (in its capacity as trustee for ASK Buyser Executive Superannuation Fund No. 1)	Jaginder Singh Pasricha and his associate, Harminder Kaur Pasricha ⁽¹⁾	12,250	12.25
Aljen Pty Ltd (in its capacity as trustee for Aljen Trust)	Victor Shkolnik ⁽²⁾ and his associates	12,250	12.25
Australian Forestry Investments Pty Ltd (in its capacity as trustee for Barry Family Trust)	Kevin Charles Barry ⁽²⁾ and his associates	12,250	12.25
GMC Investments (Aust) Pty Limited (in its capacity as trustee for GMC Investment Trust)	Greggory John Piercy ⁽²⁾ and his associate	12,250	12.25
Total		49,000	49

Notes:-

- (1) Jaginder Singh Pasricha is an Executive Director of the Company.
- (2) Victor Shkolnik, Kevin Charles Barry and Greggory John Piercy are Executive Directors of TCAP.

TCH (together with its subsidiaries, the "**TCH Group**") is the legal and beneficial owner of the balance 51% of TCAP's total issued and paid-up share capital comprising 51,000 TCAP Shares. Please refer to Appendix A for further details of the structure of the Group and the TCH Group as at the date of this Announcement.

The TCH Group represents the Investment Division of the Company, investing primarily in real

estate assets through a combination of debt and equity and generating fee income through the origination, management and distribution of investments and the management of the Group's as well as third party funds and assets.

3. THE PROPOSED ACQUISITION

3.1 Consideration

In consideration for (but subject always to the fulfilment of the Escrow Release Condition or the occurrence of a Liquidity Event before 31 December 2017) the sale of the Sale Shares by the Vendors, TCH shall allot and issue 250,000 Consideration Shares (including the Escrowed Shares) at an issue price of S\$80.80 for each Consideration Share to the Vendors, *pro rata* to each Vendor's proportion of shareholding in TCAP as set out in Section 2 of this Announcement. The 250,000 Consideration Shares represent approximately 25% of the TCH Enlarged Share Capital.

The book value of the Sale Shares based on the latest consolidated financial statements of the Group as at 31 December 2013 is S\$15.70 per Sale Share, and the issue price of S\$80.80 of each Consideration Share was commercially agreed between TCH (under the direction of the Company) and the Vendors, after taking into consideration, *inter alia*, the future performance of the TCAP Group and its existing operations.

3.2 The Escrow Release Condition

Notwithstanding that a total of 250,000 Consideration Shares (including the Escrowed Shares and constituting 25% of the TCH Enlarged Share Capital) will be allotted and issued for the benefit of the Vendors, the Vendors' entitlement to the Escrowed Shares (comprising 5% of the TCH Enlarged Share Capital) are subject to the TCH Group (post the Proposed Dilution) having achieved the Performance Hurdle⁽¹⁾. To the extent that the Performance Hurdle is not met but the Lower Performance Hurdle⁽²⁾ is met, the Board may in its absolute discretion determine the release of all or part of the Escrowed Shares (together with any dividends or other distributions attributable to such Escrowed Shares) to the Vendors. If the Lower Performance Hurdle is not met, no Escrowed Shares shall be released to the Vendors, and any dividends or other distributions attributable to the Escrowed Shares shall be retained by the Company.

Pending the fulfilment of the Escrow Release Condition, the Escrowed Shares shall be held by the Company as bare trustee for the benefit of each Vendor, *pro rata* to his proportion of shareholding in TCAP as set out in Section 2 of this Announcement.

All voting rights attached to the Escrowed Shares shall be exercisable by the Vendors as a collective group at any and all meetings of the shareholders of TCH and, in this regard, the Company shall appoint a person designated by the Vendors as proxy in respect of the exercise of voting rights attached to the Escrowed Shares.

Until the Escrowed Shares are released to the Vendors upon fulfilment of the Escrow Release Condition, any and all dividends or other distributions declared and paid in respect of the Escrowed Shares shall be held by the Company in an escrow account maintained in the Company's name or an appointed escrow agent pending the determination of the fulfilment of the Escrow Release Condition. Upon such fulfilment of the Escrow Release Condition and the release of the Escrowed Shares to the Vendors, such escrowed dividends or other distributions attributable to the Escrowed Shares that the Vendors are entitled to receive shall be paid over to the Vendors.

Any Escrowed Shares which are not released to the Vendors and any dividends or other distributions which are attributable thereto shall be retained by and for the benefit of the Company.

Notes:-

- (1) "Performance Hurdle" has the meaning ascribed to it in Section A of Appendix C to this Announcement.
- (2) "Lower Performance Hurdle" has the meaning ascribed to it in Section B of Appendix C to this Announcement.

3.3 Liquidity Event

Notwithstanding the Escrow Release Condition, if a Liquidity Event occurs before 31 December 2017, the Escrowed Shares shall be released to the Vendors, together with any accumulated dividends or other distributions. For the purposes of this provision, Liquidity Event means:

- (i) the separate listing on a recognised stock exchange of TCH or its successor in title pursuant to any corporate reorganisation pursuant to an initial public offering, a reverse takeover or the merger with a listed entity;
- (ii) a trade sale of more than 25% of the issued shares in TCH by way of transfer of such existing shares and/or the issue of new shares such that the new shareholder holds more than 25% of the issued capital in TCH; or
- (iii) the completion of a sale or series of sales of all or substantially all of the assets and business of TCH to one or more third parties.

3.4 Conditions Precedent

The completion of the Proposed Acquisition is conditional upon, *inter alia*:

- (i) TCH being satisfied with the results of the Due Diligence Review in all material respects and the fulfillment of any conditions that may be deemed appropriate arising out of the results of the Due Diligence Review; and
- (ii) the approval of the shareholders of the Company, if required under Rule 805 or any other provision of the SGX-ST Listing Manual, having been obtained and not having been revoked or amended and, where such approval is subject to conditions, such conditions being reasonably acceptable to TCH and the Company and to the extent that any conditions to such approval are required to be fulfilled on or before the completion of the Proposed Acquisition, they are so fulfilled in all material respects.

As at the date of this Announcement, the condition precedent set out in Section 3.4(i) above has been fulfilled. Notwithstanding the completion of the Proposed Acquisition, the effective date of the Proposed Acquisition shall be deemed to be 1 January 2015.

4. RATIONALE FOR THE PROPOSED ACQUISITION AND THE CONSEQUENT PROPOSED DILUTION

The Proposed Acquisition results in the merger of the TCAP Group into the TCH Group, which has the benefit of consolidating and providing greater visibility to Shareholders of the Group's Investment Division's business and the TCAP Group's business. The TCAP Group plays the role of originator, manager and distributor of real estate investments in Australia and elsewhere. By removing the minority interest of the Vendors in the TCAP Group and merging the TCAP Group into the TCH Group, the risk of conflicts and allocation of revenue as between the TCAP Group's business and the Group's Investment Division is removed. The merger strengthens the balance sheet of the Group's Investment Division as a whole and is expected to enhance the value of the merged entity in the future. Hence, the Board considers that the Proposed Acquisition and the consequent Proposed Dilution is in the best interests of the Company.

5. RELATIVE FIGURES UNDER CHAPTER 10 OF THE LISTING MANUAL IN RELATION TO THE PROPOSED ACQUISITION

Under Chapter 10 of the Listing Manual, a transaction will be classified as a “major transaction” if any of the relative figures calculated on the bases set out in Rule 1006 of the Listing Manual exceeds 20% and if so, Shareholders’ approval must be obtained for the “major transaction”.

The relative figures computed on the applicable bases set out in Rule 1006 of the Listing Manual in respect of the Proposed Acquisition and based on the audited consolidated financial statements of the Group for FY2013 are set out below.

Rule 1006	Bases	Size of Relative Figures (%)
(a)	Net asset value of the assets to be disposed of, compared with the Group’s net asset value	Not applicable as the transaction is an acquisition.
(b)	Net profit attributable to the Proposed Acquisition, compared with the Group’s net profits	17.9
(c)	The aggregate value of the consideration given, compared with the Company’s market capitalization based on the total number of issued shares excluding treasury shares	33.4
(d)	The number of equity securities issued by the Company as consideration for an acquisition, compared with the number of equity securities previously in issue	Not applicable as no equity securities are to be issued by the Company as consideration.

As the relative figures computed on the bases set out in Rule 1006(c) exceeds 20%, the Proposed Acquisition constitutes a major transaction as defined in Chapter 10 of the Listing Manual. Accordingly, the Proposed Acquisition is subject to the approval by the Shareholders in a general meeting.

6. FINANCIAL EFFECTS OF THE PROPOSED ACQUISITION

The pro forma financial effects of the Proposed Acquisition are for illustrative purposes only and do not necessarily reflect the actual future results of the financial performance and position of the Group following completion of Proposed Acquisition.

For illustrative purposes only, the pro forma financial effects of the Proposed Acquisition summarised below have been prepared based on the audited consolidated financial results of the Group for FY2013 and the unaudited consolidated financial results of the Group for the nine months ended 30 September 2014 (“3Q2014”) and based on the following assumptions:

- (i) the financial effects on the Group’s EPS for each of FY2013 and 3Q2014 are computed assuming that the Proposed Acquisition was completed on 1 January 2013 and 1 January 2014 respectively; and
- (ii) the financial effects on the Group’s NTA per Share of each of FY2013 and 3Q2014 are computed assuming that the Proposed Acquisition was completed on 31 December 2013 and 30 September 2014 respectively.

	<u>Before the Proposed Acquisition</u>		<u>After the Proposed Acquisition but before the fulfilment of the Escrow Release Condition and occurrence of a Liquidity Event before 31 December 2017⁽¹⁾</u>		<u>After the Proposed Acquisition and after the fulfilment of the Escrow Release Condition or the occurrence of a Liquidity Event before 31 December 2017⁽¹⁾</u>	
	As at 31 December 2013	As at 30 September 2014	As at 31 December 2013	As at 30 September 2014	As at 31 December 2013	As at 30 September 2014
Share Capital						
Issued and paid-up share capital (S\$'000)	72,579	72,579	72,579	72,579	72,579	72,579
Number of Shares (000)	2,617,214	2,617,214	2,617,214	2,617,214	2,617,214	2,617,214
NTA (S\$'000)	102,744	96,453	96,673	89,439	94,963	87,476
NTA per Share (cents)	3.93	3.69	3.69	3.42	3.63	3.34
EPS (cents)	(0.00)	(0.09)	(0.03)	(0.14)	(0.04)	(0.15)
Gearing						
Total borrowings (S\$'000)	113,502	103,609	113,502	103,609	113,502	103,609
Shareholders' Funds (S\$'000)	102,361	96,070	96,290	89,056	94,580	87,093
Gearing ratio (times)	1.11	1.08	1.18	1.16	1.20	1.19

Note:-

(1) Upon the fulfilment of the Escrow Release Condition or the occurrence of a Liquidity Event before 31 December 2017, the Escrowed Shares (comprising 5% of the TCH Enlarged Share Capital) will be released to the Vendors.

7. THE PROPOSED DILUTION

Pursuant to Rule 805(2)(b) of the Listing Manual, an issuer must obtain the prior approval of its shareholders in a general meeting if a principal subsidiary of an issuer issues shares that will or may result in the a percentage reduction of 20% or more of the issuer's equity interest in the principal subsidiary.

Based on the latest audited consolidated financial statements of the Group and the TCH Group for FY2013, the TCH Group's reported pre-tax profit of approximately S\$3.7 million contributed to approximately 642% of the Group's pre-tax profit of approximately S\$0.6 million, therefore the Company considers TCH as a principal subsidiary.

As at the date of this Announcement, the Company holds 1 TCH Share, comprising 100% of the TCH Existing Share Capital. Pursuant to the allotment and issuance of the 250,000 Consideration Shares upon completion of the Share Sale Agreement and taking into account the TCH Capital Increase, the TCH Existing Share Capital will increase to 1,000,000 TCH Shares (the “**TCH Enlarged Share Capital**”). The Consideration Shares (including the Escrowed Shares) to be issued to the Vendors (with the Escrowed Shares held in escrow), and the TCH Shares held by the Company, will comprise approximately 25% and 75% of the TCH Enlarged Share Capital respectively. Assuming that the Escrow Release Condition is not fulfilled and a Liquidity Event does not occur before 31 December 2017, the Escrowed Shares, which comprise 5% of the TCH Enlarged Share Capital, shall be retained by and for the benefit of the Company, and the Vendors shall beneficially own only 20% of the TCH Enlarged Share Capital after completion of the Proposed Acquisition, resulting in the dilution of the Company’s shareholding interests in TCH from 100% to 80%. However, assuming that the Escrow Release Condition is fulfilled or a Liquidity Event occurs before 31 December 2017, which results in the Escrowed Shares being released to the Vendors, the Vendors shall beneficially own 25% of the TCH Enlarged Share Capital after completion of the Proposed Acquisition and the Company’s shareholding interests in TCH will be diluted from 100% to 75%. Please refer to Sections 3.2 and 3.3 of this Announcement for further details on the Escrow Release Condition and the Liquidity Events respectively.

As TCH is a principal subsidiary of the Company, depending on the fulfillment of the Escrow Release Condition or the occurrence of a Liquidity Event before 31 December 2017, the completion of the Proposed Acquisition will result in a percentage reduction of up to 25% of the Company’s equity interest in TCH based on the TCH Enlarged Share Capital. Accordingly, prior approval of the Shareholders will be required under Rule 805(2)(b) of the Listing Manual.

Notwithstanding the Proposed Dilution, the Group will continue to operate its other core businesses of marketing lifestyle products, including Beauty & Health and Enviro-Care products and investments in assets within and outside Australia via the Group’s Lifestyle Division and Investment Division respectively. The group structure of the Company as at the date of this Announcement and post the Proposed Dilution are enclosed as Appendix A and B in this Circular.

8. THE PROPOSED ADOPTION OF THE TCH ESOS

As TCH is a principal subsidiary of the Company and the TCH ESOS will or may result in a percentage reduction of 20% or more of the Company’s equity interest in TCH, Shareholders’ approval is required for the implementation of the TCH ESOS pursuant to Rule 843 of the Listing Manual. Further details of the TCH ESOS will be set out in the circular to be despatched to the Shareholders in due course.

9. THE PROPOSED ACQUISITION AS AN INTERESTED PERSON TRANSACTION

The beneficial owners of one of the Vendors, J & H Singh Pty Ltd (in its capacity as trustee for ASK Buyer Executive Superannuation Fund No. 1), are Jaginder Singh Pasricha and his spouse, Harminder Kaur Pasricha. As Jaginder Singh Pasricha is an Executive Director of the Company, he and Harminder Kaur Pasricha are therefore “interested persons” within the definition set out in Chapter 9 of the Listing Manual. Accordingly, the Proposed Acquisition is regarded as an interested person transaction and the requirements under Chapter 9 of the Listing Manual are applicable.

Based on the latest audited consolidated financial statements of the Group for FY2013, the audited consolidated net tangible assets (“**NTA**”) of the Group was approximately S\$102.7 million. For the purposes of Chapter 9 of the Listing Manual, the value of the Proposed Acquisition of approximately S\$20.2 million (being the amount at risk to the Company) is approximately 19.7% of the latest audited consolidated NTA of the Group. As such, the Proposed Acquisition is an interested person transaction which is immediately discloseable but does not require Shareholders’ approval.

9.1 TOTAL VALUE OF ALL INTERESTED PERSON TRANSACTIONS

The current total value of all interested person transactions (excluding transactions which are less than S\$100,000) with Jaginder Singh Pasricha and Harminder Kaur Pasricha for the period from 1 January 2015 to the date of this Announcement and the percentage of the Group's audited NTA as at 31 December 2013 represented by such values, are as follows:

	Before the Proposed Acquisition		After the Proposed Acquisition	
	Amount (S\$'000)	Percentage of audited NTA of the Group (%)	Amount (S\$'000)	Percentage of audited NTA of the Group (%)
Total value of all transactions with Jaginder Singh Pasricha and his associates	-	-	5,048	4.9
Total value of all transactions with all interested persons of the Company	115	0.1	5,163	4.0

The Audit Committee of the Company has reviewed the terms of the Proposed Acquisition and is of the view that the Proposed Acquisition is on normal commercial terms, and is not prejudicial to the interests of the Company and its minority shareholders.

10. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

Save as disclosed herein and save for their respective shareholding interests (direct or deemed), if any, in the Company, the Directors or substantial or controlling shareholders of the Company do not have any interest, whether direct or indirect, in the Proposed Acquisition and/or the Proposed Dilution.

11. DOCUMENTS FOR INSPECTION

Copies of the following documents are available for inspection during normal office hours, on any weekday (public holidays excepted), at the registered office of the Company at 20 Upper Circular Road, #03-06 The Riverwalk, Singapore 058416 for a period of 3 months from the date of this Announcement:-

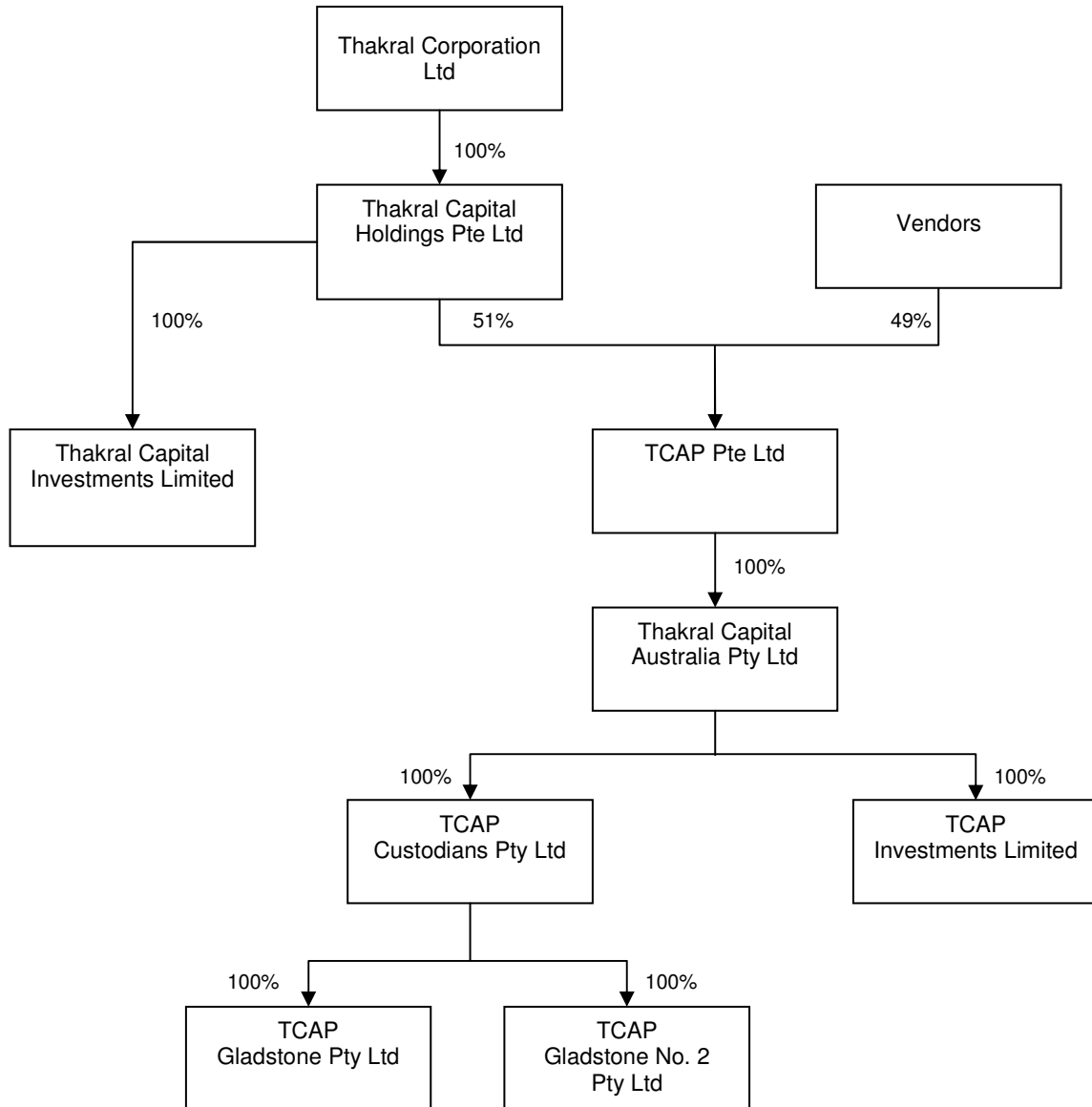
- (i) the Memorandum and Articles of the Company; and
- (ii) the Share Sale Agreement.

On behalf of the Board

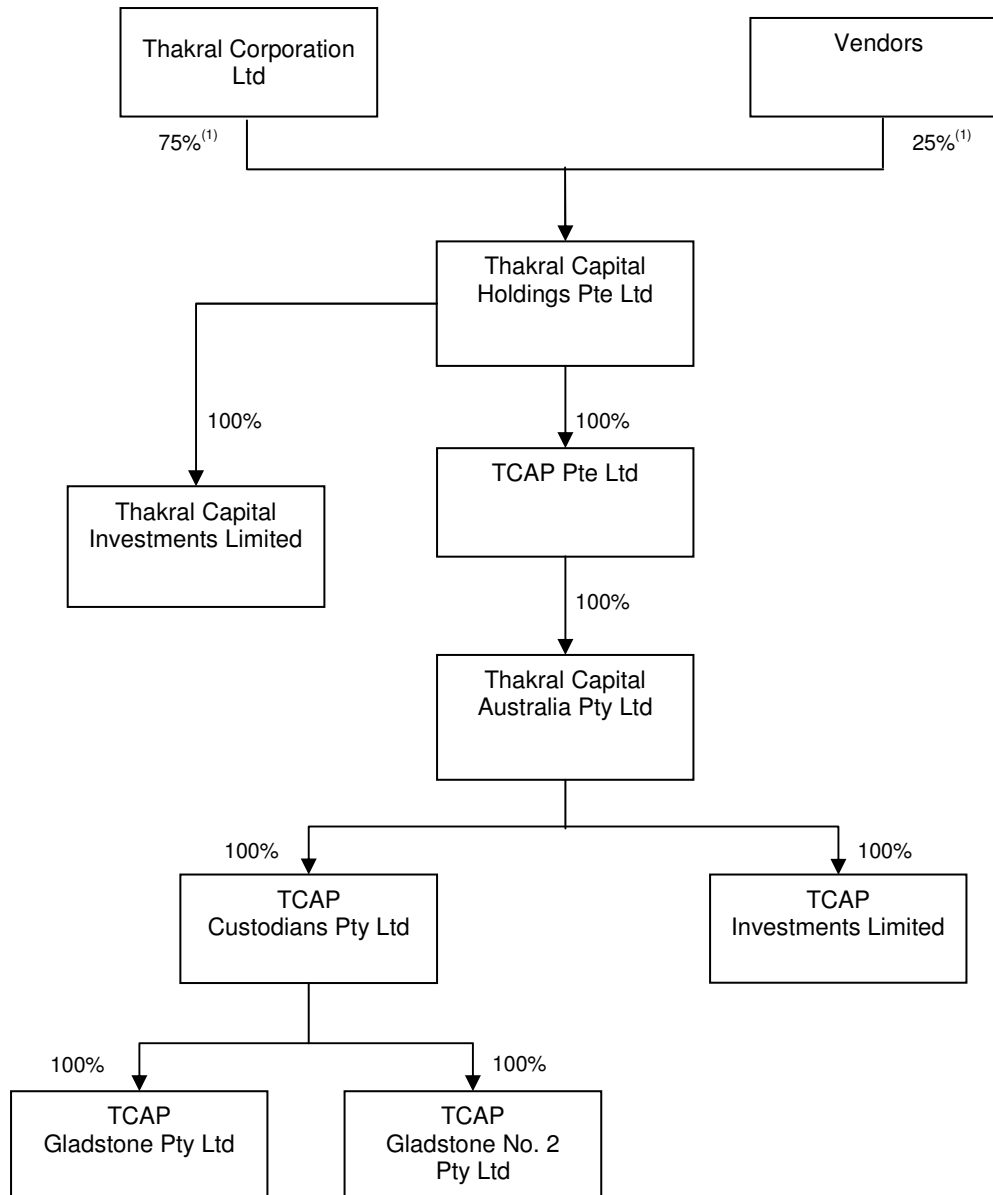
Natarajan Subramaniam
 Independent Non-Executive Chairman

Singapore, 29 January 2015

APPENDIX A
GROUP STRUCTURE OF THE COMPANY AS AT THE DATE OF THIS ANNOUNCEMENT



**APPENDIX B
 GROUP STRUCTURE OF THE COMPANY POST PROPOSED DILUTION**



Note:

- (1) Taking into account the release of the Escrowed Shares (comprising 5% of the TCH Enlarged Share Capital) to the Vendors.

APPENDIX C
TCH SHAREHOLDERS' FUNDS TEST

A. Performance Hurdle

1. The Performance Hurdle is achieved if as at 31 December 2017, the TCH shareholders' funds (the "**TCH Shareholders' Fund**") is equivalent to or above A\$72 million on a TCH Group consolidated basis, after the addition of the following to net TCH Shareholders' Funds:
 - a. any paid and accrued taxes, including income taxes and withholding taxes paid or accrued by an entity of the TCH Group from 1 January 2015 for the financial years 2015, 2016 and 2017;
 - b. any dividends paid by TCH above the 50% dividend payout ratio in accordance with the prevailing dividend and bonus policies; and
 - c. the present value of contracted revenue streams as at 31 December 2017, if not already included in the financial statements and not realised in cash.
2. The computation of profits or losses from the realisation of investments after 1 January 2015 shall be determined based on the original cost of the investments. Revaluation amounts of these investments previously included in the financial statements at time of computation shall be excluded in the determination of profits or net assets to ascertain the profits earned during the period from 1 January 2015 to 31 December 2017.
3. The TCH Shareholders' Funds shall be determined in accordance with Generally Accepted Accounting Principles in Singapore.
4. The auditors of TCL shall confirm the TCH Shareholders' Funds and that the adjustments to the TCH Shareholders' Funds are made in accordance with the above principles.

B. Lower Performance Hurdle

In the event the adjusted TCH Shareholders' Funds as confirmed by the auditors of TCL is less than A\$72 million but more than A\$68.4 million (the "**Lower Performance Hurdle**"), the board of TCL may in its absolute discretion determine the release of all or part of the Escrowed Shares (together with any dividends or other distributions attributable to such Escrowed Shares) to the Vendors.