



THAKRAL
CORPORATION LTD

SUSTAINABLE LIVING

ANNUAL REPORT 2016



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CORPORATE PROFILE

Listed on the SGX Mainboard since December 1995, Thakral Corporation Ltd has two divisions – Lifestyle Division and Investment Division.

The Group's Investment Division invests directly or with co-investors in real estate and other investment opportunities including property-backed financial instruments. The Group also earns income from the services rendered from the originating, packaging and managing of such projects. The Investment Division, through a joint venture, has expanded its businesses into development and management of retirement living resorts in Australia under the GemLife brand name.

The Group's Lifestyle Division has continued to re-focus on marketing and distributing brands in the beauty, wellness and lifestyle categories, working with leading ecommerce platforms as well as traditional retailers. The Lifestyle Division's partners include beauty and personal care device brands MTG Refa, Panasonic, Philips and Braun, skin care brands Canvas and Leaders, cosmetic brand Color Me, wellness brands MTG SIXPAD and Style Seat and lifestyle brands Apple, DJI and Skullcandy.

Greater China, including Hong Kong, Southeast Asia and India are key markets for the Lifestyle Division and Australia and Japan for the Investment Division.



CHAIRMAN'S STATEMENT



Natarajan Subramaniam

Independent Non-Executive Chairman

“The Group’s strategy to branch out into the retirement living sector will further provide stable and sustainable returns over the medium to long-term.”

Dear Shareholders,

Sustainable Living

I am pleased to report another profitable year for the Group.

We achieved a net profit of S\$3.4 million on a turnover of S\$214.9 million for the year ended December 31, 2016 (“FY2016”).

Sustaining a profitable track record aside, we also shared the gain with shareholders through the payment of an interim dividend of S\$0.02 per share on December 7, 2016. This was a dividend yield of 9.3% based on the prevailing share price of 21.5 cents on the payment date.

Staying resilient and ensuring positive returns on a sustainable basis remain the key tenets of our business longevity which saw the Group grow from strength to strength from a humble heritage that started as a family business in Southeast Asia more than 100 years ago! The global economy in the past year was indeed challenging and every business was affected by disruptions because of social as well as technological changes.



However, the Group continued to flourish by taking advantage of new found opportunities in the markets that we operate.

Gross profit increased by 37% to S\$45.2 million for FY2016 compared to S\$33.1 million the previous year with gross profit margin doubling to 21% from a year ago.

Operating profit rose almost six-fold to S\$17.7 million for FY2016 compared to S\$2.6 million the previous financial year.

Distribution expenses declined by 20% to S\$8.3 million for the year from S\$10.3 million the previous year mainly from a decrease in advertising and marketing spend. Administration expenses remained largely unchanged.

The positive results came from improvements in both our core business divisions. Both our core businesses undertook transformational measures to take advantage of changing trends in social demographics and consumption patterns to drive growth forward.

The Group's Investment Division reported revenue of S\$36.2 million, a growth of 51% over the previous financial year and its segment profit

increased by 72% to S\$27.2 million from S\$15.8 million in FY2015.

The Lifestyle Division reduced its losses and boosted gross margins. Segment losses shrank by 35% on a lower turnover of S\$178.6 million for the year compared to S\$307.3 million in the prior year.

Our Investment Division continues to invest directly or with co-investors in real estate projects and other related investment opportunities in Australia. It has expanded its business through a joint venture to develop and manage resort-style retirement homes under the GemLife brand name. This is expected to provide stable and sustainable returns for the Group as the demand for retirement housing is forecast to rise exponentially in the coming years in view of the rapidly aging population in Australia.

Meanwhile, the Lifestyle Division kept up its pace of transformation by refreshing its product strategy and portfolio – leveraging on new consumer demand for beauty and wellness products. These are two of the fastest growing market segments in China – where consumers are becoming more affluent and increasingly looking to enhance their lifestyle with beauty and wellness products.

CHAIRMAN'S STATEMENT

Financial Review

The Group's financial position remains healthy. Cash and bank balances remained stable at S\$29.8 million in the year ended December 31, 2016, against the balance of S\$29.6 million previously.

The Group saw a net cash inflow from operating activities of S\$4.0 million for FY2016 compared to an outflow of S\$5.0 million in the previous corresponding period.

Inventory fell to S\$18.9 million in FY2016 from S\$25.7 million a year ago as the Group continued to reduce its inventories.

Net Asset Value per share was maintained at 73.72 cents as at December 31, 2016 while the Group's earnings per share dipped to 0.32 cent in FY2016.

Corporate Social Responsibility and Sustainability

Corporate social responsibility and corporate governance are central to the Group's business philosophy. We have always believed that our corporate success and social well-being are interdependent and that the long-term success of any organisation is based on adopting economic, socio-cultural, and environmental practices which are aligned with global sustainability standards.

As a responsible corporation, we respect the interests of our stakeholders – our shareholders, employees, customers, suppliers, business partners and the wider community – and we actively seek out opportunities to contribute to the well-being of communities.

The Group continued its commitment towards supporting worthy social and community causes. It has donated air washers to 10 schools in Anhui province of China under Project Hope to provide cleaner air for school students and staff as well as sponsored scholarships to help needy students in Cambodia to further their education.



In our Investment Division in Australia, we continue to encourage our developer partners to meet all applicable green standards, obtain energy efficient and green ratings for developments where possible and to be sensitive to deliver designs and appropriate use of eco-friendly materials to minimise the environmental impact on the community where the developments are located.

Our GemLife resort-style retirement homes are designed to offer residents high quality liveable units that are both attractive and environmentally-friendly.

We have appointed a professional consultant to lead the Group in preparing its sustainability report to comply with Singapore Exchange's requirement and to improve the Group's efforts and contribution towards sustainability of environmental, social and governance issues.

Going Forward

Technological disruptions, geopolitical and social issues as well as currency gyrations will continue to impact businesses globally.

We are heartened that both the Group's key markets – China and Australia – are still enjoying positive growth although at a slower pace.

The Chinese economy, which grew by 6.7% in 2016, is expected to maintain steady growth of 6.5% according to the forecast by International Monetary Fund. In the first few months of 2017, factory activity had been picking up as consumer demand remains buoyant.

China's domestic consumer economy is set to flourish as retail sales of consumer goods are forecast to record double-digit growth of 10% in 2017 (FocusEconomics).

We see a lot of evidence that demand for wellness products will continue to accelerate. China's beauty market is also set to become the biggest in the world this year. With many foreign beauty, wellness and lifestyle brands seeking to expand in China, our solid and scalable relationships with leading channels and our growing recognition

as a partner of choice for these brands, we are confident that the Group will be well-placed to serve this rising demand.

The economy of our other key market – Australia, is forecast to grow by about 3% in 2017 and 2018 according to the Australia Government. In the property and housing market, we expect the housing prices to rise in gateway cities such as Sydney, albeit at a smaller pace than before, and remain resilient in our other key markets. The Group's strategy to branch out into the retirement living sector will further provide stable and sustainable returns over the medium to long-term.

In view of Australia's positive economic outlook, our Investment Division will work towards strengthening our presence in Australia especially in retirement resorts and at the same time scout for more opportunities in Japan, where we have invested in selected commercial properties in Osaka.

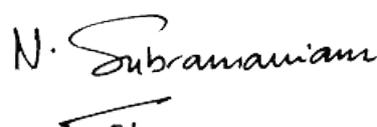
The Lifestyle Division will persevere with the continuing strategic transformation of its product portfolio towards more beauty and wellness products to cater to rising consumer demand in China. This division aims to return to profitability with firm steps to reduce costs and grow sales.

Acknowledgements

The Board wishes to thank all customers, suppliers, employees, bankers, business partners and shareholders for your sustained support of the Group.

With our strong management team and growth strategies in place, we are optimistic of delivering positive and sustainable returns to our shareholders.

We look forward to many more good years ahead.



Natarajan Subramaniam

Independent Non-Executive Chairman

MESSAGE FROM CHIEF EXECUTIVE OFFICER

2016 has been a very active and fruitful year as we saw significant improvement in both our core businesses.

Our Investment Division continued to lead the Group's growth with double-digit increases in turnover and profit. Our Lifestyle Division also made notable progress in our transition to higher margin beauty and wellness products to improve the bottom-line.

Investment Division

The Investment Division delivered a strong performance recording a revenue growth of 51% to S\$36.2 million compared to the previous financial year. Segment profit of S\$27.2 million was 72% higher compared to S\$15.8 million achieved in the previous year.

The better performance was a result of investment returns from additional projects compared to last year and the recognition of returns from ongoing projects, as well as the completion of the Vida, Portavilla and The Residences projects in Brisbane, Australia.

Australia

Australia presently remains the key focus for us. To date, we have invested and committed in excess of A\$300 million of capital into projects with an end value surpassing A\$2.4 billion. Return on investments are healthy ranging from 15-20%.

Our projects in Australia include residential and mixed use properties in key gateway cities such as Sydney, Melbourne and Brisbane.

To-date, the division has successfully completed 12 property projects, 6 more projects under construction and another 3 projects in the pipeline.

In the past year, this division took steps to diversify its real estate business in Australia with a focus on resort-style retirement living. Retirement housing has been identified as a

segment with high future growth potential as retirees and senior citizens seek affordable and comfortable retirement living. The over 65-year-old cohort is the fastest growing age group in Australia which bodes well with the "baby boomer" housing market being targeted by the Group for its resort-style retirement housing.

This will provide a new and stable revenue stream with sustainable returns over the longer term.

The division had launched its resort-style retirement housing brand "GemLife" late last year. GemLife resort-style retirement living is a joint venture with Living Gems, a reputed developer and operator of retirement homes in Australia. Two resort-style retirement communities – GemLife Bribie Island and GemLife Highfields – have been launched in Queensland, Australia.

GemLife has further contracted and taken options on various sites and will progressively develop more resorts to bolster its portfolio and profile in the retirement living segment.

Japan

Japan is another growth market for us.

Currently, we have projects and property investments in Osaka – with a carrying value of S\$18.7 million.

In the past year, the Group has expanded its portfolio of Japanese real estate through a new investment in the 105-room Hotel Oaks Reaze Tsukamoto in Osaka via our subsidiary, Thakral Japan Properties Pte Ltd. This investment is part of the Group's strategy to ride on the upward trend in the Japanese property sector. This had strengthened our Japanese investment portfolio, adding on to two previously acquired buildings – the Yotsubashi Nakano Building and the Dai-ichi Jyuken Yotsubashi Building now known as Yotsubashi East Building – in Osaka in November 2014.

Overall, the division has a number of projects scheduled for completion in Australia this year, all of which are in choice locations and at affordable rates. The retirement living sector in Australia continues to enjoy strong fundamentals, driven by the rapidly ageing population and the support of the capital markets and banking sectors. This trend has boosted investment volumes in aged care and retirement living assets from institutional investors and new players alike. GemLife, with its alliance with Living Gems, one of Australia's most well-known and respected operators in retirement housing, is well positioned to take advantage of the growth in this sector.

Lifestyle Division

Our Lifestyle Division made significant progress in its transformation which helped it reduce losses and drive value creation through new marketing channels and a new product portfolio.

The division cut losses by 35% and enhanced its gross margins. Sales were lower at S\$178.6 million for the year compared to S\$307.3 million in the prior year as it focused on selected higher-margin wellness, beauty and lifestyle brands as well as faced supply constraints for certain mobility products from Q3FY2016.

As a result of this strategic shift towards the more stable, higher-margin beauty, wellness and lifestyle products during the year as well as measures taken to contain costs, segment loss shrank to S\$6.6 million in FY2016 from S\$10.0 million in FY2015.

To tap new growth opportunities, this division also revamped its marketing and sales channels towards cooperation with leading e-commerce platforms such as Tmall, JD and Xiao Hong Shu ("Red"), and strengthening its presence in reputed upmarket beauty retailers such as Sephora.

Some of the more popular beauty and wellness brands which we distribute include MTG ReFa, Canvas, SIXPAD, Braun, Panasonic, Philips and Style.

The division will continue to scout for fresh innovative brands to return to profitability and make a positive contribution to the overall performance of the Group.

Forging Ahead

The Group has remained resilient and continued to forge ahead with growing our two core businesses by focusing on areas that will provide us steady and long-term sustainable growth

While there will be global economic uncertainty, there are still bright spots for growth ahead. China's economy is undergoing a significant structural transition. Though consumption growth is not as fast as it was during the boom years, consumption growth is still tracing a staggering trajectory and projected to expand to US\$6.5 trillion by 2020, according to the Boston Consulting Group. This consumption trend augurs well for the Lifestyle Division, which is poised to ride the consumer boom in the world's largest consumer market. In Australia, property prices have firmed in major cities, with price movement varying between regions and property types. The housing market in the sectors we operate remains relatively strong albeit price increases are expected to flatten in 2017. In addition to the retirement community projects, the division has a number of housing developments in its pipeline in which it shall continue to invest to maximise the use of our capital and enhance returns.

Going forward, we continue to remain cautiously optimistic of our prospects as we brave a challenging and volatile global economy.

Inderbethal Singh Thakral

Chief Executive Officer

INVESTMENT DIVISION

AUSTRALIA

Thakral Capital Australia Pty Ltd

Brisbane and Sydney, Australia

GemLife

Australia

Thakral Capital Holdings Pte Ltd

Singapore

The Group's Investment Division was set up to create a sustainable second revenue stream and contribute to positive shareholder value.

Thakral Capital Holdings Pte Ltd ("TCH"), the holding company of the Group's Investment Division was incorporated in 2009 and the TCH group started operations in Australia as TCAP in early 2011, originating, packaging and managing investments for the Group.

The Group's Investment Division through the TCH group has been the financial backer and investment partner for a slew of major apartment and townhouse developments in Australia since 2010, investing and committing in excess of A\$300 million of capital into projects with an end value surpassing A\$2.4 billion with returns for investments varying from 15-20 per cent. The Investment Division has to date successfully completed 12 projects with blue chip developers with another 9 projects in the pipeline, 6 of which are under construction.

Its most recent development is the establishment of a retirement living joint venture with the Puljich family. Leveraging on their 30 years of experience in building one of Australia's most well-known and respected brands in the resort style retirement homes sector to fund the future growth of the resorts under the GemLife brand name, of which two resorts totaling more than 600 homes to be built in Queensland have commenced construction. The Group's diversification into the retirement living segment is expected to provide sustainable returns in a growing sector that is less affected by movements in the core housing market.





Front row, from left to right: Mr Inderbethyl Singh Thakral, Mr Natarajan Subramaniam and Mr Kartar Singh Thakral
 Back row, from left to right: Mr Kevin Charles Barry, Mr Gregory John Piercy, Mr Victor Shkolnik, Mr Eu Lee Koon and Mr Rikhipal Singh Thakral



INVESTMENT DIVISION

AUSTRALIA

Current Projects



GemLife Resort-Style Retirement Projects
Highfields and Bribie Island



INVESTMENT DIVISION

AUSTRALIA

Current Projects



INVESTMENT DIVISION

JAPAN

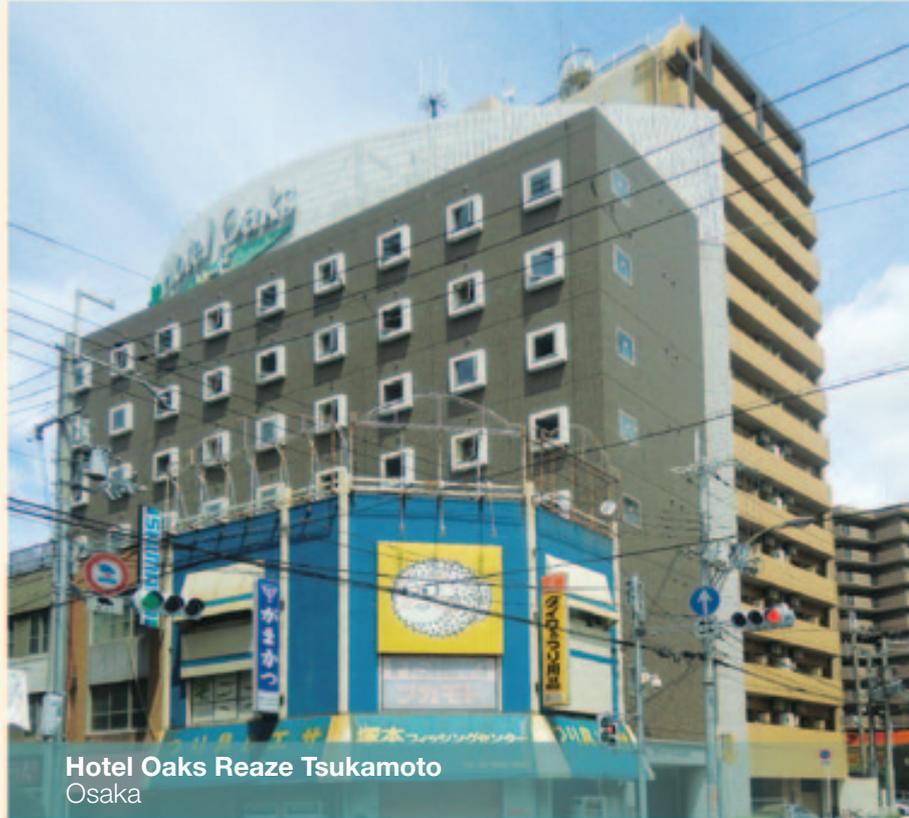
Thakral Japan Properties Pte Ltd Singapore

The Group's Investment Division had identified potential opportunities in Japan and moved to take advantage of the strong uptrend in Japan's real estate and low interest rates with a view to diversify its investment portfolio to include selected Japanese real estate properties.

With the continued low interest rate policy by Bank of Japan, increased building of infrastructure ahead of the 2020 Olympic Games, and Abenomics – real estate demand and prices are forecasted to continue to recover from the doldrums of the past decade.

The Group structured its investments into Japan through Thakral Japan Properties Pte Ltd ("TJP"), a pooled investment vehicle in which it holds about 50% interest.

To date, TJP has invested in two office buildings – Yotsubashi Nakano Building and Dai-ichi Jyuken Yotsubashi Building now known as Yotsubashi East Building in one of the prime commercial districts in Osaka, Japan's second largest city. In November 2016, it expanded its investment footprint in Osaka by investing in a 105-room business hotel property, the Hotel Oaks Reaze Tsukamoto.



Hotel Oaks Reaze Tsukamoto
Osaka



Yotsubashi East
Osaka



Yotsubashi Nakano
Osaka

LIFESTYLE DIVISION

Thakral China Ltd

Shanghai, PRC

Thakral Brothers Limited

Osaka, Japan

Thakral Corporation

(HK) Limited

Hong Kong

Singapore Sourcing & Technology Pvt Ltd

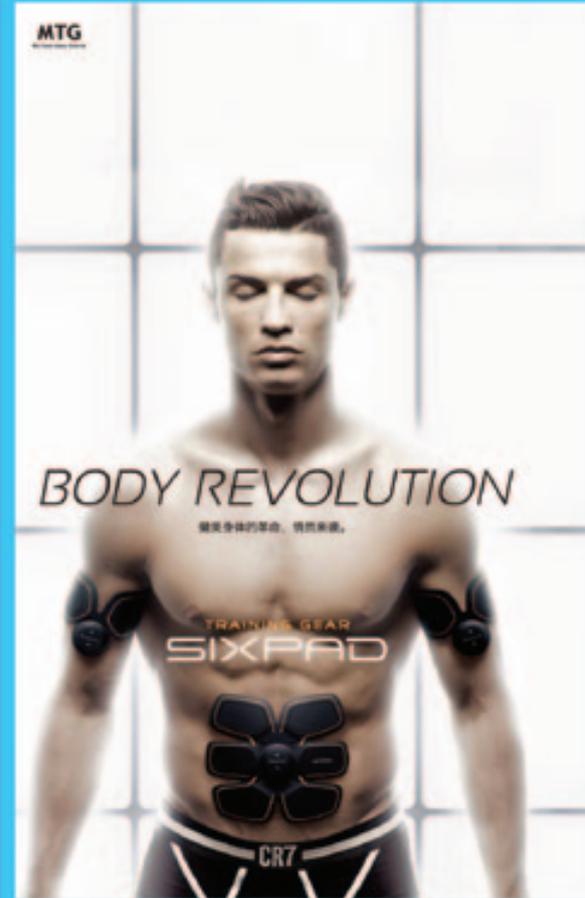
Noida, India

The Group's Lifestyle Division has continued to reposition itself with a focus on beauty, wellness and lifestyle categories. These categories display solid underlying growth as Asian consumers, enabled by rising incomes and exposure to new concepts, are looking to enhance their lives, including upgrading what, where and how they buy.

Creating a portfolio of brands with a unique and differentiated positioning in their respective markets, the Lifestyle Division's partners include beauty and personal care device brands MTG Refa, Panasonic, Philips and Braun, skin care brands Canvas and Leaders, cosmetic brand Color Me, wellness brands MTG SIXPAD and Style Seat and lifestyle brands Apple, DJI and Skullcandy. These brands are managed across a range of online and traditional retail channels by the Lifestyle Division's on-the-ground brand management, sales, marketing, in-house ecommerce and operational support team. The Lifestyle Division's geographic footprint is centered on Greater China and includes Hong Kong, India, Indonesia, the Philippines, Singapore and Thailand.

The Lifestyle Division also continues to support the sourcing needs of Greater China based wholesalers and retailers, including those engaged in cross-border ecommerce, bringing new brands and products from Asia, in particular Japan, Europe, as well as from other regions, to consumers.

In addition, the Lifestyle Division participates in the property development and home ownership markets in Canada, the US and India by supplying a broad range of high-quality, competitively-priced interior decoration solutions to developers, designers and contractors as well as consumers.



MTG

We have many dreams



ReFa



LIFESTYLE DIVISION

CANVAS 卡芬詩

Beautiful Skincare





BRAUN



PHILIPS



OMRON



CANVAS



Style



ReFo



SIXPAD

PHANTOM 4 PRO

VISIONARY INTELLIGENCE . ELEVATED IMAGINATION.



1-INCH CMOS



30-MINUTE
MAX. FLIGHT TIME



5-DIRECTIONS OF
OBSTACLE SENSING

OUR NETWORK



PRINCIPAL OFFICERS

THAKRAL CORPORATION LTD Singapore

Kartar Singh Thakral
Executive Director

Inderbethal Singh Thakral
Chief Executive Officer

Rikhipal Singh Thakral
Advisor to Investment Committee

Anil Moolchand Daryanani
Chief Financial Officer

Torsten Stocker
Chief Operating Officer, Lifestyle Division

Vivian But (Ms)
Deputy Financial Controller (Corporate)

Patrick Lau
Asst Financial Controller (Corporate)

INVESTMENT DIVISION

THAKRAL CAPITAL HOLDINGS PTE LTD Singapore

THAKRAL CAPITAL AUSTRALIA PTY LTD Brisbane & Sydney, Australia

Natarajan Subramaniam
Non-Executive Chairman & Director

Inderbethal Singh Thakral
Executive Director

Kevin Charles Barry
Joint Managing Director

Greggory John Piercy
Joint Managing Director

Victor Shkolnik
Executive Director

Eu Lee Koon
Non-Executive Director

THAKRAL JAPAN PROPERTIES PTE LTD Singapore

Inderbethal Singh Thakral
Executive Director

Rikhipal Singh Thakral
Non-Executive Director

Bikramjit Singh Thakral
Non-Executive Director

LIFESTYLE DIVISION

THAKRAL BROTHERS LIMITED Osaka, Japan

Kuldip Singh Thakral
Chairman

Sueko Takahashi (Ms)
General Manager & Chief Financial Officer

Deepak Shrestha
Sales Manager

THAKRAL CHINA LTD Shanghai, People's Republic of China (PRC)

Inderbethal Singh Thakral
Chief Executive Officer

Gan Liang
Senior Vice President

Indergopal Singh Thakral
General Manager

Satbir Singh Thakral
Marketing Director

Joey Chan (Ms)
General Manager – Brand Portfolio

Sean Qiu
Financial Controller

Sam Zhang
General Manager – Trading

THAKRAL CORPORATION (HK) LIMITED Hong Kong

Kanwaljeet Singh Dhillon
Managing Director

Pessumal Motwani
Senior Vice President - Sales & Marketing

Sophie Doo (Ms)
Financial Controller

Sachin Pradhan
Senior Manager - Business Development

SINGAPORE SOURCING & TECHNOLOGY PVT LTD Noida, India

Gurmeet Singh
Senior Vice President

Dixit Bhatia
General Manager

FINANCIAL HIGHLIGHTS

| | FY14 | FY15 | FY16 |
|---|---------|-------|-------|
| Revenue (S\$ Million) | 499.9 | 331.3 | 214.9 |
| Net Profit (S\$ Million)# | 0.84 | 8.63 | 3.44 |
| Earnings (Loss) Per Share (cents)# | (0.09)* | 4.65 | 0.32 |
| Net Asset Value (cents) | 74.71* | 73.57 | 73.72 |

Includes net unrealised valuations gains/losses on investment properties.

* Adjusted for the consolidation of 20 ordinary shares for 1 ordinary share completed on May 11, 2015 - for comparison purpose only.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive:

Kartar Singh Thakral
Inderbethal Singh Thakral

Non-Executive:

Natarajan Subramaniam (*Chairman*) *Independent*

Lee Ying Cheun *Independent*

Dileep Nair *Independent*

Bikramjit Singh Thakral
(Alternate to Kartar Singh Thakral)

AUDIT COMMITTEE

Natarajan Subramaniam (*Chairman*)

Lee Ying Cheun

Dileep Nair

NOMINATION COMMITTEE

Lee Ying Cheun (*Chairman*)

Natarajan Subramaniam

Kartar Singh Thakral

(Alternate: Bikramjit Singh Thakral)

COMPENSATION COMMITTEE

Natarajan Subramaniam (*Chairman*)

Lee Ying Cheun

Dileep Nair

INVESTMENT COMMITTEE

Natarajan Subramaniam (*Chairman*)

Kartar Singh Thakral

(Alternate: Bikramjit Singh Thakral)

Inderbethal Singh Thakral

COMPANY SECRETARIES

Chan Wan Mei

Chan Lai Yin

INVESTOR RELATIONS AGENT

Stratagem Consultant Pte. Ltd.

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Singapore 079903

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Fax: (65) 6227 5663

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#03-06 The Riverwalk

Singapore 058416

Tel: (65) 6336 8966

Fax: (65) 6336 7225

E-mail: enquiries@thakralcorp.com.sg

Website: www.thakralcorp.com

SHARE REGISTRAR

RHT Corporate Advisory Pte. Ltd.

9 Raffles Place

#29-01 Republic Plaza Tower 1

Tel: (65) 6381 6888

Fax: (65) 6381 6899

AUDITORS

Deloitte & Touche LLP

Public Accountants

and Chartered Accountants

6 Shenton Way

#33-00 OUE Downtown 2

Singapore 068809

AUDIT PARTNER-IN-CHARGE

John Tan Hon Chye

Date of Appointment: 26 April 2012

PRINCIPAL BANKERS

Bank of Communications Co., Ltd.

China and Hong Kong

Bank of Ningbo

China

China Merchants Bank Co., Ltd.

China

Shanghai Rural Commercial Bank Co., Ltd.

China

United Overseas Bank Limited

Singapore, Hong Kong and China

Westpac Banking Corporation

Australia

BOARD OF DIRECTORS



Front row, from left to right: Mr Inderbethal Singh Thakral, Mr Natarajan Subramaniam and Mr Kartar Singh Thakral
Back row, from left to right: Mr Lee Ying Cheun, Mr Bikramjit Singh Thakral and Mr Dileep Nair

Natarajan Subramaniam, Age 78

Independent Non-Executive Chairman and Director

Mr Natarajan Subramaniam is the Non-Executive Chairman of the Board and a Non-Executive Director of the Company. Prior to the appointment of Non-Executive Chairman, he was the Deputy Chairman of the Board. Mr Subramaniam was first appointed a Director on 15 November 1995 and was last re-appointed on 29 April 2016. He is also Chairman of the Audit, Compensation and Investment Committees and a member of the Nomination Committee of the Company. The Nomination Committee and the Board, after comprehensive review and taking into consideration the views of a special committee of the Board formed to evaluate the true independence of long serving directors as set out in the Company's Corporate Governance Report, consider Mr Subramaniam to be an independent director.

Mr Subramaniam began his accounting career in 1965 as a trainee with Blackburn Mellstrom & Co, London and subsequently with Ernst & Young, London. He joined Ernst & Young, Singapore in January 1971 and was appointed partner in July 1976, a position he held till retirement in December 1993. Mr Subramaniam continued as an associate of the firm from January 1994 until December 2003. His major areas of experience include audit, investigations, IPOs, mergers and acquisitions. He was for a number of years a member of the Accounting Standards Committee of the Institute of Certified Public Accountants of Singapore (now known as the Institute of Singapore Chartered Accountants) and a member of the Accounting and Auditing Standards, Quality Control and Professional Development Committees of Ernst & Young International.

Mr Subramaniam is the Non-Executive Chairman of the Company's principal subsidiary, Thakral Capital Holdings Pte Ltd, a Director of AWWA Ltd and a Fellow of the Institute of Chartered Accountants in England and Wales, the Institute of Singapore Chartered Accountants and the Singapore Institute of Directors. He holds a Bachelor of Arts Degree from the University of Malaya in Singapore.

Kartar Singh Thakral, Age 83

Executive Director

Mr Kartar Singh Thakral is an Executive Director of the Company and was the Executive Chairman since the Company's listing until 31 December 2011. He was first appointed a Director since the incorporation of the Company on 7 October 1993 and was last re-appointed on 29 April 2016. He is a member of the Nomination and Investment Committees of the Company.

In addition, Mr Thakral is the Chairman of the Thakral Family Companies. He joined the family trading business in 1949. He was a director of the Singapore Trade Development Board appointed by the Minister for Trade and Industry for a period of four years until 31 December 1998, the Joint Chairman and Non-Executive Director of Australia listed Thakral Holdings Limited and a Non-Executive Director of India listed GIVO Limited till 22 October 2012 and 31 March 2009 respectively. He was also a member of the Committee to Promote Enterprise Overseas and a member of the Regional Business Forum, both appointed by the Singapore Government; and was a trustee of Singapore Indian Development Association from 1991 till 31 December 2006. He was awarded the Singapore Australian Business Council President's Medal in 1998 for significant contribution to the Australian Singapore business community. He had been awarded Business Man of the Year 1995.

He is a Founder Trustee of Nishan-E-Sikhi Charitable Trust, India, a trustee of the Singapore Sikh Education Foundation and Sri Guru Nanak Sat Sang Sabha and a patron of Singapore Khalsa Association, Singapore Sikh Welfare Council and Central Sikh Gurdwara Board.

BOARD OF DIRECTORS

Inderbethal Singh Thakral, Age 57

Executive Director and Chief Executive Officer

Mr Inderbethal Singh Thakral (“Mr Bethal”) is the Chief Executive Officer and an Executive Director of the Group. He was first appointed a Director on 12 August 1994 and was last re-elected on 29 April 2016. He is a member of the Investment Committee of the Company.

Mr Bethal is responsible for the Group’s Lifestyle business as well as for the Group’s Investment Division which will continue to look to grow its portfolio of investment in Australia and Japan. This includes development of GemLife resorts under GTH Resorts joint venture in Australia and a portfolio of 3 properties in Japan, including the recently acquired Hotel Oaks Reaze Tsukamoto in Osaka, Japan.

Mr Bethal has extensive experience in the distribution business and headed the Group’s operations in Hong Kong and China since 1984. He was instrumental in listing the Group back in 1995.

Mr Bethal is a Director of the Company’s principal subsidiary, Thakral Capital Holdings Pte Ltd and the Chairman of a charity organization, Sahib Sri Guru Gobind Singh Ji Education Trust, Hong Kong.

Lee Ying Cheun, Age 75

Independent Non-Executive Director

Mr Lee Ying Cheun is a Non-Executive Director of the Company. He was first appointed a Director on 15 November 1995 and was last re-appointed on 29 April 2016. Mr Lee is the Chairman of the Nomination Committee and a member of the Audit and Compensation Committees of the Company. The Nomination Committee and the Board, after comprehensive review and taking into consideration the views of a special committee of the Board formed to evaluate the true independence of long serving directors as set out in the Company’s Corporate Governance Report, consider Mr Lee to be an independent director.

Mr Lee held various appointments in the Economic Development Board and the Trade Development Board from 1966 to 1994. Thereafter, Mr Lee had held executive and non-executive positions in various private and public companies in Singapore, Hong Kong, China, USA and Australia. In foreign service, Mr Lee was Singapore’s Non-Resident Ambassador to Brazil, Panama and Mexico; and, Consul-General to Osaka and Trade Representative to China. In community service, he is a patron to the Toa Payoh East Citizens’ Consultative Committee.

Mr Lee is the Alternate Director to Mr Natarajan Subramaniam on the Board of the Company’s principal subsidiary, Thakral Capital Holdings Pte Ltd and sits on the Board of Company’s subsidiary, TCAP Pte Ltd. He is also the Corporate Investment Adviser to Bu Chang Pharmaceuticals Group, China.

Mr Lee holds degrees in Bachelor of Science and Bachelor of Science with Honours (Applied Chemistry) from the University of Singapore and had completed programs in Operations Research (University of Birmingham), Training Methodologies (Turin), Management of Small/Medium Size Enterprises (Osaka) and Advanced Management Programs at INSEAD and Harvard. He is an Honorary Fellow of the All India Management Association.

Dileep Nair, Age 66

Independent Non-Executive Director

Mr Dileep Nair is a Non-Executive Director of the Company. He was first appointed a Director on 2 January 2015 and was last re-elected on 29 April 2015. Mr Nair is a member of the Audit Committee and Compensation Committee of the Company. The Board, after due review and taking into consideration the views of the Company's Nomination Committee, considers Mr Nair to be an independent director.

Mr Nair has more than 30 years of experience in governance and public service. His experience includes both stints in the Singapore Government civil service and the United Nations secretariat. He was with the Ministry of Foreign Affairs serving as the High Commissioner to the Republic of Ghana from 2013 to 2016. Prior to that, Mr Nair was the Ambassador to the Lao People's Democratic Republic from 2011 to 2013 and the Consul-General to the Emirate of Dubai from 2006 to 2010. He was the Under-Secretary-General for Internal Oversight Services at the United Nations from 2000 to 2005.

Mr Nair is an Independent Director and a member of the Audit and Risk Committee of Keppel DC REIT Management Pte. Ltd., the Manager of Singapore listed Keppel DC REIT, an Independent Director and Chairman of the Audit Committee of Singapore listed Singapore Reinsurance Corporation Limited and a Director of Agri-Food & Veterinary Authority of Singapore. He is also a part-time lecturer at the Singapore Management University and the Civil Service College of Singapore.

Mr Nair was awarded the Public Service Medal (Silver) in 1994 by the Singapore Government and the Friendship Medal in 2013 by the Government of Laos. He holds a Bachelor of Engineering from McGill University and a Master in Public Administration from Harvard University.

Bikramjit Singh Thakral, Age 41

(Alternate to Kartar Singh Thakral)

Mr Bikramjit Singh Thakral ("Bikram") is an Alternate Director to Executive Director, Mr Kartar Singh Thakral. He was first appointed on 5 July 2013.

Bikram is the Chief Executive Officer and a Director of Thakral One Pte Ltd, a Thakral family owned technology consulting and services company headquartered in Singapore with operations across Asia Pacific. Thakral One is primarily focused on providing solutions and advisory around core banking applications, business analytics and technology risk management. Prior to joining the Thakral Group of Companies, Bikram was a strategy consultant at a leading management consulting firm headquartered in Boston, Massachusetts, where he focused on corporate and consumer strategy. He also consulted with various public sector organizations in Asia in the areas of sector competitiveness and public policy.

Bikram is a Non-Executive Director of India listed Thakral Services (India) Ltd. He holds a Bachelor of Business Administration (Honours) from the National University of Singapore and has attended executive education at Harvard Business School.

KEY PERSONNEL

Rikhipal Singh Thakral

Ph.D in Humanity (Hon)

Advisor to Investment Committee

Mr Rikhipal Singh Thakral (“Rikhi”) was appointed to be an Advisor to the Investment Committee of the Company on 1 March 2017. He is also a Non-Executive Director of the Company’s subsidiaries, Thakral Japan Properties Pte Ltd and Thakral Lifestyle Pte Ltd.

Rikhi joined the Thakral family business in 1979 at the age of 17 and holds an Executive Director position in the Thakral Family Group of companies (the “Family Group”). Rikhi started the TIMEPIECES business for the Family Group in 1983 which holds distribution rights of Omega, Zenith, Breitling, Rado, Mont Blanc, Seiko, Bergeon brands for Indo-China.

Mandated by the Chairman of the Family Group, Rikhi currently oversees its property division and is jointly responsible for the development and management of the Family Group’s real estate portfolio in Australia, Japan and Singapore. Years of exposure to businesses in Bangkok, Japan and Nigeria early in his career provided him with a broad outlook and understanding of how business is carried out in a variety of countries and situations.

Rikhi was an Alternate Director to the Chairman of Australia listed Thakral Holdings Ltd (“THL”) from 1994 to 1996 and was appointed as its Non-Executive Director from 1996 to 2012. As a member of the Investment, Audit and Remuneration Committees of THL, he actively participated in the development of THL, during its growth period. THL’s assets exceeded a billion dollars when he stepped down as a Director when it was privatised in 2012.

Rikhi has been conferred Honorary Doctorate in Humanity by University of Cambodia as well as Vietnam National University for his significant humanitarian work in Indo-China.

Anil Moolchand Daryanani

Chief Financial Officer

Mr Anil Moolchand Daryanani is the Chief Financial Officer (“CFO”) and has overall responsibility for the financial functions at the Group including reporting, risk management, internal controls, financial planning, treasury and taxation with additional responsibilities for the legal and corporate secretarial functions. Prior to his appointment as CFO, Anil was the Group Financial Controller. He is a Fellow of the Association of Chartered Certified Accountants (ACCA) and the Hong Kong Institute of Certified Public Accountants as well as an Associate of the Institute of Chartered Accountants in England and Wales.

Anil joined the Group in 1982 and has more than 30 years of experience in financial management, taxation, accounting, legal and corporate financial matters. He has played key roles in the major corporate exercises undertaken by the Group right from and including the listing of the Group in 1995 on the main board of the Stock Exchange of Singapore. He works closely with the Group’s banks and financial, tax and legal advisers in Hong Kong and Singapore.

Kanwaljeet Singh Dhillon

Managing Director

Thakral Corporation (HK) Limited

Mr Kanwaljeet Singh Dhillon is the Managing Director of Thakral Corporation (HK) Limited, and is responsible for a key part of the Group’s sales and marketing operations. He joined the Group in 1977 and has more than 35 years of experience in consumer electronics trading and distribution. His mastery of the Chinese market has been a strong enabler for the Group’s growth in Hong Kong and China and he has contributed strongly to the growth in overall sales of the Group since its listing. Kanwaljeet graduated with a Bachelor of Commerce Degree from Punjab University, India.

Torsten Stocker

Chief Operating Officer, Lifestyle Division

Mr Torsten Stocker is the Chief Operating Officer, Lifestyle Division of the Group. Based in Hong Kong and China, his responsibilities include strategy and new business development, including identifying beauty, wellness and lifestyle brands for distribution and exploring business model expansion opportunities. He also oversees recruiting and people development and leads operational improvement initiatives across the business.

Based in Asia since 1996, Torsten was previously a partner at global management consultancies A.T. Kearney and Monitor Group. He holds a Bachelor of Arts from Mannheim Cooperative State University and a MBA from Aston Business School, Aston University.

Kevin Charles Barry

Joint Managing Director
Thakral Capital Australia Pty Ltd

Mr Kevin Charles Barry is the Joint Managing Director of the Company's principal subsidiary, Thakral Capital Australia Pty Ltd. He is responsible for managing the day to day affairs of the Group's Investment Division.

Kevin has over 20 years of experience in the investment banking, commercial finance and legal markets. He started initially as a finance lawyer in Sydney with KPMG and Blake Dawson Waldron, and then in London with Norton Rose. He moved to investment banking in 2001 at Zurich Capital Markets Asia where he was Senior Vice President responsible for the structuring and execution of their principal finance business, including the funding of commercial and residential loan portfolios.

Kevin was an Executive Director of the CHOPIN structured finance business that originated fixed income products across a number of different asset classes, including mezzanine property finance, lease and trade receivables and investment loans. Prior to joining the Group's Investment Division, he was involved in setting up the credit strategies funds management business at Pengana Capital Limited.

He is the Non-Executive Chairman of ASX listed ICSGlobal Limited and a Director of the Company's Singapore subsidiaries, Thakral Capital Holdings Pte Ltd and TCAP Pte Ltd as well as a number of investment subsidiaries and joint venture entities of the Group in Australia. Kevin graduated with a Bachelor of Commerce and Laws from the University of New South Wales and is a solicitor in New South Wales.

Greggory John Piercy

Joint Managing Director
Thakral Capital Australia Pty Ltd

Mr Greggory John Piercy ("Gregg") is the Joint Managing Director of the Company's principal subsidiary, Thakral Capital Australia Pty Ltd. His responsibilities include business development, strategy, origination, fund raising, risk management and overseeing the financial modelling of investment projects.

Gregg has more than 30 years of experience in financial markets, banking and real estate investment with a number of major banks, including ANZ Capital Markets, Lloyds and Societe Generale Australia where he was engaged in developing products and trading in derivatives, fixed interest products and asset swap markets.

In 1998, Gregg moved to Singapore and with his partners, established Presidio Capital, a successful debt and derivatives broking business where he was involved in the development of high yield, distressed and mezzanine debt products on behalf of investment funds and principal finance groups across Asia. In 2005, he was a founding partner of Asia Equity Partners Pte Ltd and assisted in the establishment of the successful US\$100 million Injaz Asia Equity Property Fund which invested in 3 office buildings in Singapore and Kuala Lumpur, Malaysia and generated investor returns in excess of 30% IRR.

Gregg was Chief Executive Officer of Heritage Capital in Singapore prior to joining the Group's Investment Division. He is a Director of the Company's Singapore subsidiaries, Thakral Capital Holdings Pte Ltd and TCAP Pte Ltd as well as a number of investment subsidiaries and joint venture entities of the Group in Australia.

KEY PERSONNEL

Victor Shkolnik

Executive Director
Thakral Capital Australia Pty Ltd

Mr Victor Shkolnik is an Executive Director of the Company's principal subsidiary, Thakral Capital Australia Pty Ltd. His responsibilities include risk management, execution of investment opportunities, project due diligence and oversight, corporate and funds management.

Victor has over 30 years of experience in the finance industry, specializing in credit risk management and property financing. He has held a variety of roles, amongst them a Director and Senior Vice President respectively in the risk management divisions of Deutsche Bank AG and Bankers Trust Australia, Head of Credit with Zurich Capital Markets Asia and Chief Credit Officer with the Challenger Group.

Victor had been a director of a property development company in Sydney which had undertaken projects in excess of A\$300 million, a co-founder of a wholesale mortgage company with assets in excess of A\$1.2 billion and was involved in setting up the credit strategies funds management business at Pengana Capital Limited. He is a Non-Executive Director of ASX listed ICSGlobal Limited, a Director and Alternate Director of the Company's Singapore subsidiaries, TCAP Pte Ltd and Thakral Capital Holdings Pte Ltd respectively as well as a Director of a number of investment subsidiaries and joint venture entities of the Group in Australia. He holds a Bachelor of Economics from Sydney University and is a Fellow of the Financial Services Institute of Australasia and CPA Australia.

Eu Lee Koon

Non-Executive Director
Thakral Capital Holdings Pte Ltd

Mr Eu Lee Koon is a Non-Executive Director of the Company's principal subsidiary, Thakral Capital Holdings Pte Ltd ("TCH"). He was appointed on 1 February 2016.

Mr Eu was from January 2012 to July 2014, the Chief Executive Officer of Sharjah Asset Management LLC, the investment holding company of the Government of Sharjah in the UAE where he was responsible for identifying strategic investments as well as managing all investment activities. Prior to that, he was the Director of Investments at the finance department of the Government of Sharjah from July 2008 to December 2011. He has also held senior and executive positions in GIC Special Investments Private Limited, Myanmar Capital Management Pte Ltd, AIA-Walden Management Pte Ltd, Singapore Aerospace Ltd and the Ministry of Defence, Singapore. He is an Independent Non-Executive Director of Singapore listed Atlantic Navigation Holdings (Singapore) Limited.

Mr Eu graduated with a Bachelor of Engineering from the National University of Singapore and holds a Master of Business Administration from the same university.

CORPORATE GOVERNANCE REPORT

The Company is committed to enhancing shareholder value through good corporate governance. This report describes the corporate governance framework and practices of the Company, reflecting the need to balance enterprise and accountability. The Board of Directors is pleased to report that the Company has generally complied with the 2012 Code of Corporate Governance (the “Code”) except where otherwise stated.

BOARD MATTERS

Principle 1: The Board’s Conduct of its Affairs

The Board assumes responsibility for stewardship of the Group and is collectively responsible for the Group’s long-term success. It provides corporate directions, ensures financial and human resources are adequate to meet its objectives, has established a framework of prudent and effective controls which enables risks to be assessed and managed, reviews management performance, and promotes best practice in corporate governance.

The Company has established an extensive list of matters that requires Board approval. The list was last reviewed and updated by the Board during its November 2016 meeting. The latest list covers matters relating to:

- appointment of Chairman, Directors, Managing Director(s)/Chief Executive Officer (“CEO”), Senior Executive Officers, Company Secretary/Chief Financial Officer/Group Internal Auditor and External Auditors;
- appointment of Board Committees and approving their terms of reference;
- appointment of and changes to directors of the Company’s subsidiaries and associated companies (i) with net assets of at least S\$10 million in consultation with the Nomination Committee and (ii) in consultation with the Compensation Committee where appointee is not a Director of the Company and whose annual remuneration is likely to be in excess of S\$150,000.
- appointment of and changes to the Company’s representation on the board of investments (other than subsidiaries and associated companies) with net assets of at least S\$10 million on recommendation of the Company’s CEO.
- appointment of and changes to legal representative(s) (or person(s) of equivalent authority) to the Company and/or any of its principal subsidiaries where such appointment/designation would have powers to represent, exercise rights on behalf of, and enter into binding obligations on behalf of the Company or that principal subsidiary;
- appointment of and changes to independent directors of the Company who are on the boards of the Company’s local and overseas principal subsidiaries;
- announcements to the SGX-ST including approval and release of quarterly and annual financial results and annual reports;
- business strategy and operating budgets;
- related party transaction matters;
- incorporation, acquisition, disposal and liquidation of subsidiaries and associates;
- investments, capital projects and transactions outside the ordinary course of business above S\$12 million (for those below S\$12 million, authority for approval has been given to the Investment Committee);
- treasury policies including foreign currency and interest rate exposure;
- corporate policies in keeping with good corporate governance and business practice;
- establishment and monitoring of a robust and effective system of internal controls that address financial, operational and compliance and information technology risks;
- disclosure of directors’ interests and loan agreements which make reference to control or controlling shareholders’ interest including obtaining an undertaking from controlling shareholder to provide notification when share pledging arrangements are entered into such that the details of the pledge can be disclosed by the Company;

CORPORATE GOVERNANCE REPORT

- prospectus and new issue documents;
- allotment, call and forfeiture of shares, transfer of securities during a trading suspension which requires approval from SGX, dividend distribution, raising new capital and confirming major financial facilities; and
- political donations of any amount and charitable donations exceeding S\$10,000.

To optimise operational efficiency, the Board delegates its authority for matters other than those set out in the above list to Board Committees. These Board Committees are the Audit Committee, Compensation Committee, Nomination Committee and Investment Committee. Delegations to Board Committees are disclosed in the relevant Board Committee sections. Management is accountable to the Board. In addition, the Board establishes special purpose committees from time to time to deal with specific matters as required. Delegations assigned to Management have been set out in accordance with a Management Authority Matrix approved by the Board.

The Board meets regularly, at least four times a year, and whenever necessary for the discharge of its duties. The Articles of Constitution of the Company provide for meetings of directors to be conducted by means of a telephone conference, videoconferencing, audio visual, or other similar communication equipment.

Details of the directors' attendance at each Board and Committee meetings during the financial year ended 31 December 2016 (the "Financial Year" or "FY2016") are as follows:

| Director | Board | Audit Committee | Compensation Committee | Nomination Committee | Investment Committee |
|--|----------|-----------------|------------------------|----------------------|----------------------|
| No. of Meetings held | 4 | 4 | 2 | 1 | 3 |
| Natarajan Subramaniam | 4/4 | 4/4 | 2/2 | 1/1 | 3/3 |
| Kartar Singh Thakral (Alternate: Bikramjit Singh Thakral) | 4/4 | NA | NA | 1/1 | 3/3 |
| Inderbethal Singh Thakral | 4/4 | NA | NA | NA | 3/3 |
| Lee Ying Cheun | 4/4 | 4/4 | 2/2 | 1/1 | NA |
| Dileep Nair | 4/4 | 4/4 | 2/2 | NA | NA |

* Mr. Jaginder Singh Pasricha passed away on 16 January 2016 before any meeting in 2016 was held.

Independent directors and non-executive directors met separately on a number of occasions without Management's presence to discuss matters which arose during the financial year.

The Company has an established policy for new Board members to be briefed by the Chairman. Orientation is required for a new member of the Board to ensure that all incoming directors are familiar with the Group's business activities, strategic directions and policies, key business risks, corporate governance practices as well as their statutory responsibilities as a director. All directors have been provided with a formal letter setting out their duties and obligations with information on the role and responsibilities of non-executive directors, expected time commitment from directors and other relevant matters.

Directors are encouraged to participate in relevant training programmes. From time to time, the Company disseminates information to Board members for their selection on appropriate seminars/workshops, in particular changes to listing and company regulations, corporate governance practices, financial reporting standard changes, risk management, conducted by the Singapore Institute of Directors, SGX, Institute of Singapore Chartered Accountants and other established bodies. The Company funds all relevant training programmes for Board members. The Chairman and an Independent Director have attended relevant training programmes during the Financial Year. The Chairman and other non-executive directors have visited the Group's overseas offices to review operations and provide strategic guidance.

The Investment Committee was established to assist the Board in reviewing and approving or making recommendations to the Board on any proposed investments up to S\$12 million. Members of the Investment Committee are:

| | |
|--|------------|
| Mr Natarajan Subramaniam | (Chairman) |
| Mr Kartar Singh Thakral (Alternate: Mr Bikramjit Singh Thakral) | (Member) |
| Mr Inderbethal Singh Thakral | (Member) |

CORPORATE GOVERNANCE REPORT

The Investment Committee has written Terms of Reference that describe the responsibilities of its members. Its terms of reference were last reviewed by the Board in November 2016. The role of the Investment Committee is as follows:

- to review and approve investment proposals by the Company and/or its subsidiaries for amounts up to S\$12 million for a single transaction or series of transactions relating to the same subject matter where the total investment does not exceed S\$12 million;
- to review and recommend to the Board for approval investment proposals exceeding S\$12 million. For the avoidance of doubt, the Investment Committee may at its discretion refer any investment proposal, not exceeding S\$12 million to the Board for review and approval;
- to review and approve changes and variations to the terms of investments by the Company and/or its subsidiaries which have previously been approved by the Committee or the Board. The Investment Committee may at its discretion refer any variations to the terms of investments previously approved by the Board or the Investment Committee to the Board;
- to recommend to the Board any appropriate extensions or changes in the role and powers of the Committee;
- to retain such professional consultancy firm as the Committee may deem necessary to enable it to discharge its duties herein satisfactorily; and
- to carry out such other duties as may be agreed by the Committee and the Board.

Principle 2: Board Composition and Guidance

The Board currently consists of five directors of whom two are executive and three are independent and non-executive. The Company considers directors with one or more relationships as set out in the Code and directors associated with substantial shareholders as non-independent. Among the said relationships under the Code are the relationships with the Company, its related corporation, its shareholders who hold 10% or more of the equity of the company or its officers who could interfere, or be reasonably perceived to interfere, with the independent director's judgement. Board members possess a range of core competencies in accounting, finance, business management, industry and market knowledge that provide effective direction for the Group. Representations from its controlling shareholder coupled with the independent element on the Board – comprising business leaders and professionals with a diversity of knowledge and experience – enables objective exercise of commercial judgment and provides appropriate checks and balances on Management's decisions. The Board has reviewed its size, having regard to the scope and nature of the operations of the Company. Considering the nature of the Group's core businesses, the Board is satisfied that the size of the Board is reasonable. The Board is also satisfied that the directors are fully qualified to carry out their responsibilities and bring the required experience to the Board to provide the Group the direction required. The Board will continue to review its size and skill set on a regular basis.

The Board also welcomes gender diversity but takes the view that Board appointments should be based on merit, suitability and availability rather than gender alone.

Non-executive directors continue to constructively challenge and help develop the strategy for business operations and review the performance of Management. To facilitate a more effective check on Management, non-executive directors are also encouraged to meet and do so regularly without Management's presence. Non-executive directors also meet with Management and visit overseas offices regularly to gain a better understanding of the pressures and opportunities faced by the Group and to provide support and direction.

The independence of each director is assessed by the Company's Nomination Committee with reference to the guidelines set out in the Code. In assessing the independence of the directors, the Nomination Committee has reviewed the various relationships and circumstances set out under the Code which may render a director to be non-independent. After due review, the Nomination Committee considers Mr Dileep Nair to be an independent director of the Company.

For the purpose of evaluating the true independence of directors who have served beyond nine years from the date of their first appointment, a special committee of the Board was formed in 2012 to set out the criteria for the basis for the evaluation. A special committee comprising Mr Kartar Singh Thakral ("Mr Kartar") and Mr Nair and in consultation of Mr Inderbethyl Singh Thakral have undertaken the review of independence of the Independent Non-Executive Chairman and Director, Mr Natarajan Subramaniam and Independent Non-Executive Director, Mr Lee Ying Cheun. The evaluation criteria included reviewing past records and performance as well as level of commitment to determine whether such directors

CORPORATE GOVERNANCE REPORT

have acted, and are likely to continue to act, in the best interests of the shareholders in an independent manner despite their long tenure. Using these criteria as a basis for its decision, the special committee conducts a rigorous evaluation annually on non-executive long serving directors to determine their independence. The special committee had, after their annual evaluation, opined that Mr Subramaniam and Mr Lee have each continued to demonstrate independence in character and judgement in deliberations of the Board and at Board Committee level, constantly challenge in a rigorous and constructive manner the proposals supported by Management and major shareholder and have always seen to act in the best interests of the Company in discharging their director's duties despite their long tenure. The special committee had therefore recommended to the Nomination Committee and the Board that both Mr Subramaniam and Mr Lee continue to be independent though they have been directors for more than nine years. The Nomination Committee and the Board, after due review, consider both Mr Subramaniam and Mr Lee as independent directors.

Principle 3: Chairman and Chief Executive Officer

Mr Natarajan Subramaniam, Chairman of the Board, is an independent non-executive director. He leads the Board to ensure its effectiveness on all aspect of the Board's roles, is responsible for exercising control over quantity, quality and timeliness of the flow of information between the Management of the Company and the Board, encouraging constructive relations within the Board and between the Board and Management and ensuring effective communications with shareholders and compliance with the Group's guidelines on corporate governance.

Mr Inderbethyl Singh Thakral, Chief Executive Officer of the Group, is responsible for leading the Group's Lifestyle business as well as the Group's Investment Division. He is the son of Executive Director, Mr Kartar.

Principle 4: Board Membership

The Board has established a Nomination Committee to ensure that there is a formal and transparent process for the appointment and re-appointment of directors to the Board. Members of the Nomination Committee are:

| | |
|---|------------|
| Mr Lee Ying Cheun | (Chairman) |
| Mr Natarajan Subramaniam | (Member) |
| Mr Kartar Singh Thakral | (Member) |
| (Alternate: Mr Bikramjit Singh Thakral) | |

Except for Mr Kartar, the members of the Nomination Committee are independent non-executive directors.

The Nomination Committee has written Terms of Reference that describe the responsibilities of its members. The Terms of Reference were last reviewed and amended in November 2016.

The duties of the Nomination Committee are as follows:

- to recommend new appointments and re-election to the Board;
- to review and, if deem appropriate, recommend to the Board, appointments of and changes to the directors of the Company's subsidiaries and associated companies with net assets of at least S\$10 million or where the appointment is for a company with net assets below S\$10 million and the appointee is not a member of the Company's Board and will receive annual remuneration exceeding S\$150,000;
- to regularly review the Board structure, size and composition and make recommendations to the Board with regard to any adjustments that are deemed necessary;
- to recommend to the Board on the re-nomination of directors for re-election at the Company's Annual General Meeting ("AGM") having regard to the directors' contribution and performance;
- to determine the independence of directors;
- to review training and professional development programs for the Board and make appropriate recommendations to the Board;
- to ensure that directors who have multiple external board representations give sufficient time and attention to the Company's affairs;

CORPORATE GOVERNANCE REPORT

- to develop a transparent process for evaluation of the performance of the Board, its Board committees and Directors;
- to determine and implement the process of assessing the effectiveness of the Board as a whole;
- to assess the contribution of each individual board member to the effectiveness of the Board;
- to make plans for succession, in particular for the Chairman of the Board, the Chief Executive Officer and members of senior management; and
- to ensure complete disclosure of information of directors and search and nomination process as required under the Code and other statutory regulations.

New directors are appointed by the Board based on recommendations by the Nomination Committee. In reviewing the suitability of new candidates, the Nomination Committee seeks to ensure that the candidate has the relevant qualification, experience and skills to contribute to the Board.

All directors are expected to discharge their duties and responsibilities in the interests of the Company. Directors are required to ensure that they are in a position to devote the necessary time commitment and attention to the Company's matters and for the proper performance of their duties. Directors, while holding office, are at liberty to accept other board appointments, other than in listed entities, so long as such appointment is not in conflict with the Company's business and does not materially interfere with their performance as a director of the Company. Directors are required to first discuss with the Chairman of the Board all board appointments in other listed entities and other executive appointments prior to acceptance. Principal commitments will be disclosed by directors. The Board has adopted an internal guideline to address the competing time commitment faced by directors serving on multiple boards. The guideline provides that each director should hold not more than 3 listed company board representation with full time commitment and no more than 4 listed company board representation without full time commitment.

In keeping with the principle of good corporate governance, the Articles of Constitution of the Company provides for all our directors to retire at least once every three years and subject themselves to re-election by shareholders at the AGM. Newly appointed directors hold office until the next AGM and are eligible for re-election by shareholders.

Principle 5: Board Performance

The directors are assessed by the Chairman in consultation with the Chairman of the Nomination Committee based on assessment parameters set out in a Director Evaluation Form. The evaluation covers a range of qualities and factors, and takes into consideration the background, qualifications, knowledge and experience of directors, their attendance and participation at Board and Committee meetings and availability for consultation.

A formal assessment of the effectiveness of Chairman of the Board and the Board as a whole was undertaken by the Board based on input from individual board members and the Chairman. The feedback and recommendation from the Directors are reviewed and discussed by the Board collectively. A self-evaluation carried out by individual directors on effectiveness and contribution reflected that the directors believe that they have met the evaluation criteria such as candour, preparedness, participation, attendance, contributions to discussions in a positive manner, leadership, strategic thinking and integrity when discharging their responsibility. The Board after discussion was of the view that the performance of individual members of the Board and the Board as a whole was satisfactory. Board members concurred that the Chairman has performed effectively in his role and responsibilities.

Principle 6: Access to Information

The Board receives management accounts and a status report of activities each month. The Board members meet every quarter to review the operations of the Company and approve the issue of the quarterly results announcements to the SGX-ST and ancillary issues. Prior to the Board meetings, Board members are given sufficient notice and provided with Board papers incorporating the quarterly management accounts, announcement of the quarterly results, press releases and papers relating to each agenda item. The management accounts package is circulated to directors when finalised after each month end. This package provides comprehensive information on the results, position and cash flow of the Company and its subsidiaries with quantitative analysis of divisional performance against forecasts and explanations for material variances. In addition to these regular reports, all relevant information on material events and transactions complete with background and explanations are circulated to directors as and when they arise.

CORPORATE GOVERNANCE REPORT

Each Board member has separate and independent access to the Company's senior executive officers and the Company Secretaries via telephone, fax, email and personally. The Board also has access to independent professional advice, where appropriate, at the Company's expense. Any member of the Board may advise the Chairman that he wishes to obtain independent legal advice in relation to a matter affecting the discharge of the director's responsibilities and duties to the Company at the Company's expense where it is reasonable to do so. The Chairman may determine that a matter that affects the discharge of the duties and responsibilities of a director or the Board collectively in relation to the affairs of the Company should be referred to independent legal counsel for advice at the expense of the Company where it is reasonable to do so.

At least one of the Company Secretaries or their representative attends all board meetings and is responsible for ensuring Board procedures are adhered to. The Company Secretaries ensure that the Company complies with the requirements of the Companies Act, Cap. 50 (the "Act") and other rules and regulations applicable to the Company. The appointment and removal of the Company Secretary is a matter for the Board.

REMUNERATION MATTERS

Principle 7: Procedures for Developing Remuneration Policies

Principle 8: Level and Mix of Remuneration

Principle 9: Disclosure of Remuneration

The Compensation Committee comprises:

| | |
|--------------------------|------------|
| Mr Natarajan Subramaniam | (Chairman) |
| Mr Lee Ying Cheun | (Member) |
| Mr Dileep Nair | (Member) |

The Compensation Committee is empowered to engage, whenever needed, human resource professional firms to provide advice on executive compensation.

The Compensation Committee has written Terms of Reference that describe the responsibilities of its members. The terms of reference were last reviewed and amended in November 2016. The duties of the Compensation Committee are as follows:

- to review and recommend to the Board a framework of remuneration and to determine the specific remuneration packages and terms of employment for each of the Group's executive and non-executive directors and senior executive officers, including those employees related to the executive directors and controlling shareholders of the Company;
- to recommend to the Board equity-based long term incentive schemes and to assume the role and functions of the schemes' committees; and
- to review and, if deem appropriate, recommend to the Board, appointment of and changes to directors of the Company's subsidiaries and associated companies with net assets of at least S\$10 million or where the appointment is for a company with net assets below S\$10 million and the appointee is not a member of the Company's Board and will receive annual remuneration exceeding S\$150,000; and
- to review/approve the appointment of senior executive officers (other than the Group Managing Director whose appointment is approved by the Board) and make recommendation on the same to the Board.

The Compensation Committee has established a framework of remuneration for Board members and senior executive officers including executive directors of the Company, which covers all aspects of remuneration including directors' fees, salaries, allowances, bonuses, long term incentive schemes and benefits-in-kind.

The Compensation Committee has reviewed the remuneration of non-executive directors, executive directors and senior executives of the Group and has recommended the remuneration payable to each of the above category for the Board's approval. No director was involved in deciding his own remuneration. In setting remuneration packages for executive directors and key executives, the Company has taken into account the performance of the Company and that of its executive directors and officers. A proportion of remuneration is linked to group or individual performance that is aligned with the interests of shareholders in promoting long-term success of the Company.

CORPORATE GOVERNANCE REPORT

Executive directors do not receive directors' fees. Non-executive directors are paid directors' fees, subject to approval at the AGM. In proposing remuneration for non-executive directors, the Committee took into account the contributions by individual directors in furthering the mission and objectives of the Group while ensuring non-executive directors are not over-compensated to the extent that their independence may be compromised. Non-executive directors are paid a basic fee and an additional fee for serving on any of the committees. An additional contribution fee may be payable where the non-executive director has rendered services beyond his normal duties.

Senior executive officers including executive directors have standard employment letters. There were no unexpired service contracts with any senior executive officers and executive directors.

Disclosure of directors' and key executives' remuneration during the Financial Year is tabulated below:

Directors' Remuneration:

| Name of Director | Remuneration S\$'000 | Fees % | Salary % | Bonus/ Ex-gratia % | Benefits % | Total % |
|--------------------------------------|-------------------------|-----------|-------------|--------------------------|---------------|------------|
| Inderbethyl Singh Thakral | 946.3 | – | 29 | 27 ¹ | 44 | 100 |
| Jaginder Singh Pasricha ² | 679.1 | – | 4 | 90 ¹ | 6 | 100 |
| Kartar Singh Thakral | 315.4 | – | 98 | – | 2 | 100 |
| Natarajan Subramaniam | 277.0 ³ | 100 | – | – | – | 100 |
| Lee Ying Cheun | 116.0 | 100 | – | – | – | 100 |
| Dileep Nair | 105.0 | 100 | – | – | – | 100 |

¹ Includes amount contractually accrued in FY2015 but awarded in FY2016

² Deceased on 16 January 2016

³ Includes non-executive director's fee from the Company's principal subsidiary, Thakral Capital Holdings Pte Ltd.

No share options have been granted to any director during the Financial Year.

Key Senior Executives' Remuneration:

| Name of Executive | Salary % | Bonus/ Ex-gratia % | Benefits % | Total % |
|---------------------------------|-------------|--------------------------|-----------------|------------|
| S\$500,000 to S\$750,000 | | | | |
| Kevin Charles Barry | 39 | 61 ¹ | – | 100 |
| Greggory John Piercy | 39 | 61 ¹ | – | 100 |
| Victor Shkolnik | 39 | 61 ¹ | – | 100 |
| Kanwaljeet Singh Dhillon | 56 | – | 44 | 100 |
| S\$250,000 to S\$500,000 | | | | |
| Torsten Stocker | 99 | – | 1 | 100 |
| Anil Moolchand Daryanani | 49 | 30 ¹ | 21 | 100 |
| Below S\$250,000 | | | | |
| K F Patrick Lau ² | 38 | – | 62 ³ | 100 |

¹ Includes amount contractually accrued in FY2015 but awarded in FY2016

² Retired on 2 April 2016

³ Includes separation payments

CORPORATE GOVERNANCE REPORT

The aggregate remuneration paid to the key management personnel (who are not directors or the CEO) for the year ended 31 December 2016 was S\$3,429,000 (2015: S\$2,061,000). The amount for the Financial Year includes bonuses accrued on a contractual basis in financial year 2015 but awarded to the relevant individuals only in the Financial Year.

No share options have been granted to the above key senior executives during the Financial Year.

Remuneration of Immediate Family Member of Director Exceeding S\$50,000:

| Name of Immediate Family Member of Director | Salary % | Bonus/ Ex-gratia % | Benefits % | Total % |
|---|-------------|--------------------------|---------------|------------|
| S\$150,000 to below S\$250,000 | | | | |
| Indergopal Singh Thakral | 30 | 14 | 56 | 100 |
| S\$100,000 to below S\$150,000 | | | | |
| Satbir Singh Thakral | 39 | 7 | 54 | 100 |
| Below S\$100,000 | | | | |
| Kuldip Singh Thakral | – | – | – | – |

Mr Indergopal Singh Thakral is the grand-nephew, grandson and nephew of Mr Kartar, Mr Kuldip Singh Thakral and Mr Inderbethal Singh Thakral (“Mr Bethal”) respectively. He is the General Manager of the Company’s wholly-owned subsidiary, Thakral China Ltd. Mr Satbir Singh Thakral is the grandson and son of Mr Kartar and Mr Bethal respectively. He is the Marketing Director of Thakral China Ltd.

Mr Kuldip Singh Thakral, Chairman of Thakral Brothers Limited, Osaka, is the brother of Mr Kartar.

No share options have been granted to the above-mentioned immediate family members of directors during the Financial Year.

Employees’ Share Option Scheme and Share Performance Plan

The Thakral Corporation Employees’ Share Option Scheme 2001 (the “2001 Scheme”) and the Thakral Corporation Employees’ Share Performance Plan 2001 (the “2001 Plan”) were approved and adopted on 30 March 2001.

Both the 2001 Scheme and the 2001 Plan, administered by the Compensation Committee of the Company, were share incentive schemes which seek to foster an ownership culture within the Group which aligns the interests of grantees with the interests of shareholders, attract and/or retain key employees whose contributions are important to the long term growth and profitability of the Group, give recognition to controlled associated company employees who have contributed to the success and development of the Company and/or the Group and to develop a participatory sense of management which instills loyalty and a stronger sense of identification with the long term prosperity of the Group. In addition, the 2001 Plan was an integral part of the Company’s programme for executive incentive compensation to motivate participants to achieve performance targets of the Group and/or their respective business units.

No awards have been issued since the adoption of the 2001 Plan and no new options have been granted since March 2007. The 2001 Scheme and 2001 Plan expired on 30 March 2011.

Further information on the 2001 Scheme has been disclosed in the Directors’ Statement on page 46.

The Company has adopted the Thakral Capital Holdings Pte. Ltd. (“TCH”) Employees’ Share Option Scheme (the “TCH ESOS”) upon its approval at its extraordinary general meeting (“EGM”) held on 29 April 2015.

CORPORATE GOVERNANCE REPORT

TCH ESOS is a share option scheme for employees of the Investment Division. The key objective of the TCH ESOS is to motivate employees of TCH and its subsidiaries (“TCH Group Employees”), to optimise their performance standards and efficiency, and to reward them for their significant contributions with participation in the equity of TCH. The Company believes that the TCH ESOS may be more effective than cash bonuses in motivating TCH Group Employees to work towards pre-determined targets and to put in their best efforts, whilst at the same time allowing TCH to offer incentives and remuneration packages compatible with multinational companies. The Group is constantly sourcing for new talents as against its competitors, some of which are large and established organisations offering extremely attractive benefits including share options. Accordingly, the implementation of the TCH ESOS would narrow the gap between what the Group and these prestigious competitors can offer, thereby making career prospects with the Group more attractive.

The TCH ESOS is administered by the Compensation Committee of the Company. No options have been granted under the TCH ESOS since its adoption. Full details of the TCH ESOS can be found in the Company’s Circular to shareholders dated 14 April 2015.

ACCOUNTABILITY AND AUDIT

Principle 10: Accountability

The Board is responsible for providing a balanced and understandable assessment of the Group’s performance, position and prospects, including interim and other price sensitive public reports, and reports to regulators (as required).

The Board is accountable to the shareholders and the Management is accountable to the Board. The Management provides the Board with monthly management accounts and status reports on the Company and its subsidiaries and related companies, covering each and every business segment in the Group.

The Board in turn provides shareholders with quarterly and full year financial statements and review of the Company’s performance, financial position and prospects including all reportable price sensitive information via announcements through SGXNET within the regulatory reporting period. The quarterly and full year unaudited financial results are prepared in accordance with the Singapore Financial Reporting Standards. Accompanying press releases and results presentations, where applicable, are also released simultaneously. All such announcements and releases are also updated on the Company’s website (www.thakralcorp.com).

The Board also provides negative assurance confirmation to shareholders in relation to its unaudited quarterly financial results in accordance with listing rule 705(5) to assure shareholders that to the best of the Board’s knowledge, nothing has come to the attention of the Board which may render such unaudited results to be false or misleading in any material aspect.

Principle 11: Risk Management and Internal Controls

The Board is responsible for the governance of risk and setting the overall internal control framework within the Group to manage risks and safeguard the interests of shareholders and assets of the Group. The Board believes in managing risks in a cost-effective manner, while avoiding taking on excessive risk of failure, to achieve business objectives.

To strengthen the risk management process, Management has established a risk management framework which requires review of the universe of risks for the Group’s businesses along with determination of risk appetite and risk tolerance, the likelihood of the risk, the risk mitigation action plan and its impact after action plan and mitigation. The universe of risks aggregates the significant risks faced by the Group. The boundary of risk taking, beyond which the Group shall not venture, is defined after the determination of the risk appetite and risk tolerance. Business/strategic, governance, operational, financial, compliance related, environmental, information technology as well as related party transaction risks are covered under the universe of risks.

The Board has reviewed the risk management framework which sets out the universe of risks of the Group, taking into consideration the nature and extent of the significant risks acceptable by the Board to achieve its strategic objectives, and approved the same for implementation by the Management. The Board continues to oversee Management in monitoring the risk management and internal control systems.

CORPORATE GOVERNANCE REPORT

An annual assessment of the material internal and risk controls in the Company has been undertaken by the external auditors and the internal auditors as part of their quarterly reviews. The Audit Committee is satisfied with the process of identification, by the external and internal auditors, of control procedures requiring improvement, their recommendations for improvement and the implementation by the Management of such recommendations.

The Board has also received assurance from the Chief Executive Officer and the Chief Financial Officer for the Financial Year that (i) 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 (ii) after due review, the Group's risk management and internal control systems and procedures in place are effective and adequate in addressing governance, financial, operational, compliance, environmental and information technology risks of the Group and are operating satisfactorily.

Based on the internal controls established and maintained by the Group, work performed by the internal and external auditors, and reviews performed by and assurance from the Management, the various Board Committees and Chief Executive Officer, the Audit Committee and the Board are of the opinion that the Group maintains a robust and effective risk management and internal control systems which were adequate in addressing governance, financial, operational, compliance, environmental and information technology risks as at the end of the Financial Year.

Principle 12: Audit Committee

The Audit Committee, established as a committee of the Board, is composed of three members all of whom are non-executive and independent directors. The following directors constitute the Audit Committee:

| | |
|--------------------------|------------|
| Mr Natarajan Subramaniam | (Chairman) |
| Mr Lee Ying Cheun | (Member) |
| Mr Dileep Nair | (Member) |

Mr Subramaniam has many years of public accounting experience and retired as a senior partner of one of the Big Four accounting firms. The Board has determined that he has adequate qualification and experience in accounting and financial management matters.

Mr Lee was a former Deputy Chief Executive Officer of the Singapore Trade Development Board and a key senior executive of a public listed company. The Board has determined that he has the necessary business background and experience and is appropriately qualified to discharge his responsibility as a member of the Audit Committee.

Mr Nair has extensive experience having worked at various ministries of the Singapore Government, financial institutions as well as with International Agencies. He was Chief Executive Officer of Singapore's national savings bank, Post Office Savings Bank of Singapore and a Managing Director of DBS Bank Ltd where he had also served as Chairman of its Operational Risk Committee. He is an Independent Director and a member of the Audit and Risk Committee of Keppel DC REIT Management Pte. Ltd., the Manager of Singapore listed Keppel DC REIT and an Independent Director and the Chairman of the Audit Committee of Singapore listed Singapore Reinsurance Corporation Limited. The Board has determined that Mr Nair has the necessary business background and experience and is appropriately qualified to discharge his responsibility as a member of the Audit Committee.

The Audit Committee's Terms of Reference clearly set out its authority and duties. The terms of reference were last reviewed and amended in November 2016. While focusing in particular on the areas of financial reporting, risk management and internal controls, the Audit Committee has been tasked to:

- review annual financial statements and quarterly announcements, including significant changes to financial reporting issues and judgments so as to ensure the integrity of the financial statements and all other announcements relating to the Group's financial performance, before consideration and adoption by the Board;
- assess and provide a negative confirmation on the character and integrity of the Chief Financial Officer (or its equivalent rank) of the Company as and when required under the Listing Manual;
- discuss with the internal and external auditors, their audit plan, the nature, scope and methodology of their audit process and the results that can be expected to be attained and ensuring that the scope of the internal and external auditors' examination has not been restricted or influenced in any manner by Management;

CORPORATE GOVERNANCE REPORT

- review the scope and results of the external audit and the independence and objectivity of the external auditors. This also includes evaluating any non-audit services to the Company, the nature and extent of such services in order to balance the maintenance of objectivity and cost effectiveness to ensure that the independence of the auditors would not be compromised;
- evaluate the effectiveness of the external auditors' efforts;
- review and recommend to the Board the appointment, re-appointment and removal of the external auditors, and approve the remuneration and terms of engagement of the external auditors;
- review the adequacy and effectiveness of internal controls, including governance, financial, operational, compliance, environmental and information technology controls, and risk management policies and systems established by Management;
- review the adequacy and effectiveness of the Company's internal audit function and ensure that the internal audit function is adequately resourced, has the appropriate standing within the Company and independent of the activities it audits;
- review the scope and results of the internal audit procedures and peruse regular reports submitted by the Head of the Internal Audit Department;
- review the appointment, removal, evaluation and compensation of the internal audit function and ensure that it is adequately staffed with competent personnel;
- review and discuss with internal and/or external auditors their report on major accounting and control issues observed during the annual audit and review management's implementation of the recommended improvement actions;
- discuss problems and concerns, if any, arising from the quarterly, interim and final audits, and any matters which the external auditors may wish to discuss and with the internal auditors without the presence of Management at least annually;
- discuss the internal accounting controls with Management and be satisfied with their implementation and effectiveness;
- review the arrangements for monitoring compliance with important regulatory or legal requirements and for monitoring sensitive transactions;
- review the nature and appropriate disclosure of related party transactions on a quarterly basis;
- review the policy and arrangements by which staff of the Company or any other persons may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters;
- follow up on any complaints received from staff members or any other persons as a result of the Group's whistle blowing policy; and
- examine any other matters referred to by the Board.

The aggregate amount of fees paid to the auditors, broken down into audit and non-audit services have been disclosed in the notes to financial statements. In accordance with its terms of reference and as required under Rule 1207(6)(b) of the Listing Manual, the Audit Committee has undertaken a review of all non-audit services provided by the auditors for the year ended 31 December 2016 and confirmed that they would not, in the Audit Committee's opinion, affect the independence and objectivity of the auditors.

The Company has appointed a suitable auditing firm to meet its audit obligations in accordance with Rule 712 of the Listing Manual. The Company's Singapore-incorporated subsidiaries are audited by the same auditing firm of the Company in Singapore. The Company has also appointed suitable auditing firms to audit its significant foreign-incorporated subsidiaries. Accordingly, the Company has complied with Rule 715 of the Listing Manual.

CORPORATE GOVERNANCE REPORT

The Audit Committee has full access to and co-operation from the Management. It has been given the resources required to discharge its function properly. The executive management of the Company attends all meetings of the Audit Committee on invitation. The external auditor and the outsourced Internal Auditors (“IA”) have unrestricted access to the Audit Committee and are present at all quarterly Audit Committee meetings. The Audit Committee meets with the external and the outsourced IA, without the presence of the Management, at least once a year.

The Audit Committee has met four times during the Financial Year and details of their activities are disclosed in the Directors’ Report.

Key Audit Matters

The Audit Committee considered a number of key matters during the financial year ended 31 December 2016 taking into account all instances the views of the Company’s external auditor.

The key audit matters and how they were addressed by the Audit Committee are detailed as follow:

| Key Audit Issues in relation to Financial Statements considered by the Audit Committee for FY2016 | How the issues were addressed by the Audit Committee |
|---|---|
| Valuation of Inventories | The Audit Committee reviewed Management’s processes and judgment in assessing the required level of inventory impairment and after discussion concluded that the method of estimating the carrying value of inventory as well as the level of allowance remain appropriate. |
| Valuation of Trade receivables | The Audit Committee reviewed Management’s processes and judgment in assessing the required level of receivables impairment and discussed with Management in relation to the recoverability of debts from certain specific customers. The Audit Committee concluded that the method of estimating the carrying value of receivables as well as the level of allowance were appropriate. |
| Valuation of investment properties and assets held for sale | In relation to investment properties, the Audit Committee reviewed and challenged Management’s key assumptions on the discounted cash flow assessment and considered the supplemental professional valuers’ valuation methodology. The Audit Committee also reviewed Management’s assessment and professional valuers’ valuation methodology of the warehouse properties held for sale. The Audit Committee also obtained additional information and explanations from Management in relation to the key market trends and factors affecting the properties. The Audit Committee concluded that the method of estimating the carrying value of the properties and the significant judgment, estimates and assumptions used by management were appropriate. |
| Valuation of available-for-sale investment | The Audit Committee reviewed the latest financial information of the investee along with Management’s assessment and the professional valuers’ valuation methodology for the underlying properties. The Audit Committee also obtained additional information and explanations from Management in relation to the key market factors affecting the underlying properties. The Audit Committee concluded that the significant judgment, estimates and assumptions used by Management remain appropriate and that the method of estimating the carrying value of the investment remains appropriate. |
| Valuation of loans receivable and accounting for variable returns | The Audit Committee considered the key judgment and assumptions made by Management for the recognition of variable returns from the relevant projects. The Audit Committee also reviewed Management’s judgment in assessing the credit risk and recoverability of loans receivable. The Audit Committee concluded that the method of estimating the carrying value of loans receivable remains appropriate and that no allowance for impairment is necessary. |

CORPORATE GOVERNANCE REPORT

Whistle-blowing Policy

The Audit Committee has established and put in place a whistle-blowing policy and procedures to provide employees and any other person with well-defined and accessible channels within the Group, including direct communication via electronic mail and designated postal mailbox available only to the Audit Committee and outsourced IA, for reporting of suspected fraud, corruption, dishonest practices or other similar matters. The aim of this policy is to encourage the reporting of such matters in good faith, with the confidence that employees making such reports will be treated fairly and, to the extent possible, be protected from reprisal. In promoting and creating fraud control awareness, the whistle-blowing policy and procedures are circulated to all existing and newly recruited employees by the human resource department.

The Audit Committee oversees the administration of the policy while the outsourced IA administers the policy. In addition to reporting upon the receipt of any complaint, the outsourced IA also furnishes quarterly reports to the Audit Committee stating the number and nature of complaints received, the results thereof, follow up action and the unresolved complaints, if any. Thereafter, summarised results and follow up measures are advised to the Board of Directors after review by the Audit Committee. The policy and procedures statement is reviewed annually by the Audit Committee and the approved document is circulated to employees after each annual review. On 28 February 2017, the Audit Committee reviewed and approved the policy and procedures statement and did not recommend any material changes to the document. The policy and procedures statement has been circulated to employees after the review.

Interested Person Transactions Policy

The Company has adopted an internal policy in respect of any transaction with interested persons and has set out the procedures for review and approval of the Company's interested person transactions.

The following table sets out the disclosure required under Rule 907 of the SGX-ST Listing Manual in respect of interested person transactions for the financial year under review:

| Name of interested person | Aggregate value of all interested person transactions during the year ended 31 December 2016 under review (excluding transactions less than S\$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920 of the Listing Manual) S\$'000 | Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 of the Listing Manual (excluding transactions less than S\$100,000) S\$'000 |
|---------------------------|--|---|
|---------------------------|--|---|

Thakral Brothers (Pte) Ltd and subsidiaries

| | | |
|--------------------------------------|-----|--------|
| Purchases, net of returns | – | 25,762 |
| Operating lease charges paid/payable | 231 | – |

Principle 13: Internal Audit

The internal audit function is outsourced to Grant Thornton Certified Public Accountants LLP, Shanghai following the retirement of the Group Internal Auditor in April 2016. The outsourced IA's primary line of reporting is to the Chairman of the Audit Committee, with administrative reporting to the Chief Financial Officer. The internal audit charter is approved by the Audit Committee and the outsourced internal audit function is independent of the functions it audits. It functions in accordance with the International Standards for the Professional Practice of Internal Auditing and the Code of Ethics. In addition, the outsourced IA has appropriate standing within the Group.

The Audit Committee reviews the annual internal audit plans. The Audit Committee reviews the reports of internal audit each quarter, including the reports on Related Party Transactions. All improvements to controls recommended by the outsourced IA and accepted by the Audit Committee are monitored for implementation. The Audit Committee also reviews the adequacy and the performance of the outsourced internal audit function annually.

CORPORATE GOVERNANCE REPORT

SHAREHOLDERS RIGHTS AND RESPONSIBILITIES

Principle 14: Shareholder Rights

Principle 15: Communication with Shareholders

Principle 16: Conduct of Shareholder Meetings

The Board treats all shareholders fairly and equitably. It recognises, protects and facilitates the exercise of shareholders' rights, and continually reviews and updates such governance arrangements.

The Company recognises the importance of engaging in effective communications with its shareholders and is, at all times, committed to provide shareholders and the investing public, timely, relevant, transparent and quality information on its financial data, corporate strategies as well as material updates and developments of the Group. Hence, the Company has in place an investor relations policy to promote regular, effective and fair communication with shareholders whereby pertinent information can be regularly conveyed to shareholders. The investor relations policy was reviewed by the Board at its February 2017 meeting and shall be updated to be in line with its new constitution to be approved by shareholders at the Company's EGM to be held on 28 April 2017 immediately after the conclusion of its AGM to be held on the same day.

Shareholders are kept informed of changes of the Group which would likely affect the price or value of the Company's shares on a timely basis. The Board provides such information and quarterly and full year financial statements and review of the Company's performance, financial position and all other reportable information via announcements through SGXNET. In line with continuing disclosure requirements under the Listing Manual, the Company observes an "open door" policy in dealing with analysts, journalists, stockholders and others and will avoid selective disclosure at all times. Information disseminated through SGXNET, are made available on the Company's website to allow for fair access to information through these channels by shareholders and the investing public. To facilitate dissemination, the Company's investor relations agency would also provide copies of the information to various news agencies and media.

Shareholders are entitled to receive the Company's Annual Report together with the relevant AGM notice to be updated on the annual performance of the Group and be notified to attend the AGM, either in person or be represented by proxy, to exercise their vote on resolutions proposed at the AGM. As part of the Company's continued effort to contribute to the protection of the environment, a digital version of the Company's Annual Report in CD-ROM together with a printed copy of Notice of AGM and proxy form are mailed to shareholders. Shareholders may request to receive a printed copy of the Company's Annual Report at no additional cost. Shareholders are also notified of all general meetings through printed notices of general meetings mailed to them at least 14 days in advance to provide ample time for them to make arrangement to attend and participate in all general meetings.

The Company's website is well maintained and updated on a timely basis. The website provides comprehensive and up to date information on the Group including its corporate profile, principle businesses, directors' profile, corporate milestones, its general announcements for up to the last one year, results announcements and annual reports for the past 3 years as well as analyst reports up to the past year. Details of the Company's share price and charts are currently accessible through SGX's website.

The Company's and its Investor Relations Agent's contact details are made available on its website to enable shareholders and investors to submit their enquiries through various means such as online submission, electronic mail, facsimile, telephone and post.

In ensuring that shareholders and investors are given proper attention, the Company has continuously engaged an investor relations agency to support the investor relations function and responsibility.

The Board concurred that the Company's dividend policy was to declare dividend subject to availability of profits and cash. An interim dividend of S\$0.02 per ordinary share for the Financial Year was paid on 7 December 2016.

The AGM is the principal forum for dialogue with shareholders. All directors of the Company, the Chief Financial Officer and representatives of the external auditors shall be present at the AGM to address queries from shareholders. Shareholders will therefore have the opportunity to exchange their views on the Group's affairs as well as address questions to the Board. The Company shall ensure that the minutes of its general meetings have been prepared to include substantial and relevant queries from shareholders relating to the agenda of the meeting and responses from the Board and Management. The minutes of the Company's general meetings are available for shareholders' inspection upon their request in accordance with the Company's Articles of Constitution and pursuant to any applicable legislation.

CORPORATE GOVERNANCE REPORT

The Company, through its investor relations agency, organises briefing for its results announcement and major updates where appropriate. Such briefings are to explain and assist analysts and media to better understand the Group's results and business. From time to time, additional meetings or interviews with analysts and the media (either on a group or one-on-one basis) may be scheduled to provide updates on the Group's major developments.

Where presentation slides are used at such briefings and all other meetings/interviews with analysts and media, these are released via SGXNET and uploaded on the Company's website.

The Company may also participate periodically in roadshows hosted by analyst and stock broking firms to create more awareness of the Group's business and direction.

Through interaction of the Company's senior management with the media and analysts, the Company obtains feedback of the issues that may be of concern to investors and shareholders so that these matters can be addressed in the future.

The Company does not intend to implement absentia voting through mail, electronic mail or fax in view of security, integrity and other pertinent issues of such voting methods. In the event that the shareholders are unable to attend the general meetings in person, the Company's Articles of Constitution allows such shareholders to appoint one or two proxies to attend and vote on their behalf. With the passing of the final phase of the amendments to the Act in January 2016, the Company has reviewed all changes with its external legal adviser to adopt a new constitution to ensure it complies with all the requirements of the Act as well as the Listing Manual. The new constitution is to be approved by shareholders at the Company's EGM to be held on 28 April 2017. During the transition, the Company shall continue its practice to allow corporations which provide nominee or custodial services to appoint more than two proxies so that shareholders who hold shares through such corporations can attend and participate at general meetings as proxies provided the grantor of the proxies is able to certify that the proxies have been duly appointed in accordance with the instructions of the beneficial owners of shares held through them. CPF investors in the Company's securities, with proper request submitted through their agent bank within the stipulated timeline, are also allowed to attend and vote at the Company's general meetings.

The Company also ensures that there are separate resolutions at general meetings on each distinct issue. The voting for all resolutions tabled at general meetings is by a show of hands in accordance with the Company's Articles of Constitution unless a poll has been validly demanded. The voting and polling procedures are read out to shareholders prior the carrying out each procedure during general meetings.

As recommended by the Code and as required by the Listing Manual, all resolutions at general meetings shall be voted by poll. The Company has engaged electronic polling agent and shall implement compulsory polling for all resolutions at all its general meetings in accordance with the listing rule requirement. The Company shall also announce through SGXNET the detailed results of the poll conducted at its general meetings showing the number of votes cast for and against each resolution and the respective percentages.

DEALINGS IN SECURITIES

The Company has adopted internal codes to comply with the requirements of the Listing Manual. Its officers are prohibited from dealing in the Company's securities during the period commencing (i) two weeks before the announcement of the Company's quarterly results and (ii) one month before the announcement of the Company's full year results, until after the release of the relevant results announcement. The Company notifies its officers in advance of the commencement of each of the window closure periods. The internal code also highlights to its officers that it is an offence to deal in the securities of the Company while in possession of unpublished price sensitive information and discourages officers from dealing in the Company's securities on short-term considerations.

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DIRECTORS' STATEMENT

The directors present their statement together with the audited consolidated financial statements of Thakral Corporation Ltd (the "Company") and its subsidiary corporations (collectively, the "Group") and the statement of financial position and statement of changes in equity of the Company for the year ended December 31, 2016.

In the opinion of the directors, the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company as set out on pages 55 to 118 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 December 31, 2016, and the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the year then ended and at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts when they fall due.

1 DIRECTORS

The directors of the Company in office at the date of this report are:

| | |
|---------------------------|--|
| Natarajan Subramaniam | (Chairman) |
| Kartar Singh Thakral | |
| Inderbethal Singh Thakral | |
| Lee Ying Cheun | |
| Dileep Nair | |
| Bikramjit Singh Thakral | (Alternate Director to Kartar Singh Thakral) |

2 ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE BENEFITS BY MEANS OF THE ACQUISITION OF SHARES AND DEBENTURES

Neither at the end of the year nor at any time during the year did there subsist any arrangement whose object is to enable the directors of the Company to acquire benefits by means of the acquisition of shares or debentures in the Company or any other body corporate, except as disclosed in paragraphs 3 and 4 below.

3 DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

The directors of the Company holding office at the end of the year had no interests in the share capital 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 Singapore Companies Act except as disclosed below:

| Name of directors and companies in which interests are held | Shareholdings registered in name of directors | | Shareholdings in which directors are deemed to have an interest | |
|---|---|----------------|---|----------------|
| | At beginning of year | At end of year | At beginning of year | At end of year |
| <u>The Company</u> (ordinary shares) | | | | |
| Kartar Singh Thakral | – | – | 39,073,659 | 39,073,659 |
| Inderbethal Singh Thakral | – | – | 39,073,659 | 39,073,659 |
| Bikramjit Singh Thakral | 8,900 | 8,900 | 19,226,278 | 19,226,278 |

By virtue of Section 7 of the Singapore Companies Act, Mr Kartar Singh Thakral and Mr Inderbethal Singh Thakral are deemed to have an interest in all the related corporations of the Company.

The directors' interest in the share capital and debentures of the Company at January 21, 2017 were the same at December 31, 2016.

DIRECTORS' STATEMENT

4 SHARE OPTIONS

- a) The Thakral Corporation Employees' Share Option Scheme 2001 ("the 2001 Scheme") and the Thakral Corporation Employees' Share Performance Plan 2001 ("the 2001 Plan") were approved at an Extraordinary General Meeting on March 30, 2001. No share options were granted after March 30, 2011.
- b) The options relating to the 2001 Scheme on ordinary shares of the Company outstanding at the end of the year, after adjusting for the consolidation of shares for comparison purposes, were as follows:

| Date of grant | Balance as at January 1, 2016 | Cancelled or lapsed | Exercised | Outstanding as at December 31, 2016 | Exercise price per share (S\$) | Exercisable period |
|---------------|-------------------------------|---------------------|-----------|-------------------------------------|--------------------------------|-----------------------------|
| Apr 3, 2006 | 35,000 | (35,000) | – | – | 0.8 | Apr 3, 2007 to Apr 2, 2016 |
| Feb 1, 2007 | 35,000 | – | – | 35,000 | 1.0 | Feb 1, 2008 to Jan 31, 2017 |
| | <u>70,000</u> | <u>(35,000)</u> | <u>–</u> | <u>35,000</u> | | |

During the year, 34,625 share options on an adjusted post share-consolidation basis expired upon the lapsing of the exercisable period and 375 share options on a post share-consolidation basis were cancelled upon the employees leaving the Group.

- c) The members of the Compensation Committee administering the 2001 Scheme during the year were Messrs Natarajan Subramaniam (Chairman), Lee Ying Cheun and Dileep Nair.
- d) There were no options given to directors, principal shareholders or their associates under the 2001 Scheme. In addition, none of the grantees received more than 5% of the options available under the 2001 Scheme.
- e) Details of the options granted under the 2001 Scheme are as follows:
- (i) A grantee may exercise an option during the Option Period (as defined in the 2001 Scheme).
 - (ii) Persons selected to participate in the 2001 Scheme are also not restricted from participating (if they are eligible) in any other share option or incentive scheme implemented by any other corporation, whether within the Group or otherwise.
- f) There were no options granted at a discount during the year.
- g) There are no participants of the 2001 Scheme who are directors or employees of the Company's related parties.
- h) The Thakral Capital Holdings Pte Ltd Employees' Share Option Scheme 2015 ("the TCH Scheme") was approved at an Extraordinary General Meeting on April 29, 2015. The members of the Compensation Committee administering the TCH Scheme during the year were Messrs Natarajan Subramaniam (Chairman), Lee Ying Cheun and Dileep Nair. There are no options granted in 2016 or 2015 under the TCH Scheme or on the ordinary shares of any subsidiary corporations in the Group.

5 AUDIT COMMITTEE

The Audit Committee comprises three members, all of whom are non-executive and independent directors. The members of the Committee are:

Natarajan Subramaniam (Chairman)
 Lee Ying Cheun
 Dileep Nair

5 AUDIT COMMITTEE (cont'd)

The Audit Committee met four times since the last Annual General Meeting ("AGM") and reviewed the following, where relevant, with the executive management and external and internal auditors of the Company:

- a) the audit plans and results of the internal auditors' examination and evaluation of the Group's systems of internal accounting controls;
- b) the Group's financial and operating results and accounting policies;
- c) the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company before their submission to the directors of the Company and external auditors' report on those financial statements;
- d) the quarterly, half-yearly and full year announcements as well as the related press releases on the results and financial position of the Group and the Company;
- e) the co-operation and assistance given by the management to the Group's external auditors; and
- f) the re-appointment of the external auditors to the Board of Directors.

The Audit Committee has full access to and has the co-operation of the management and has been given the resources required for it to discharge its function properly. It also has full discretion to invite any director and executive officer to attend its meetings. The external and internal auditors have unrestricted access to the Audit Committee.

The Audit Committee has recommended to the directors the nomination of Deloitte & Touche LLP for re-appointment as external auditors of the Group at the forthcoming AGM of the Company.

6 AUDITORS

The auditors, Deloitte & Touche LLP, have expressed their willingness to accept re-appointment.

ON BEHALF OF THE BOARD



Mr Natarajan Subramaniam



Mr Inderbethal Singh Thakral

March 17, 2017

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF THAKRAL CORPORATION LTD

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Thakral Corporation Ltd (the "Company") and its subsidiary corporations (the "Group"), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at December 31, 2016, 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 year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 55 to 118.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position 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 December 31, 2016 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and changes in equity of the Company for the 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 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.

I. Valuation of inventories

As at December 31, 2016, the Group has inventories amounting to S\$18,884,000.

Inventories are to be carried at the lower of cost or net realisable value. In determining the net realisable value of the Group's inventories, an estimation is performed based on the most reliable evidence available at the time the estimates are made. These estimates take into consideration the fluctuations of selling prices or cost, or any inventories on hand that may not be realised, directly relating to events occurring after the end of the period to the extent that such events confirm conditions existing at the end of the period.

The Group has shifted its focus from products such as cameras and other electronic related products to distributing other lifestyle products such as beauty and health products.

Due to the shift to new products and Lifestyle segment, the Group has on-hand certain inventories from previous years which it has been trying to sell via new distributors and to developing countries where there are less technologically advanced buyers. There are inherent risks on inventories' valuation and allowance for inventories relating to long aging inventories and / or products that may be approaching end-of-life.

Management reviews the inventory listing monthly and assesses the inventories on an item by item basis. This review also involves comparison of the carrying values of the inventory items with the respective net realisable values. Management is satisfied that adequate allowance for obsolete and slow-moving inventories has been made based on the position as at December 31, 2016.

The Group has made disclosures on inventories in Note 10 to the financial statements.

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

I. Valuation of inventories (cont'd)

Our audit procedures and responses thereon:

Audit procedures included the following:

- (a) evaluated the relevant controls over inventories valuation.
- (b) attended year-end inventory counts to observe if there were any obsolete inventories.
- (c) assessed the appropriateness of the allowance for inventories by evaluating the inventory allowance policy and methodology with reference to the historical accuracy of the allowance against actual losses.
- (d) tested the inventories aging and recalculated the allowance for inventories against the Group's inventories allowance policy.
- (e) tested the net realisable value of inventories by comparing to samples of sales transactions after period end. Where there are no subsequent sales, we have verified to on-line selling prices of competitors.

Based on procedures performed, we noted management's assessment of allowance for inventories is reasonable. We have also assessed the appropriateness of relevant disclosures included in the consolidated financial statements.

II. Valuation of trade receivables

As at December 31, 2016, the Group has trade receivables amounting to S\$9,871,000.

There are inherent risks relating to customer's credit risk profile which varies due to the size of each customer and the countries that the customers reside in. The risk is whether the trade receivables are recoverable and that adequate allowance has been made for doubtful receivables.

Management assessed the receivable balances individually and collectively based on the age of debts to identify any objective evidence of impairment and is satisfied that the carrying value of the trade receivables represents the recoverable amount as at December 31, 2016.

The Group has made disclosures on trade receivables in Note 8 to the financial statements.

Our audit procedures and responses thereon:

Audit procedures included the following:

- (a) evaluated the relevant controls over credit risks and monitoring the recoverability of trade receivables.
- (b) assessed the appropriateness of the allowance for trade receivables by evaluating the receivables allowance policy and methodology with reference to debtors aging and historical payment trends.
- (c) tested the debtors aging and recalculated the allowance for trade receivables in accordance with the Group's allowance policy.
- (d) circularised trade receivables confirmations to verify existence and tested the reconciliations where discrepancies were identified.
- (e) tested the subsequent collections for outstanding trade receivables, where applicable.

Based on procedures performed, we noted management's assessment of allowance for trade receivables is reasonable. We have also assessed the appropriateness of relevant disclosures included in the consolidated financial statements.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF THAKRAL CORPORATION LTD

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

III. Valuation of investment properties and assets held for sale

The Group's investment properties and assets held for sale amounted to S\$54,616,000 and S\$40,140,000 respectively. Investment properties and assets held for sale comprising investment properties are stated at their estimated fair values. Assets held for sale comprising warehouse properties currently in use by the Group are stated at the lower of their carrying amounts and fair values less costs to sell.

The fair values of the Group's assets held for sale in Hong Kong and investment properties in the People's Republic of China ("PRC") have been determined on the basis of valuations carried out at year end by independent professional valuers having an appropriate recognised professional qualification and recent experience in the location and category of the properties being valued. The fair values were determined based on an open market basis by making reference to the recent transactions of similar properties in similar location and condition under the prevailing market conditions.

The fair values of the Group's investment properties in Australia have been determined by management based on discounted cash flows, supplemented by valuations from independent professional valuers performed in December 2016 on an open market basis.

There are inherent risks on fair value estimates which may differ from the prices and locations at which these properties could be sold at a particular time, since actual selling prices are negotiated between willing buyers and sellers. Also, certain estimates require an assessment of uncontrollable factors, such as overall market conditions.

The Group has made disclosures on investment properties and assets held for sale in Notes 12 and 13 to the financial statements.

Our audit procedures and responses thereon:

Audit procedures included the following:

- (a) assessed the competency, objectivity and capabilities of the independent professional valuers.
- (b) evaluated management's internal assessment and professional valuers' terms of appointment, scope of work and valuation methodology.
- (c) reviewed management's internal assessment and independent valuation reports, and discussed with the professional valuers and assessed the appropriateness of the significant judgements, estimates and assumptions used by management and valuers.
- (d) reviewed management's internal assessment of assets held for sale (warehouse properties currently in use) are carried at lower of their carrying amounts and fair values less costs to sell.
- (e) verified that key information provided by management to the professional valuers was reasonable.

Based on procedures performed, we noted management's and valuers' key assumptions to be within a reasonable range of our expectations. We have also assessed the appropriateness of disclosures regarding the basis and hierarchy of fair value included in the consolidated financial statements.

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

IV. Valuation of available-for-sale investment

As at December 31, 2016, the Group has unquoted investment classified as available-for-sale investment amounting to S\$18,680,000.

The fair value of the available-for-sale investments is estimated based on the Group's share of the net asset values of the investee, which approximates its fair value as at the end of the reporting period. The investee's main assets are two office buildings and a hotel building in Japan which are leased to external parties. The fair value of these office buildings have been determined on the basis of valuations carried out by professional valuers. The fair value was determined based on an open market basis by making reference to the recent transactions of similar properties in similar location and condition under the prevailing market conditions. For the hotel building acquired on November 24, 2016, it is carried at acquisition cost which is considered by management to approximate fair value as at December 31, 2016.

There are inherent risks on such fair value estimates which may differ from the prices and location at which these properties could be sold at a particular time, since actual selling prices are negotiated between willing buyers and sellers. Also, certain estimates require an assessment of uncontrollable factors, such as overall market conditions.

Management assessed that the fair value of the available-for-sale investment is reasonable and its changes in fair value during the year have been properly accounted for.

The Group has made disclosures on these available-for-sale investments in Note 18 to the financial statements.

Our audit procedures and responses thereon:

Audit procedures included the following:

- (a) reviewed the latest financial information of the investee and evaluated the recoverability of investment.
- (b) assessed the competency, objectivity and capabilities of the independent professional valuers.
- (c) evaluated management's internal assessment and professional valuers' terms of appointment, scope of work and valuation methodology.
- (d) reviewed management's internal assessment and independent valuation reports, and assessed the appropriateness of the significant judgements, estimates and assumptions used by management and the professional valuers.
- (e) verified that key information provided by management to the professional valuers was reasonable.
- (f) verified the acquisition cost of the hotel building to the purchase agreement and payment documents.

Based on procedures performed, we noted management's key assumptions and estimates to be within a reasonable range of our expectations. We have also assessed the appropriateness of disclosures regarding the basis and hierarchy of fair value of the available-for-sale investment included in the consolidated financial statements.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF THAKRAL CORPORATION LTD

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

V. Valuation of loans receivable and accounting for variable returns

As at December 31, 2016, the Group has loans receivable amounting to S\$54,252,000 and are extended to third parties for development projects to fund the construction of housing units in Australia. These loans receivable earn fixed interest income on the principal amount and variable returns determinable at completion of the project less withholding tax at the relevant rate.

Management has assessed the terms of the contracts and concluded that the variable returns determined at completion of the project, is in substance variable interest income for accounting purposes. Accordingly, the loans receivable have been carried at amortised cost using the effective interest method less impairment.

Judgements and estimates have been made with regard to the accounting and amount of variable interest income which will be determined at the end of each reporting period. Changes in these estimates could affect the reported amounts of interest receivables and the carrying values of loans receivable in the statement of financial position.

There is also a risk that the loans receivable are not properly assessed for impairment and not recorded at net recoverable value. This assessment involves significant judgement and estimates, and is dependent on the progress of the property development projects and any indicators of project cost over-runs and losses that may affect the counterparties' ability to repay the loans.

Management assessed for any objective evidence of impairment relating to these loans receivable and determined that no allowance for impairment is required.

The Group has made disclosures on these loans receivable in Note 16 to the financial statements.

Our audit procedures and responses thereon:

Audit procedures included the following:

- (a) reviewed the basis of the accounting and classification of loans receivable in accordance with FRS 39 *Financial Instruments: Recognition and Measurement*.
- (b) reviewed the formula of the discounted cash flow model and reasonableness of assumptions on variable returns used in estimating the carrying value of the loans receivable.
- (c) reviewed management's assessment of credit risk and recoverability of the loans receivable.
- (d) verified to loan agreements and perform background search of the counterparties for new loans.
- (e) verified to project status reports to ascertain the progress of property development projects and any indicators of project costs over-runs and losses that may affect the counterparties' ability to repay the loans.

Based on procedures performed, we noted management's key assumptions and estimates to be within a reasonable range of our expectations. We have also assessed the appropriateness of the accounting treatment and disclosures included in the consolidated financial statements.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF THAKRAL CORPORATION LTD

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

Information other than the Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the information included in the annual report 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.

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 Responsibility 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 skepticism throughout the audit. We also:

- (a) 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.
- (b) 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.
- (c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF THAKRAL CORPORATION LTD

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

Auditor's Responsibility for the Audit of the Financial Statements (cont'd)

- (d) 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.
- (e) 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.
- (f) 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 year 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 Mr John Tan Hon Chye.



Public Accountants and
Chartered Accountants
Singapore

March 17, 2017

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2016

| | Note | Group | | Company | |
|-----------------------------------|------|----------------|----------------|----------------|----------------|
| | | 2016 | 2015 | 2016 | 2015 |
| | | S\$'000 | S\$'000 | S\$'000 | S\$'000 |
| ASSETS | | | | | |
| Current assets | | | | | |
| Cash and bank balances | 7 | 29,787 | 10,609 | 210 | 186 |
| Trade receivables | 8 | 9,871 | 12,303 | – | – |
| Other receivables and prepayments | 9 | 10,781 | 6,798 | 65 | 46 |
| Loans receivable | 16 | 28,382 | 11,733 | – | – |
| Assets held for sale | 13 | 40,140 | 38,115 | – | – |
| Inventories | 10 | 18,884 | 25,667 | – | – |
| Total current assets | | 137,845 | 105,225 | 275 | 232 |
| Non-current assets | | | | | |
| Pledged fixed deposits | 7 | 10 | 18,949 | – | – |
| Loans receivable | 16 | 25,870 | 28,087 | – | – |
| Other receivables and prepayments | 9 | – | 1,492 | – | – |
| Property, plant and equipment | 11 | 1,807 | 1,833 | 16 | 10 |
| Investment properties | 12 | 54,616 | 62,391 | – | – |
| Subsidiary corporations | 14 | – | – | 162,356 | 164,410 |
| Joint ventures | 15 | 115 | – | – | – |
| Derivative financial instrument | 17 | 755 | 767 | – | – |
| Available-for-sale investments | 18 | 18,681 | 17,088 | – | – |
| Total non-current assets | | 101,854 | 130,607 | 162,372 | 164,420 |
| Total assets | | 239,699 | 235,832 | 162,647 | 164,652 |

See accompanying notes to the financial statements.

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2016

| | Note | Group | | Company | |
|--|------|----------------|----------------|----------------|----------------|
| | | 2016 | 2015 | 2016 | 2015 |
| | | S\$'000 | S\$'000 | S\$'000 | S\$'000 |
| LIABILITIES AND EQUITY | | | | | |
| Current liabilities | | | | | |
| Trade payables | 19 | 2,633 | 6,258 | – | – |
| Bills payable and trust receipts | 20 | 21,535 | 20,341 | – | – |
| Bank and other borrowings | 21 | 44,664 | 44,104 | – | – |
| Other payables | 22 | 21,616 | 15,217 | 649 | 380 |
| Provisions | 23 | 2,969 | 3,089 | 52 | 52 |
| Income tax payable | | 721 | 67 | – | – |
| Total current liabilities | | 94,138 | 89,076 | 701 | 432 |
| Non-current liabilities | | | | | |
| Amount owing to subsidiary corporations | 14 | – | – | 68,346 | 68,180 |
| Bank and other borrowings | 21 | 24,005 | 28,289 | – | – |
| Deferred tax liability | 24 | 1,143 | 1,035 | – | – |
| Total non-current liabilities | | 25,148 | 29,324 | 68,346 | 68,180 |
| Capital, reserves and non-controlling interests | | | | | |
| Issued capital | 25 | 72,579 | 72,579 | 72,579 | 72,579 |
| Reserves | 26 | 23,892 | 23,689 | 21,021 | 23,461 |
| Equity attributable to equity holders of the Company | | 96,471 | 96,268 | 93,600 | 96,040 |
| Non-controlling interests | 14 | 23,942 | 21,164 | – | – |
| Total equity | | 120,413 | 117,432 | 93,600 | 96,040 |
| Total liabilities and equity | | 239,699 | 235,832 | 162,647 | 164,652 |

See accompanying notes to the financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

YEAR ENDED DECEMBER 31, 2016

| | Note | Group | |
|---|-------|-----------|-----------|
| | | 2016 | 2015 |
| | | S\$'000 | S\$'000 |
| Revenue | 28 | 214,893 | 331,326 |
| Cost of sales | | (169,644) | (298,223) |
| Gross profit | | 45,249 | 33,103 |
| Other operating income | 29 | 810 | 297 |
| Distribution costs | | (8,287) | (10,335) |
| Administrative expenses | | (19,427) | (19,279) |
| Other operating expenses | | (2,074) | (1,696) |
| Share of loss of joint ventures | 15 | (400) | – |
| Finance income | | 991 | 1,197 |
| Finance costs | 30 | (5,330) | (4,631) |
| Valuation (losses) gains on investment properties and assets held for sale, net | 12,13 | (7,318) | 9,915 |
| Profit before income tax | | 4,214 | 8,571 |
| Income tax | 31 | (770) | 62 |
| Profit for the year | 32 | 3,444 | 8,633 |
| Profit attributable to: | | | |
| Equity holders of the Company | | 423 | 6,090 |
| Non-controlling interests | | 3,021 | 2,543 |
| | | 3,444 | 8,633 |
| Basic earnings per share (cents) | 34 | 0.32 | 4.65 |
| Diluted earnings per share (cents) | 34 | 0.32 | 4.65 |

See accompanying notes to the financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

YEAR ENDED DECEMBER 31, 2016

| | Note | Group | |
|--|------|---------|---------|
| | | 2016 | 2015 |
| | | S\$'000 | S\$'000 |
| Profit for the year | | 3,444 | 8,633 |
| Other comprehensive income | | | |
| <i>Items that may be reclassified subsequently to profit or loss</i> | | | |
| Translation gain arising on consolidation | | 2,888 | 156 |
| Fair value gain on available-for-sale investments, net of tax | | 485 | 2,886 |
| Other comprehensive income for the year, net of tax | | 3,373 | 3,042 |
| Total comprehensive income for the year | | 6,817 | 11,675 |
| Total comprehensive income attributable to: | | | |
| Equity holders of the Company | | 2,820 | 7,714 |
| Non-controlling interests | | 3,997 | 3,961 |
| | | 6,817 | 11,675 |

See accompanying notes to the financial statements.

STATEMENTS OF CHANGES IN EQUITY

YEAR ENDED DECEMBER 31, 2016

| | Issued capital | Capital reserve | Asset revaluation reserve | Investment revaluation reserve | Options reserve | Foreign currency translation reserve | Retained earnings | Equity attributable to equity holders of the Company | Non-controlling interests | Total |
|--|----------------|-----------------|---------------------------|--------------------------------|-----------------|--------------------------------------|-------------------|--|---------------------------|---------------|
| | S\$'000 | S\$'000 | S\$'000 | S\$'000 | S\$'000 | S\$'000 | S\$'000 | S\$'000 | S\$'000 | S\$'000 |
| Group | | | | | | | | | | |
| Balance at January 1, 2015 | 72,579 | – | 3,278 | 122 | 252 | (30,019) | 51,549 | 97,761 | 7,994 | 105,755 |
| Total comprehensive income for the year | | | | | | | | | | |
| Profit for the year | – | – | – | – | – | – | 6,090 | 6,090 | 2,543 | 8,633 |
| Other comprehensive income for the year | – | – | – | 1,440 | – | 184 | – | 1,624 | 1,418 | 3,042 |
| Total | – | – | – | 1,440 | – | 184 | 6,090 | 7,714 | 3,961 | 11,675 |
| Transactions with owners, recognised directly in equity | | | | | | | | | | |
| Cash contributions from non-controlling shareholders in a subsidiary corporation | – | – | – | – | – | – | – | – | 2 | 2 |
| Capital reserve arising from the reorganisation of shareholding in Investment Division's subsidiary corporations | – | (9,207) | – | – | – | – | – | (9,207) | 9,207 | – |
| Transfer from options reserve to retained earnings on cancellation/lapse of share options | – | – | – | – | (201) | – | 201 | – | – | – |
| Total | – | (9,207) | – | – | (201) | – | 201 | (9,207) | 9,209 | 2 |
| Balance at December 31, 2015 | 72,579 | (9,207) | 3,278 | 1,562 | 51 | (29,835) | 57,840 | 96,268 | 21,164 | 117,432 |

See accompanying notes to the financial statements.

STATEMENTS OF CHANGES IN EQUITY

YEAR ENDED DECEMBER 31, 2016

| | Issued capital | Capital reserve | Asset revaluation reserve | Investment revaluation reserve | Options reserve | Foreign currency translation reserve | Retained earnings | Equity attributable to equity holders of the Company | Non-controlling interests | Total |
|---|----------------|-----------------|---------------------------|--------------------------------|-----------------|--------------------------------------|-------------------|--|---------------------------|----------------|
| | S\$'000 | S\$'000 | S\$'000 | S\$'000 | S\$'000 | S\$'000 | S\$'000 | S\$'000 | S\$'000 | S\$'000 |
| Group | | | | | | | | | | |
| Balance at January 1, 2016 | 72,579 | (9,207) | 3,278 | 1,562 | 51 | (29,835) | 57,840 | 96,268 | 21,164 | 117,432 |
| Total comprehensive income for the year | | | | | | | | | | |
| Profit for the year | - | - | - | - | - | - | 423 | 423 | 3,021 | 3,444 |
| Other comprehensive income for the year | - | - | - | 242 | - | 2,155 | - | 2,397 | 976 | 3,373 |
| Total | - | - | - | 242 | - | 2,155 | 423 | 2,820 | 3,997 | 6,817 |
| Transactions with owners, recognised directly in equity | | | | | | | | | | |
| Dividend to non-controlling shareholders in a subsidiary corporation | - | - | - | - | - | - | - | - | (1,219) | (1,219) |
| Dividend (Note 33) | - | - | - | - | - | - | (2,617) | (2,617) | - | (2,617) |
| Transfer from options reserve to retained earnings on cancellation/lapse of share options | - | - | - | - | (20) | - | 20 | - | - | - |
| Total | - | - | - | - | (20) | - | (2,597) | (2,617) | (1,219) | (3,836) |
| Balance at December 31, 2016 | 72,579 | (9,207) | 3,278 | 1,804 | 31 | (27,680) | 55,666 | 96,471 | 23,942 | 120,413 |

See accompanying notes to the financial statements.

STATEMENTS OF CHANGES IN EQUITY

YEAR ENDED DECEMBER 31, 2016

| | Issued capital | Options reserve | Retained earnings | Total |
|---|-------------------|--------------------|----------------------|---------|
| | S\$'000 | S\$'000 | S\$'000 | S\$'000 |
| Company | | | | |
| Balance at January 1, 2015 | 72,579 | 252 | 18,490 | 91,321 |
| Profit for the year, representing total comprehensive income for the year | – | – | 4,719 | 4,719 |
| Transactions with owners, recognised directly in equity | | | | |
| Transfer from options reserve to retained earnings on cancellation/ lapse of share options | – | (201) | 201 | – |
| Balance at December 31, 2015 | 72,579 | 51 | 23,410 | 96,040 |
| Profit for the year, representing total comprehensive income for the year | – | – | 177 | 177 |
| Transactions with owners, recognised directly in equity | | | | |
| Dividend (Note 33) | – | – | (2,617) | (2,617) |
| Transfer from options reserve to retained earnings on cancellation/ lapse of share options | – | (20) | 20 | – |
| Balance at December 31, 2016 | 72,579 | 31 | 20,990 | 93,600 |

See accompanying notes to the financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2016

| | Group | |
|---|----------|----------|
| | 2016 | 2015 |
| | S\$'000 | S\$'000 |
| OPERATING ACTIVITIES | | |
| Profit before income tax | 4,214 | 8,571 |
| Adjustments for: | | |
| Depreciation expense | 403 | 448 |
| Share of loss of joint ventures | 400 | – |
| Interest income from loans receivable and dividend income from unquoted investments | (22,016) | (11,102) |
| Interest expense | 5,330 | 4,631 |
| Interest income | (991) | (1,197) |
| Loss on disposal of property, plant and equipment | 2 | – |
| Loss on expired/exercise of derivative financial instrument | 223 | 356 |
| Valuation losses (gains) on investment properties and assets held for sale, net | 7,318 | (9,915) |
| Unrealised loss on outstanding derivative financial instrument | 57 | 392 |
| Net unrealised foreign exchange loss | 1,462 | 564 |
| Provision for employee benefits | 370 | 232 |
| Allowance for inventories | 1,098 | 1,794 |
| (Reversal of) Allowance for doubtful trade receivables | (7) | 328 |
| Allowance for doubtful other receivables | 191 | 116 |
| Operating cash flows before movements in working capital | (1,946) | (4,782) |
| Trade receivables | 2,504 | 558 |
| Other receivables and prepayments | (673) | 4,018 |
| Inventories | 5,356 | 1,375 |
| Trade payables | (3,593) | (1,956) |
| Other payables and provisions | 5,305 | (706) |
| Cash generated from (used in) operations | 6,953 | (1,493) |
| Income tax paid | (170) | (113) |
| Interest paid | (3,351) | (4,041) |
| Interest received | 530 | 661 |
| Net cash from (used in) operating activities | 3,962 | (4,986) |

See accompanying notes to the financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2016

| | Group | |
|---|-----------------|-----------------|
| | 2016 S\$'000 | 2015 S\$'000 |
| INVESTING ACTIVITIES | | |
| Additions to property, plant and equipment | (335) | (215) |
| Proceeds from disposal of property, plant and equipment | 8 | 55 |
| Proceeds from disposal of available-for-sale investments | – | 2 |
| Additions of investments in joint ventures | (513) | – |
| Repayment of loans receivable – current and non-current | 23,092 | 17,525 |
| Additions to loans receivable – current and non-current | (16,286) | (14,280) |
| Acquisition of derivative financial instrument | (217) | (1,159) |
| Proceeds from exercise of derivative financial instruments | – | 85 |
| Net cash from investing activities | 5,749 | 2,013 |
| FINANCING ACTIVITIES | | |
| Cash contributions from non-controlling shareholders in subsidiary corporations | – | 2 |
| Dividend paid to non-controlling shareholders in a subsidiary corporation | (738) | – |
| Dividend paid | (2,617) | – |
| Decrease in fixed deposits with maturities exceeding three months | 10 | 4,362 |
| Decrease in pledged fixed deposits | 862 | 130 |
| Increase in bills payable and trust receipts | 692 | 6,356 |
| Other loans | 6,365 | – |
| Loans from banks | 9,656 | 5,515 |
| Repayments of bank loans | (22,016) | (21,187) |
| Net cash used in financing activities | (7,786) | (4,822) |
| Net increase (decrease) in cash and cash equivalents | 1,925 | (7,795) |
| Cash and cash equivalents at beginning of year (Note 7) | 5,543 | 13,497 |
| Net effect of exchange rate changes in the balance of cash held in foreign currencies | 222 | (159) |
| Cash and cash equivalents at end of year (Note 7) | 7,690 | 5,543 |

See accompanying notes to the financial statements.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016

1 GENERAL

The Company (Registration No. 199306606E) is incorporated and domiciled in Singapore with its registered office and principal place of business at 20 Upper Circular Road, #03-06 The Riverwalk, Singapore 058416. The Company is listed on the mainboard of the Singapore Exchange Securities Trading Limited. The financial statements are expressed in Singapore dollars.

The principal activity of the Company is that of investment holding.

The principal activities of the subsidiary corporations are disclosed in Note 14.

The consolidated financial statements of the Group and statement of financial position and statement of changes in equity of the Company for the year ended December 31, 2016 were authorised for issue by the Board of Directors on March 17, 2017.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING – The financial statements have been prepared in accordance with the historical cost basis, except as disclosed in the accounting policies below, and are drawn up in accordance with the provisions of the Singapore Companies Act and Singapore Financial Reporting Standards (“FRS”).

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability which market participants would take into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of FRS 102 *Share-based Payment*, leasing transactions that are within the scope of FRS 17 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in FRS 2 *Inventories* or value in use in FRS 36 *Impairment of Assets*.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

ADOPTION OF NEW AND REVISED STANDARDS – On January 1, 2016, the Group adopted all the new and revised FRSs and Interpretations of FRS (“INT FRS”) that are effective from that date and are relevant to its operations. The adoption of these new/revised FRSs and INT FRSs does not result in significant changes to the Group’s and Company’s accounting policies and has no material effect on the amounts reported for the current or prior years.

At the date of authorisation of these financial statements, the following FRSs, INT FRSs and amendments to FRS that are relevant to the Group and the Company were issued but not effective:

- FRS 109 *Financial Instruments*²
- FRS 115 *Revenue from Contracts with Customers*²
- FRS 116 *Leases*³

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

- Amendments to FRS 7 *Statement of Cash Flows: Disclosure Initiative*¹
- Amendments to FRS 110 *Consolidated Financial Statements* and FRS 28 *Investments in Associates and Joint Venture*⁴

¹ Applies to annual periods beginning on or after January 1, 2017, with early application permitted.

² Applies to annual periods beginning on or after January 1, 2018, with early application permitted.

³ Applies to annual periods beginning on or after January 1, 2019, with earlier application permitted if FRS 115 is adopted.

⁴ Application has been deferred indefinitely, however, early application is permitted.

Consequential amendments were also made to various standards as a result of these new/revised standards.

The management anticipates that the adoption of the above FRSs, INT FRSs and amendments to FRS in future periods will not have a material impact on the financial statements of the Group and of the Company in the period of their initial adoption except for the following:

FRS 109 *Financial Instruments*

FRS 109 was issued in December 2014 to replace FRS 39 *Financial Instruments: Recognition and Measurement* and introduced new requirements for (i) the classification and measurement of financial assets and financial liabilities (ii) general hedge accounting and (iii) impairment requirements for financial assets.

Key requirements of FRS 109:

- All recognised financial assets that are within the scope of FRS 39 are now required to be subsequently measured at amortised cost or fair value. Specifically, debt instruments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at fair value through other comprehensive income (FVTOCI). All other debt instruments and equity investments are measured at fair value through profit or loss (FVTPL) at the end of subsequent accounting periods. In addition, under FRS 109, entities may make an irrevocable election, at initial recognition, to measure an equity investment (that is not held for trading) at FVTOCI, with only dividend income generally recognised in profit or loss.
- With some exceptions, financial liabilities are generally subsequently measured at amortised cost. With regard to the measurement of financial liabilities designated as at FVTPL, FRS 109 requires that the amount of change in fair value of such financial liability that is attributable to changes in the credit risk be presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch to profit or loss. Changes in fair value attributable to the financial liability's credit risk are not subsequently reclassified to profit or loss.
- In relation to the impairment of financial assets, FRS 109 requires an expected credit loss model, as opposed to an incurred credit loss model under FRS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.
- The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in FRS 39. Under FRS 109, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Based on an analysis of the Group's financial assets and financial liabilities as at December 31, 2016 on the basis of facts and circumstances that exist at that date, the management of the Group have performed a preliminary assessment of the impact of FRS 109 to the Group's financial statements as follows:

Classification and measurement

The Group has loans receivable extended to third parties for development projects to fund the construction of housing units in Australia. These loans are currently being carried at amortised cost and earn fixed interest income based on contractual rates and variable returns determinable at completion of the development projects. The classification and measurement basis for these loans receivable may change with the adoption of FRS 109.

Unquoted investment classified as available-for-sale investment is currently carried at fair value with changes in fair value recorded in other comprehensive income unless there is an impairment which will be recorded to profit or loss. With the adoption of FRS 109, such investment is required to be measured at FVTPL unless it meets certain criteria whereby the Group can make an irrevocable election, at initial recognition, to measure the investment at FVTOCI. The change in accounting treatments for financial assets carried at FVTPL and FVTOCI under the new FRS 109 are disclosed above.

Except for the above, the management anticipates that all other financial assets and financial liabilities will continue to be measured on the same bases as currently adopted under FRS 39.

Impairment

In general, the management anticipates that the application of the expected credit loss model of FRS 109 may result in earlier recognition of credit losses for the respective financial assets and are currently assessing the potential impact.

Overall, the management anticipates that the initial application of the new FRS 109 will result in changes to the accounting policies relating to its financial instruments and the impairment provisions of financial assets. Additional disclosures will also be made. It is currently impracticable to disclose any further information on the known or reasonably estimable impact to the Group's financial statements in the period of initial application of FRS 109 as the management has yet to complete its detailed assessment. Management does not plan to early adopt the new FRS 109.

FRS 115 Revenue from Contracts with Customers

In November 2014, FRS 115 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. FRS 115 will supersede the current revenue recognition guidance including FRS 18 *Revenue*, FRS 11 *Construction Contracts* and the related Interpretations when it becomes effective. Further clarifications to FRS 115 were also issued in June 2016.

The core principle of FRS 115 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer.
- Step 2: Identify the performance obligations in the contract.
- Step 3: Determine the transaction price.
- Step 4: Allocate the transaction price to the performance obligations in the contract.
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

Under FRS 115, 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. More prescriptive guidance has been added in FRS 115 to deal with specific scenarios. Furthermore, extensive disclosures are required by FRS 115.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

The management has preliminarily assessed and identified that the sale of hardware to certain customers along with installation and maintenance services represent two separate performance obligations from the sale of hardware (including installation) and maintenance. Accordingly, revenue should be recognised for each of these performance obligations when control over the corresponding goods and services is transferred to the customer. Management anticipates that the initial application of the new FRS 115 will result in changes to the accounting policies relating to revenue recognition. Additional disclosures will also be made with respect to the sale, deferred revenue and retained earnings.

It is currently impracticable to disclose any further information on the known or reasonably estimable impact to the Group's financial statements in the period of initial application of FRS 115 as the management has yet to complete its detailed assessment. Management does not plan to early adopt the new FRS 115.

FRS 116 Leases

FRS 116 was issued in June 2016 and will supersede FRS 17 *Leases* and its associated interpretative guidance.

The Standard provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessees and lessors. The identification of leases, distinguishing between leases and service contracts, are determined on the basis of whether there is an identified asset controlled by the customer.

Significant changes to lessee accounting are introduced, with the distinction between operating and finance leases removed and assets and liabilities recognised in respect of all leases (subject to limited exceptions for short-term leases and leases of low value assets). The Standard maintains substantially the lessor accounting approach under the predecessor FRS 17.

As at December 31, 2016, the Group has non-cancellable operating lease commitments of approximately S\$1,431,000 disclosed as operating lease commitments in Note 37. A preliminary assessment indicates that these leases will meet the definition of a lease under FRS 116, and hence the Group will have to recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of FRS 116.

The new requirement to recognise a right-of-use asset and a related lease liability is expected to have an impact on the amount recognised in the Group's financial statements and the management is currently assessing its potential impact. It is not practical to provide a reasonable estimate of the financial effect until the management completes its detailed assessment.

BASIS OF CONSOLIDATION – The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiary corporations. Control is achieved when the Company:

- Has power over the investee;
- Is exposed, or has rights, to variable returns from its involvement with the investee; and
- Has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- The size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

- Potential voting rights held by the Company, other vote holders or other parties;
- Rights arising from other contractual arrangements; and
- Any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary corporation begins when the Company obtains control over the subsidiary corporation and ceases when the Company loses control of the subsidiary corporation. Specifically, income and expenses of a subsidiary corporation acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary corporation.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiary corporations is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiary corporations to bring their accounting policies in line with the Group's accounting policies.

Changes in the Group's ownership interests in existing subsidiary corporations

Changes in the Group's ownership interests in subsidiary corporations that do not result in the Group losing control over the subsidiary corporations are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary corporations. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary corporation, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary corporation and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary corporation are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary corporation (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable FRSs). The fair value of any investment retained in the former subsidiary corporation at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under FRS 39, or when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

In the Company's financial statements, investments in subsidiary corporations are carried at cost less any impairment in net recoverable value that has been recognised in profit or loss.

BUSINESS COMBINATIONS – Acquisitions of subsidiary corporations and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the acquisition date fair values of assets given, liabilities incurred by the Group to the former owners of the acquiree, and equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition-date fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments (see below). The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates at fair value, with changes in fair value being recognised in profit or loss.

Where a business combination is achieved in stages, the Group's previously held interests in the acquired entity are remeasured to fair value at the acquisition date (i.e. the date the Group attains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under the FRS are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with FRS 12 *Income Taxes* and FRS 19 *Employee Benefits* respectively;
- liabilities or equity instruments related to share-based payment transactions of the acquiree or the replacement of an acquiree's share-based payment awards transactions with share-based payments awards transactions of the acquirer are measured in accordance with the method in FRS 102 *Share-based Payment* at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with FRS 105 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another FRS.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see below), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as of the acquisition date and is subject to a maximum of one year from acquisition date.

FINANCIAL INSTRUMENTS – Financial assets and financial liabilities are recognised on the statement of financial position when the Group becomes a party to the contractual provisions of the instruments.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial instrument and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments (including all fees on points paid or received that form an integrated part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial instrument, or where appropriate, a shorter period. Income and expense are recognised on an effective interest basis for debt instruments other than those financial instruments "at fair value through profit or loss".

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Financial assets

All financial assets are recognised and de-recognised on a trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss which are initially measured at fair value.

Financial assets are classified into the following specified categories: "available-for-sale" financial assets and "loan and receivables". The classification depends on the nature and purpose of financial assets and is determined at the time of initial recognition.

Available-for-sale investments

Certain shares and debt securities held by the Group are classified as being available-for-sale and are stated at fair value. Fair value is determined in the manner described in Note 4. Gains and losses arising from changes in fair value are recognised in other comprehensive income with the exception of impairment losses, interest calculated using the effective interest method and foreign exchange gains and losses on monetary assets which are recognised directly in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in other comprehensive income and accumulated in investment revaluation reserve is reclassified to profit or loss. Dividends on available-for-sale equity instruments are recognised in profit or loss when the Group's right to receive payments is established. The fair value of available-for-sale monetary assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period. The change in fair value attributable to translation differences that result from a change in amortised cost of the available-for-sale monetary asset is recognised in profit or loss, and other changes are recognised in other comprehensive income.

Loans and receivables

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as "loans and receivables". Loans and receivables are initially recognised at fair value plus transaction costs, and subsequently measured at amortised cost using the effective interest method less impairment. Interest is recognised by applying the effective interest method, except for short-term receivables when the effect of discounting is immaterial.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

For available-for-sale equity instruments, a significant or prolonged decline in the fair value of the investment below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- Significant financial difficulty of the issuer or counterparty; or
- Default or delinquency in interest or principal payments; or
- It becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 19 days (2015 : 14 days), as well as observable changes in national or local economic conditions that correlate with default on receivables.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

For financial assets carried at amortised cost, the amount of the impairment 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.

For financial assets that are carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables where the carrying amount is reduced through the use of an allowance account. When a trade or other receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss. Changes in the carrying amount of the allowance account are recognised in profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss.

In respect of available-for-sale equity instruments, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any subsequent increase in fair value after an impairment loss is recognised in other comprehensive income and accumulated under the heading of investment revaluation reserve.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Financial liabilities and equity instruments

Classification as debt or equity

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments are recorded at the proceeds received, net of direct issue costs.

Financial liabilities

Trade and other payables (including amount owing to subsidiary corporations) are initially recognised at fair value, net of transaction costs, and are subsequently measured at amortised cost, using the effective interest method, with interest expense recognised on an effective yield basis except for short-term payables when the effect of discounting is immaterial.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Interest-bearing loans are initially recognised at fair value, and are subsequently measured at amortised cost, using the effective interest method.

Financial guarantee contract liabilities are measured initially at their fair values and subsequently at the higher of the amount of obligation under the contract recognised as a provision in accordance with FRS 37 *Provisions, Contingent Liabilities and Contingent Assets* and the amount initially recognised less cumulative amortisation in accordance with FRS 18 *Revenue*.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expired.

Derivative financial instruments

From time to time and in the normal course of business, the Group may enter into forward exchange contracts and options to hedge its currency exposure arising from firm commitments to suppliers for the purchase of goods, from available-for-sale investments and borrowings denominated in foreign currencies.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

Offsetting arrangements

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when the Company and the Group has a legally enforceable right to set off the recognised amounts; and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously. A right to set-off must be available today rather than being contingent on a future event and must be exercisable by any of the counterparties, both in the normal course of business and in the event of default, insolvency or bankruptcy.

LEASES – Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease unless another systematic basis is more representative of the time pattern in which use benefit derived from the leased asset is diminished. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease income.

The Group as lessee

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

NON-CURRENT ASSETS HELD FOR SALE – Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Warehouse properties currently in use by the Group and classified as assets held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Investment properties classified as assets held for sale are stated at fair value.

INVENTORIES – Inventories are measured at the lower of cost (calculated using weighted average cost method) and net realisable value. Cost includes all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Net realisable value represents the estimated selling price less all estimated costs to completion and costs to be incurred in marketing, selling and distribution.

PROPERTY, PLANT AND EQUIPMENT – Property, plant and equipment are carried at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is charged so as to write off the cost of assets over their estimated useful lives using the straight-line method, on the following bases:

| | |
|--|---|
| Leasehold land | - 43 to 50 years |
| Buildings | - 40 years or the unexpired term of the lease, whichever is earlier |
| Leasehold improvements, furniture and fixtures and office equipment | - 4 to 10 years |
| Motor vehicles | - 5 years |

No depreciation is charged on freehold land.

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

The allocation of the cost of leasehold properties between land and buildings has been determined by Colliers International (HK) Ltd (which is an independent firm of professional valuers).

Fully depreciated assets still in use are retained in the financial statements.

The gain or loss arising on disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amounts of the asset and is recognised in profit or loss.

INVESTMENT PROPERTIES – Investment properties, which are properties held to earn rentals and/or for capital appreciation, are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value. Professional desktop valuations are obtained annually while professional full valuations are obtained at least once in 3 years. Gains or losses arising from changes in the fair value of the investment properties are included in the profit or loss for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

NOTES TO FINANCIAL STATEMENTS

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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

JOINT VENTURE – A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of joint ventures are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, an investment in a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the joint venture. When the Group's share of losses of a joint venture exceeds the Group's interest in that joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the joint venture.

An investment in a joint venture is accounted for using the equity method from the date on which the investee becomes a joint venture. On acquisition of the investment in a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of FRS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in a joint venture. When necessary, the entire carrying amount of the investment (including goodwill, if any) is tested for impairment in accordance with FRS 36 *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount, any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with FRS 36 to the extent that the recoverable amount of the investment subsequently increases.

When a Group entity transacts with a joint venture of the Group, profits and losses resulting from the transactions with the joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the joint venture that are not related to the Group.

IMPAIRMENT OF NON-FINANCIAL ASSETS – At the end of each reporting period, the Group reviews 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 for which the estimates of future cash flows have not been adjusted.

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, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

When 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 only to the extent 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 reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

PROVISIONS – Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

SHARE-BASED PAYMENTS – From time to time, the Group issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value (excluding the effect of non market-based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of the number of equity instruments that will eventually vest and adjusted for the effect of non market-based vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the options reserve.

Details of the determination of fair value of such options are disclosed in Note 27.

REVENUE RECOGNITION – Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions are satisfied:

- The Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- The amount of revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the entity; and
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

Revenue from the rendering of services is recognised on an accrual basis for services performed in accordance with the substance of the relevant agreement.

Management fees

Management fee income is recognised on an accrual basis.

Rental income

Rental income is recognised on a straight line basis over the lease term.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Interest income

Interest income is accrued on a time proportionate basis, by reference to the principal outstanding and at the effective interest rate applicable.

Dividend income

Dividend income is recognised when the shareholder's right to receive payment has been established.

BORROWING COSTS – Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

RETIREMENT BENEFIT COSTS – Payments to defined contribution retirement benefit plans (including state-managed retirement benefit schemes, such as the Singapore Central Provident Fund) are charged as an expense when employees have rendered the services entitling them to the contributions.

EMPLOYEE LEAVE ENTITLEMENT – Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period.

EMPLOYEE LONG SERVICE PAYMENT – The provision for long service is provided based on the qualifying employees' basic salaries and their respective length of service in accordance with the applicable rules and regulations in their respective countries of employment.

INCOME TAX – Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or tax deductible. The Group's liability for current tax is calculated using tax rates (and tax laws) that have been enacted or substantively enacted in countries where the Company and subsidiary corporations operate by the end of the reporting period.

Deferred tax is recognised on the differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised on taxable temporary differences arising on investments in subsidiary corporations and interests in joint ventures except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. Except for investment properties measured using the fair value model, the measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax liabilities and deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model of the Group whose business objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. The Group has not rebutted the presumption that the carrying amount of the investment properties will be recovered entirely through sale.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items credited or debited outside profit or loss (either in other comprehensive income or directly in equity), in which case the tax is also recognised outside profit or loss (either in other comprehensive income or directly in equity, respectively) or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in calculating goodwill or determining the excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost.

FOREIGN CURRENCY TRANSACTIONS AND TRANSLATION – The individual financial statements of each Group entity are measured and presented in the currency of the primary economic environment in which the entity operates (its functional currency). The consolidated financial statements of the Group and the statement of financial position of the Company are presented in Singapore dollars, which is the functional currency of the Company and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency are recorded at the rates of exchange prevailing on the date of the transaction. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the end of the reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on retranslation of monetary items are included in profit or loss for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income. For such non-monetary items, any exchange component of that gain or loss is also recognised in other comprehensive income.

Exchange differences on transactions entered into in order to hedge certain foreign currency risks are described in the accounting policies on derivative financial instruments above.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations (including comparatives) are expressed in Singapore dollars using exchange rates prevailing at the end of the reporting period. Income and expense items (including comparatives) are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in a separate component of equity under the header of foreign currency translation reserve.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

On the disposal of a foreign operation, all of the accumulated exchange differences in respect of that operation attributable to the Group are reclassified to profit or loss. Any exchange differences that have previously been attributed to non-controlling interests are derecognised, but they are not reclassified to profit or loss.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities (including monetary items that, in substance, form part of the net investment in foreign entities), and of borrowings and other currency instruments designated as hedges of such investments, are recognised in other comprehensive income and accumulated in a separate component of equity under the header of foreign currency translation reserve.

CASH AND CASH EQUIVALENTS IN THE STATEMENT OF CASH FLOWS – Cash and cash equivalents in the statement of cash flows comprise cash on hand and demand deposits that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 2, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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.

Critical judgements in applying the entity's accounting policies

The following are the critical judgements, apart from those involving estimates (see below), that management has made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Control over Thakral Japan Properties Pte Ltd ("TJP")

Note 14 describes that TJP is a subsidiary corporation of the Group although the Group only holds a 49.9% ownership interest in TJP. The remaining 50.1% of the ordinary shares of TJP is owned by 3 shareholders, none individually holding more than 20%. The directors assessed that the Group has control over TJP on the basis of the Group's absolute size of holding in TJP, the relative size and dispersion of the shareholdings owned by the other shareholders and full representation of the Group in TJP's Board of Directors which gives the Group the ability to direct the relevant activities of TJP and affect TJP's returns. The Group is considered to have the current ability to direct the relevant activities of TJP which will affect the Group's and the investors' returns. As such, the Group is considered to have control over TJP.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next year, are discussed below.

(i) Allowances for inventories

The Group has shifted its focus from products such as cameras and other electronic related products to distributing other lifestyle products such as beauty and health products.

Due to the shift to new products and Lifestyle segment, the Group has on-hand certain inventories from previous years which it has been trying to sell via new distributors and to developing countries where there are less technologically advanced buyers. There are inherent risks on inventories' valuation and allowance for inventories relating to long aging inventories and/or products that may be approaching end-of-life.

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (cont'd)

Key sources of estimation uncertainty (cont'd)

(i) Allowances for inventories (cont'd)

Management reviews the inventory listing monthly and assessed the inventories on an item by item basis. This review also involves comparison of the carrying values of the inventory items with the respective net realisable values. Judgement is required in assessing the net realisable values of inventories. Where the expectation is different from the original estimate, such differences will impact the carrying value of inventories in the period in which such estimate has been changed.

The carrying amount of the Group's inventories is disclosed in Note 10.

(ii) Allowances for trade and other receivables

The Group makes allowances for bad and doubtful debts based on an assessment of the recoverability of trade and other receivables. Allowances are applied to these receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of bad and doubtful debts requires the use of judgement and estimates. Judgement is required in assessing the ultimate realisation of these receivables, including the current creditworthiness, past collection history of each customer and on-going dealings with them. Where the expectation is different from the original estimate, such difference will impact the carrying value of these receivables and doubtful debts expenses in the period in which such estimate has been changed.

The carrying amounts of the Group's trade and other receivables are disclosed in Notes 8 and 9 respectively.

(iii) Valuation of investment properties and assets held for sale

The Group's investment properties and assets held for sale amounted to S\$54,616,000 and S\$40,140,000 (2015: S\$62,391,000 and S\$38,115,000) respectively. Investment properties and assets held for sale comprising investment properties are stated at their estimated fair values. Assets held for sale comprising of warehouse properties currently in use by the Group are stated at the lower of their carrying amounts and fair values less costs to sell.

The fair values of the Group's assets held for sale in Hong Kong and investment properties in the People's Republic of China ("PRC") have been determined on the basis of valuations carried out at year end by independent professional valuers having an appropriate recognised professional qualification and recent experience in the location and category of the properties being valued. The fair values were determined based on an open market basis by making reference to the recent transactions of similar properties in similar location and condition under the prevailing market conditions.

The fair values of the Group's investment properties in Australia have been determined by management based on discounted cash flows, supplemented by valuations from independent professional valuers performed in December 2016 on an open market basis.

There are inherent risks on fair value estimates which may differ from the prices and locations at which these properties could be sold at a particular time, since actual selling prices are negotiated between willing buyers and sellers. Also, certain estimates require an assessment of uncontrollable factors, such as overall market conditions.

The carrying amounts of investment properties and assets held for sale are disclosed in Notes 12 and 13.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (cont'd)

Key sources of estimation uncertainty (cont'd)

(iv) Valuation of available-for-sale investment

As at December 31, 2016, the Group has unquoted investment classified as available-for-sale investment amounting to S\$18,680,000 (2015 : S\$17,087,000).

The fair value of the available-for-sale investment is estimated based on the Group's share of the net asset values of the investee, which approximates its fair value as at the end of the reporting period. The investee's main assets are two office buildings and a hotel building in Japan which are leased to external parties. The fair value of these office buildings have been determined on the basis of valuations carried out by professional valuers. The fair value was determined based on an open market basis by making reference to the recent transactions of similar properties in similar location and condition under the prevailing market conditions. For the hotel building acquired on November 24, 2016, it is carried at acquisition cost which is considered by management to approximate fair value as at December 31, 2016.

There are inherent risks on such fair value estimates which may differ from the prices and location at which these properties could be sold at a particular time, since actual selling prices are negotiated between willing buyers and sellers. Also, certain estimates require an assessment of uncontrollable factors, such as overall market conditions.

Management assessed that the fair value of the available-for-sale investment is reasonable and its changes in fair value during the year have been properly accounted for.

The carrying amount of available-for-sale investment is disclosed in Note 18.

(v) Valuation of loans receivable and accounting for variable returns

As at December 31, 2016, the Group has loans receivable amounting to S\$54,252,000 (2015 : S\$39,820,000) extended to third parties for development projects to fund the construction of housing units in Australia. These loans receivable earn fixed interest income on the principal amount and variable returns determinable at completion of the project less withholding tax at the relevant rate.

The management has assessed the terms of the contracts and concluded that the variable returns determined at completion of the project, is in substance variable interest income for accounting purposes. Accordingly, the loans receivable have been carried at amortised cost using the effective interest method less impairment.

Judgements and estimates have been made with regard to the accounting and amount of variable interest income which will be determined at the end of each reporting period. Changes in these estimates could affect the reported amounts of interest receivables and the carrying values of loans receivable in the statement of financial position.

There is also a risk that the loans receivable are not properly assessed for impairment and not recorded at net recoverable value. This assessment involves significant judgement and estimates, and is dependent on the progress of the property development projects and any indicators of project cost over-runs and losses that may affect the counterparties' ability to repay the loans.

Management assessed for any objective evidence of impairment relating to these loans receivable and determined that no allowance for impairment is required.

Further details of loans receivable are disclosed in Note 16.

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (cont'd)

Key sources of estimation uncertainty (cont'd)

(vi) Impairment of investments in subsidiary corporations

Determining whether investments in subsidiary corporations are impaired requires an estimation of the recoverable amount of the investment in subsidiary corporations as at the end of the reporting period. Management has estimated the recoverable amount based on the fair value less cost to sell and is satisfied that the recoverable amounts are higher than the carrying value of the subsidiary corporations which has been stated net of an impairment loss of S\$113,017,000 (2015 : S\$111,095,000). The fair value less cost to sell is determined by reference to the estimated realisable values of the net tangible assets of the subsidiary corporations.

The carrying amounts of the Company's investments in subsidiary corporations are disclosed in Note 14.

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT

(a) *Categories of financial instruments*

The following table sets out the financial instruments as at the end of the reporting period:

| | Group | | Company | |
|--|---------|---------|---------|---------|
| | 2016 | 2015 | 2016 | 2015 |
| | S\$'000 | S\$'000 | S\$'000 | S\$'000 |
| Financial assets | | | | |
| Loans and receivables (including cash and bank balances) | 102,178 | 88,392 | 235 | 200 |
| Derivative financial instrument not designated in hedge accounting relationships | 755 | 767 | - | - |
| Available-for-sale investments | 18,681 | 17,088 | - | - |
| Financial liabilities | | | | |
| Payables, at amortised cost | 107,755 | 107,937 | 68,995 | 68,560 |

The Group does not have any significant financial instruments which are subject to enforceable master netting arrangements or similar netting agreements.

(b) *Financial risk management policies and objectives*

The Group's overall policy with respect to managing risk arising in the normal course of the Group's business as well as that associated with financial instruments is to minimise the potential adverse effects on the financial performance of the Group. The policies for managing specific risks are summarised below.

There has been no significant change to the Group's exposure to these financial risks or the manner in which it manages and measures the risk. Market risk exposures are measured using sensitivity analysis indicated below.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (cont'd)

(b) *Financial risk management policies and objectives (cont'd)*

(i) **Credit risk management**

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group's credit risk is primarily attributable to its cash and cash equivalents, trade receivables, other receivables and loans receivable. Cash and cash equivalents are placed with credit-worthy financial institutions. Loans receivable, representing the Group's investments in real estate projects in Australia, are entered into following an in-depth due diligence process and only upon meeting the Group's investment criteria. The Group has adopted a stringent procedure in extending credit terms to customers and monitoring its credit risk. Credit evaluations are performed on customers requiring credit over a certain amount. Where appropriate, security deposits, post-dated cheques, letters of credit, cash and/or advance payments are required for new customers and those with an unacceptable credit assessment. Trade receivables consist of a large number of customers, spread across diverse geographical areas.

The carrying amount of financial assets recorded in the financial statements, which are net of any allowances for losses, represents the Group's maximum exposure to credit risk.

Further details of credit risks on trade receivables, other receivables and loans receivable which are provided to key management are disclosed in Notes 8, 9 and 16 respectively.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The default risk of the country and industry in which customers operate also has an influence on credit risk but to a lesser extent. At the end of the reporting period, the Group has certain concentration of credit risk as approximately 28% (2015 : 32%) of the total trade and other receivables (excluding advances to suppliers and prepayments) were due from the Group's ten largest customers. As at December 31, 2016, the Group holds security cheques and deposits from customers representing approximately 0% (2015 : 6%) of the above concentration risk.

(ii) **Interest rate risk management**

The primary source of the Group's interest rate risk relates to interest-bearing bank deposits and its borrowings from banks and a financial institution. The interest-bearing bank deposits and borrowings of the Group are disclosed in Notes 7, 20 and 21. As certain rates are based on interbank offer rates, the Group is exposed to cash flow interest rate risk. This risk is not hedged.

Interest rate sensitivity

The sensitivity analyses below have been determined based on the exposure to interest rates for interest-bearing financial liabilities at the end of the reporting period and the stipulated change taking place at the beginning of the year and held constant throughout the reporting period in the case of instruments that have floating rates. A 50 basis point increase or decrease is used and represents management's assessment of the possible change in interest rates.

If interest rates had been 50 basis points higher or lower and all other variables were held constant, the profit before tax for the year ended December 31, 2016 of the Group would decrease/increase by S\$217,000 (2015 : S\$287,000).

The Company has no variable interest-bearing instruments and is not affected by the changes in interest rates.

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (cont'd)

(b) Financial risk management policies and objectives (cont'd)

(iii) Foreign exchange risk management

The Group transacts business in various foreign currencies that are not the functional currencies of the transacting subsidiary corporations, including the United States dollar, Hong Kong dollar, Japanese Yen and Australian dollar. The Group is therefore exposed to foreign exchange risk. Foreign exchange exposures are monitored by management on an ongoing basis. Foreign currencies received are kept in foreign currency accounts and are converted to the respective functional currencies of the Group companies on an as-needed basis so as to manage the foreign exchange exposure.

In addition, the Company has a number of investments in foreign subsidiary corporations, whose net assets are exposed to currency translation risk.

Management enters into foreign exchange options to manage foreign exchange rate risk. The Group's commitments on such options are disclosed in Note 17. The Group does not currently designate its foreign currency accounts or commitments as hedged items for the purpose of measuring hedge effectiveness and hedging the translation of its foreign operations in accordance with FRS 39 *Financial Instruments: Recognition and Measurement*.

The Group does not enter into derivative foreign exchange contracts for trading or speculative purposes.

At the end of the reporting period, the carrying amounts of monetary assets and monetary liabilities, after netting the amounts hedged by the derivative financial instruments, excluding monetary items treated as part of net investment in a foreign operation, denominated in significant currencies other than the respective Group entities' functional currencies are as follows:

| | Group | | | | Company | | | |
|----------------------|---------|---------|-------------|---------|---------|---------|-------------|---------|
| | Assets | | Liabilities | | Assets | | Liabilities | |
| | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 |
| | S\$'000 | S\$'000 | S\$'000 | S\$'000 | S\$'000 | S\$'000 | S\$'000 | S\$'000 |
| United States dollar | 13,044 | 13,259 | 29,592 | 31,445 | 27 | 17 | – | – |
| Hong Kong dollar | 290 | 23 | 2,725 | 2,678 | 16 | 16 | 66,321 | 65,883 |
| Japanese yen | 31 | 20 | 1,154 | 2,157 | 1,590 | 1,496 | 1,576 | 1,490 |
| Australian dollar | 4,744 | 2,546 | 240 | 1,041 | 253 | 469 | 240 | 8 |

The above carrying amounts include related company balances that are not denominated in the functional currencies of the respective entities and are eliminated on consolidation (Note 5).

Foreign currency sensitivity

The following table details the sensitivity to a 10% increase or decrease in the relevant foreign currencies against the functional currency of each Group entity. 10% is the sensitivity rate representing management's assessment of the possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. The sensitivity analysis includes external loans as well as loans to foreign operations within the Group where they give rise to an impact on the Group's profit or loss and/or equity.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (cont'd)

(b) Financial risk management policies and objectives (cont'd)

(iii) Foreign exchange risk management (cont'd)

Foreign currency sensitivity (cont'd)

If the relevant foreign currency weakens by 10% against the functional currency of each Group entity, profit before tax and other equity will increase or (decrease) by:

| | United States dollar impact | | Hong Kong dollar impact | | Japanese yen impact | | Australian dollar impact | |
|--|--------------------------------|---------|----------------------------|---------|------------------------|---------|-----------------------------|---------|
| | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 |
| | S\$'000 | S\$'000 | S\$'000 | S\$'000 | S\$'000 | S\$'000 | S\$'000 | S\$'000 |

Group

| | | | | | | | | |
|---------------------|-------|-------|-----|-----|-----|-----|-------|-------|
| Profit for the year | 1,595 | 1,792 | 240 | 266 | 108 | 208 | (430) | (147) |
| Other equity | 60 | 27 | - | - | 5 | 7 | (20) | (3) |

Company

| | | | | | | | | |
|---------------------|-----|-----|-------|-------|-----|-----|-----|------|
| Profit for the year | (3) | (2) | 6,630 | 6,587 | (1) | (1) | (1) | (46) |
|---------------------|-----|-----|-------|-------|-----|-----|-----|------|

If the relevant foreign currency strengthens by 10% against the functional currency of each Group entity, profit for the year and other equity will increase or (decrease) by:

| | United States dollar impact | | Hong Kong dollar impact | | Japanese yen impact | | Australian dollar impact | |
|--|--------------------------------|---------|----------------------------|---------|------------------------|---------|-----------------------------|---------|
| | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 |
| | S\$'000 | S\$'000 | S\$'000 | S\$'000 | S\$'000 | S\$'000 | S\$'000 | S\$'000 |

Group

| | | | | | | | | |
|---------------------|---------|---------|-------|-------|-------|-------|-----|-----|
| Profit for the year | (1,595) | (1,792) | (240) | (266) | (108) | (208) | 430 | 147 |
| Other equity | (60) | (27) | - | - | (5) | (7) | 20 | 3 |

Company

| | | | | | | | | |
|---------------------|---|---|---------|---------|---|---|---|----|
| Profit for the year | 3 | 2 | (6,630) | (6,587) | 1 | 1 | 1 | 46 |
|---------------------|---|---|---------|---------|---|---|---|----|

The Group's sensitivity to foreign currencies have decreased in relation to the United States dollar during the current year mainly due to the decrease in sales and purchases denominated in United States dollars which resulted in lower United States dollar denominated receivables and payables.

The Group's foreign currency sensitivity in relation to the Hong Kong dollar, Japanese yen and Australian dollar are not significant.

(iv) Liquidity risk management

The objective of liquidity management is to ensure that the Group has sufficient funds to meet its contractual and financial obligations. To manage this risk, the Group monitors its net operating cash flow and maintains a level of cash and cash equivalents deemed adequate by management for working capital purposes so as to mitigate the effects of fluctuations in cash flows.

The Group also utilises bank and other borrowings for working capital purposes.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (cont'd)

(b) Financial risk management policies and objectives (cont'd)

(iv) Liquidity risk management (cont'd)

Non-derivative financial liabilities

The following tables detail the remaining contractual maturity for non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group and Company can be required to pay. The table includes both interest and principal cash flows. The adjustment column represents the possible future cash flows attributable to the instrument included in the maturity analysis which is not included in the carrying amount of the financial liability on the statement of financial position.

| | Weighted average effective interest rate | On demand or within 1 year | Within 2 to 5 years | More than 5 years | Adjustment | Total |
|---------------------------------------|--|-------------------------------------|------------------------|----------------------|------------|---------|
| | % | S\$'000 | S\$'000 | S\$'000 | S\$'000 | S\$'000 |
| Group | | | | | | |
| 2016 | | | | | | |
| Non-interest bearing | – | 17,551 | – | – | – | 17,551 |
| Variable interest rate instruments | 3.52 | 29,268 | 16,561 | – | (2,499) | 43,330 |
| Fixed interest rate instruments | 7.11 | 40,755 | 9,608 | – | (3,489) | 46,874 |
| | | 87,574 | 26,169 | – | (5,988) | 107,755 |
| 2015 | | | | | | |
| Non-interest bearing | – | 15,203 | – | – | – | 15,203 |
| Variable interest rate instruments | 3.48 | 36,135 | 25,439 | – | (4,009) | 57,565 |
| Fixed interest rate instruments | 5.38 | 31,853 | 5,208 | – | (1,892) | 35,169 |
| | | 83,191 | 30,647 | – | (5,901) | 107,937 |
| Company | | | | | | |
| 2016 | | | | | | |
| Non-interest bearing | – | 649 | 66,778 | – | – | 67,427 |
| Fixed interest rate instruments | 2.00 | 31 | 1,626 | – | (89) | 1,568 |
| | | 680 | 68,404 | – | (89) | 68,995 |
| 2015 | | | | | | |
| Non-interest bearing | – | 380 | 66,695 | – | – | 67,075 |
| Fixed interest rate instruments | 2.00 | 30 | 1,569 | – | (114) | 1,485 |
| | | 410 | 68,264 | – | (114) | 68,560 |

The maximum amount that the Company could be forced to settle under the financial guarantee contract in Note 36, if the full outstanding guaranteed amount is claimed by the counterparty to the guarantee, is S\$26,974,000 (2015 : S\$26,007,000). The earliest period that the guarantee could be called is within 1 year (2015 : 1 year) from the end of the reporting period. The Company considers that it is more likely that no amount will be payable under the arrangement.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (cont'd)

(b) Financial risk management policies and objectives (cont'd)

(iv) Liquidity risk management (cont'd)

Derivative financial instruments

The following table details the liquidity analysis for derivative financial instruments. The table has been drawn up based on the undiscounted net cash inflows/(outflows) on the derivative instrument that settles on a net basis. When the amount payable or receivable is not fixed, the amount disclosed has been determined by reference to the projected interest rates as illustrated by the yield curves existing at the end of the reporting period.

| | On demand or within 1 year S\$'000 | Within 2 to 5 years S\$'000 | After 5 years S\$'000 |
|--|---|--------------------------------------|-----------------------------|
|--|---|--------------------------------------|-----------------------------|

Group

2016

Net settled:

| | | | |
|-------------------------|---|-----|---|
| Foreign exchange option | – | 755 | – |
|-------------------------|---|-----|---|

2015

Net settled:

| | | | |
|-------------------------|---|-----|---|
| Foreign exchange option | – | 767 | – |
|-------------------------|---|-----|---|

(v) Fair value of financial assets and financial liabilities

The carrying amounts of cash and cash equivalents, trade and other current receivables and payables approximate their respective fair values due to the relatively short-term maturity of these financial instruments. The fair values of other classes of financial assets and liabilities are disclosed in the respective notes to financial statements.

The following financial instruments are measured at fair value:

| | Total S\$'000 | Level 1 S\$'000 | Level 2 S\$'000 | Level 3 S\$'000 |
|--|------------------|--------------------|--------------------|--------------------|
|--|------------------|--------------------|--------------------|--------------------|

Group

2016

Available-for-sale investments:

| | | | | |
|---------------------------------|--------|---|-----|--------|
| Unquoted investment | 18,680 | – | – | 18,680 |
| Club debenture | 1 | – | – | 1 |
| Derivative financial instrument | 755 | – | 755 | – |

2015

Available-for-sale investments:

| | | | | |
|---------------------------------|--------|---|-----|--------|
| Unquoted investment | 17,087 | – | – | 17,087 |
| Club debenture | 1 | – | – | 1 |
| Derivative financial instrument | 767 | – | 767 | – |

No sensitivity analysis has been performed for the club debenture as it is not material.

Please refer to Notes 17 and 18 for further information on the fair value of derivative financial instrument and unquoted investment respectively.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (cont'd)

(b) Financial risk management policies and objectives (cont'd)

(v) Fair value of financial assets and financial liabilities (cont'd)

Financial assets measured at fair value based on level 3

| | Available-for-sale investments |
|----------------------------|-----------------------------------|
| | S\$'000 |
| Group | |
| As at January 1, 2015 | 12,633 |
| Disposals | (2) |
| Other comprehensive income | 2,886 |
| Translation adjustment | 1,571 |
| As at December 31, 2015 | 17,088 |
| Other comprehensive income | 485 |
| Translation adjustment | 1,108 |
| As at December 31, 2016 | 18,681 |

Company

The Company had no financial assets or liabilities carried at fair value in 2016 and 2015.

There were no significant transfers between the various levels of the fair value hierarchy during the year.

(vi) Equity price risk management

The Group is exposed to equity risks arising from equity investment classified as available-for-sale. Available-for-sale investments are held for long-term rather than trading purposes. The Group does not actively trade available-for-sale investments. Further details of its available-for-sale investments are disclosed in Note 18.

Price sensitivity

The sensitivity analyses below have been determined based on the exposure to equity price risks at the end of the reporting period.

In respect of available-for-sale investments, if the significant inputs (as disclosed in Note 18) to the valuation model had been 3% higher or lower while all other variables were held constant, the Group's investment revaluation reserve would increase or decrease by S\$1,222,000 (2015 : S\$1,133,000) respectively. The Group's net profit for the year ended December 31, 2016 would have been unaffected as the equity investments are classified as available-for-sale and no significant investments were disposed of or impaired.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (cont'd)

(c) Capital management policies and objectives

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance except where decisions are made to exit businesses or close companies.

The capital structure of the Group consists of debts, which includes the borrowings disclosed in Notes 20 and 21 and equity attributable to owners of the Company, comprising issued capital and reserves as disclosed in Notes 25 and 26. The Group monitors capital using a gearing ratio, which is total debt divided by equity. As at December 31, 2016, the Group's gearing ratio is 0.94 (2015 : 0.96).

Two direct subsidiary corporations of the Company are required to maintain a minimum net worth level in order to comply with a covenant for trade finance facilities from banks. One of the subsidiary corporations is also required to maintain a minimum loan-to-security value ratio in order to comply with a covenant in a loan agreement with a bank. Both subsidiary corporations are in compliance with externally imposed capital requirements for the years ended December 31, 2016 and 2015.

The review of the Group's capital management policies and objectives is conducted by the Audit Committee and the Board. The Group's overall strategy remains unchanged from 2015.

5 RELATED COMPANY TRANSACTIONS

Some of the Company's transactions and arrangements are with the subsidiary corporations in the Group and the effect of these on the basis determined between the parties is reflected in these financial statements. Balances due to/from subsidiary corporations are unsecured, interest-free and repayable on demand except for interest-bearing loans as disclosed in Note 14 and the amounts owing to subsidiary corporations which are considered as non-current.

Transactions between the Company and its subsidiary corporations have been eliminated on consolidation and are therefore not disclosed in this note.

6 RELATED PARTY TRANSACTIONS

Some of the Group's transactions and arrangements are with related parties and the effect of these on the basis determined between the parties is reflected in these financial statements. Balances with related parties are unsecured, interest-free and repayable on demand.

Significant transactions with related parties (ie. companies in which directors have interest) were as follows:

| | 2016 | | 2015 | |
|--------------------------------------|-------------|--|-------------|--|
| | The Company | Subsidiary corporations of the Company | The Company | Subsidiary corporations of the Company |
| | S\$'000 | S\$'000 | S\$'000 | S\$'000 |
| Sales, net of returns | – | 598 | – | 1,888 |
| Purchases, net of returns | – | (26,792) | – | (46,666) |
| Service fees paid | – | (147) | – | (1,352) |
| Commission paid | – | (25) | – | (40) |
| Lease payments under operating lease | (92) | (332) | (79) | (269) |

The Group also has an operating lease commitment of up to S\$108,000 (2015 : S\$35,000) to its related party.

No expense has been recognised during the year for bad or doubtful debts in respect of the amounts owed by related parties.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016

6 RELATED PARTY TRANSACTIONS (cont'd)

Compensation of directors and key management personnel

The remuneration of directors and other members of key management during the year was as follows:

| | Group | |
|--------------------------|---------|---------|
| | 2016 | 2015 |
| | S\$'000 | S\$'000 |
| Short-term benefits | 4,013 | 4,493 |
| Post-employment benefits | 16 | 14 |
| | 4,029 | 4,507 |

The remuneration of directors and key management is determined by the Compensation Committee having regard to the performance of individuals and market trends.

7 CASH AND BANK BALANCES

| | Group | | Company | |
|---|----------|----------|---------|---------|
| | 2016 | 2015 | 2016 | 2015 |
| | S\$'000 | S\$'000 | S\$'000 | S\$'000 |
| Fixed deposits | 54 | 64 | – | – |
| Pledged fixed deposits | 22,043 | 5,002 | – | – |
| Cash and bank balances | 7,690 | 5,543 | 210 | 186 |
| Current | 29,787 | 10,609 | 210 | 186 |
| Pledged fixed deposits | 10 | 18,949 | – | – |
| Non-current | 10 | 18,949 | – | – |
| Total | 29,797 | 29,558 | 210 | 186 |
| Less: | | | | |
| Fixed deposits with maturities exceeding three months | (54) | (64) | – | – |
| Fixed deposits that have been placed with banks against bills payables and trust receipts | (1,273) | (1,245) | – | – |
| Fixed deposits that have been pledged to banks as security for bank loans | (20,780) | (22,706) | – | – |
| Cash and cash equivalents | 7,690 | 5,543 | 210 | 186 |

Fixed deposits bear interest at an average effective interest rate of 4.30% (2015 : 4.62%) per annum and are for a weighted average tenure of approximately 1,014 days (2015 : 1,052 days).

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016

8 TRADE RECEIVABLES

| | Group | |
|---|---------|---------|
| | 2016 | 2015 |
| | S\$'000 | S\$'000 |
| Trade receivables from external parties | 10,558 | 12,733 |
| Allowances for doubtful trade receivables | (808) | (880) |
| Total trade receivables, net of allowances | 9,750 | 11,853 |
| Trade receivables from related party (Note 6) | 121 | 450 |
| | 9,871 | 12,303 |

Movements in allowances for doubtful trade receivables were as follows:

| | Group | |
|---|---------|---------|
| | 2016 | 2015 |
| | S\$'000 | S\$'000 |
| Balance at beginning of year | 880 | 4,930 |
| Translation adjustment | – | 164 |
| (Decrease) Increase in allowance recognised in profit or loss | (7) | 328 |
| Amounts written-off | (65) | (4,542) |
| Balance at end of year | 808 | 880 |

The average credit period on sale of goods is 19 days (2015 : 14 days). No interest is charged on the overdue trade receivables.

An allowance has been made for estimated irrecoverable amounts from the sale of goods of S\$808,000 (2015 : S\$880,000). This allowance has been determined by reference to past default experience.

Included in the Group's trade receivables balance are debtors with a carrying amount of S\$2,779,000 (2015 : S\$3,246,000) which are past due at the end of the reporting period for which the Group has not made any allowance as there has not been a significant change in credit quality and these amounts are still considered recoverable. There has also not been a significant change in credit quality of the balances that are not past due. The Group does not hold any collateral over these balances except for security cheques and deposits from certain customers.

| | Group | |
|---|---------|---------|
| | 2016 | 2015 |
| | S\$'000 | S\$'000 |
| (i) Aging of receivables that are past due but not impaired | | |
| Less than 3 months | 1,656 | 2,212 |
| 3 months to 6 months | 473 | 439 |
| More than 6 months | 650 | 595 |
| Total | 2,779 | 3,246 |

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016

9 OTHER RECEIVABLES AND PREPAYMENTS

| | Group | | Company | |
|---|---------|---------|---------|---------|
| | 2016 | 2015 | 2016 | 2015 |
| | S\$'000 | S\$'000 | S\$'000 | S\$'000 |
| Advances to suppliers | 2,545 | 1,420 | – | – |
| Allowances for doubtful other receivables | (386) | (214) | – | – |
| Total advances to suppliers, net of allowances | 2,159 | 1,206 | – | – |
| Deposits | 598 | 1,572 | 16 | 14 |
| VAT/Tax recoverable | 335 | 610 | 9 | – |
| Prepayments | 364 | 373 | 40 | 32 |
| Interest receivable | 2,198 | 1,820 | – | – |
| Dividend receivable | 2,677 | 1,076 | – | – |
| Related parties (Note 6) | 60 | 419 | – | – |
| Others | 2,390 | 1,214 | – | – |
| Total | 10,781 | 8,290 | 65 | 46 |
| Less: Non-current other receivables and prepayments | – | (1,492) | – | – |
| Classified as current other receivables and prepayments | 10,781 | 6,798 | 65 | 46 |

Included in advances to suppliers is an amount of S\$1,427,000 (2015 : S\$Nil) advanced to related parties (Note 6). No allowance has been made against this amount.

There has not been a significant change in credit quality of the balances that are not past due.

Movements in allowances for doubtful other receivables were as follows:

| | Group | |
|--|---------|---------|
| | 2016 | 2015 |
| | S\$'000 | S\$'000 |
| Balance at beginning of year | 214 | 91 |
| Translation adjustment | (2) | 7 |
| Increase in allowance recognised in profit or loss | 191 | 116 |
| Amounts written-off | (17) | – |
| Balance at end of year | 386 | 214 |

10 INVENTORIES

| | Group | |
|-------------------------------------|---------|---------|
| | 2016 | 2015 |
| | S\$'000 | S\$'000 |
| Finished goods and goods for resale | 18,884 | 25,667 |

The cost of inventories recognised as an expense includes a charge of S\$1,098,000 (2015 : S\$1,794,000) in respect of allowance for inventories to net realisable value.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016

11 PROPERTY, PLANT AND EQUIPMENT

| | Freehold land and buildings | Leasehold land and buildings | Leasehold improvements, furniture and fixtures and office equipment | Motor vehicles | Total |
|---|-----------------------------------|------------------------------------|--|-------------------|---------|
| | S\$'000 | S\$'000 | S\$'000 | S\$'000 | S\$'000 |
| Group | | | | | |
| Cost: | | | | | |
| At January 1, 2015 | 1,105 | 4,068 | 3,771 | 908 | 9,852 |
| Translation adjustments | 73 | 288 | 115 | 27 | 503 |
| Transfer to assets held for sale (Note 13) | – | (3,859) | – | – | (3,859) |
| Additions | – | – | 181 | 34 | 215 |
| Disposals | – | – | (223) | (20) | (243) |
| At December 31, 2015 | 1,178 | 497 | 3,844 | 949 | 6,468 |
| Translation adjustments | 67 | 9 | (93) | (30) | (47) |
| Additions | 42 | – | 293 | – | 335 |
| Disposals | – | – | (523) | (69) | (592) |
| At December 31, 2016 | 1,287 | 506 | 3,521 | 850 | 6,164 |
| Accumulated depreciation: | | | | | |
| At January 1, 2015 | 98 | 474 | 2,929 | 566 | 4,067 |
| Translation adjustments | 7 | 35 | 96 | 19 | 157 |
| Depreciation | 9 | 58 | 184 | 197 | 448 |
| Transfer to assets held for sale (Note 13) | – | (411) | – | – | (411) |
| Disposals | – | – | (167) | (20) | (187) |
| At December 31, 2015 | 114 | 156 | 3,042 | 762 | 4,074 |
| Translation adjustments | 7 | 3 | (72) | (22) | (84) |
| Depreciation | 13 | 5 | 299 | 86 | 403 |
| Disposals | – | – | (512) | (69) | (581) |
| At December 31, 2016 | 134 | 164 | 2,757 | 757 | 3,812 |
| Impairment: | | | | | |
| At January 1, 2015 | – | 173 | 367 | – | 540 |
| Translation adjustments | – | 12 | 9 | – | 21 |
| At December 31, 2015 | – | 185 | 376 | – | 561 |
| Translation adjustments | – | 3 | (18) | – | (15) |
| Disposals | – | – | (1) | – | (1) |
| At December 31, 2016 | – | 188 | 357 | – | 545 |
| Carrying amount: | | | | | |
| At December 31, 2016 | 1,153 | 154 | 407 | 93 | 1,807 |
| At December 31, 2015 | 1,064 | 156 | 426 | 187 | 1,833 |

Freehold land and building includes the cost of freehold land of JPY67.1 million (S\$835,000) (2015 : JPY67.1 million (S\$791,000)), which is not subject to depreciation.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016

11 PROPERTY, PLANT AND EQUIPMENT (cont'd)

| | Leasehold improvements, furniture and fixtures and office equipment | Total |
|---------------------------|---|---------|
| | S\$'000 | S\$'000 |
| Company | | |
| Cost: | | |
| At January 1, 2015 | 122 | 122 |
| Disposals | (1) | (1) |
| At December 31, 2015 | 121 | 121 |
| Additions | 12 | 12 |
| At December 31, 2016 | 133 | 133 |
| Accumulated depreciation: | | |
| At January 1, 2015 | 106 | 106 |
| Depreciation | 6 | 6 |
| Disposals | (1) | (1) |
| At December 31, 2015 | 111 | 111 |
| Depreciation | 6 | 6 |
| At December 31, 2016 | 117 | 117 |
| Carrying amount: | | |
| At December 31, 2016 | 16 | 16 |
| At December 31, 2015 | 10 | 10 |

12 INVESTMENT PROPERTIES

| | Group | |
|------------------------------------|---------|---------|
| | 2016 | 2015 |
| | S\$'000 | S\$'000 |
| Freehold land and buildings: | | |
| Australia | 52,161 | 59,856 |
| Leasehold land and buildings: | | |
| People's Republic of China ("PRC") | 2,455 | 2,535 |
| | 54,616 | 62,391 |

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016

12 INVESTMENT PROPERTIES (cont'd)

Movements in investment properties were as follows:

| | Group | |
|---|---------|----------|
| | 2016 | 2015 |
| | S\$'000 | S\$'000 |
| Balance at beginning of year | 62,391 | 80,638 |
| Valuation (losses) gains for the year recognised in profit or loss, net | (8,484) | 9,915 |
| Transfer from assets held for sale (Note 13) | – | 7,457 |
| Transfer to assets held for sale (Note 13) | – | (34,667) |
| Translation adjustment | 709 | (952) |
| Balance at end of year | 54,616 | 62,391 |

During the year, the Group recognised valuation losses on investment properties amounting to S\$8,484,000 (2015 : net valuation gains S\$9,915,000) in profit or loss.

The property rental income from the Group's investment properties (including assets held for sale) leased out under operating leases amounted to S\$8,091,000 (2015 : S\$7,472,000). Direct operating expenses (including repairs and maintenance) arising from the properties that generated rental income during the year amounted to S\$351,000 (2015 : S\$400,000).

As at 31 December 2016, the Group has pledged investment properties having a carrying amount of approximately S\$52,161,000 (2015 : S\$59,856,000) to secure banking facilities granted to the Group.

Details of the Group's significant investment properties are as follows:

| Description and location | Existing use | Leasehold or freehold | Tenure and unexpired lease term |
|---|--------------|-----------------------|---------------------------------|
| Dongshan Plaza, Guangzhou, PRC | Office | Leasehold | 29 years till January 23, 2045 |
| Villas in City in City Zhongshan City, Guangdong, PRC | Residential | Leasehold | 51 years till January 5, 2067 |
| Residential units in the city of Gladstone, Queensland, Australia | Residential | Freehold | N.A. |

Fair value measurement of the Group's investment properties in the PRC

The fair values of the Group's investment properties in the PRC at December 31, 2016 and 2015 have been determined on the basis of valuations carried out at the respective year end dates by Colliers International (HK) Ltd., which is an independent firm of professional valuers having an appropriate recognised professional qualification and recent experience in the location and category of the properties being valued, and not related to the Group. The fair value was determined based on an open market basis by making reference to the recent transactions of similar properties in similar location and condition under the prevailing market conditions. In estimating the fair value of the properties, the highest and best use of the properties is their current use. There has been no change to the valuation technique during the year.

The Group classified its investment properties using a fair value hierarchy that reflects the nature and complexity of the significant inputs used in making the measurement. As at the end of the reporting period, the fair value measurements of the Group's properties are classified within Level 3 of the fair value hierarchy. There were no transfers between different levels during the year.

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12 INVESTMENT PROPERTIES (cont'd)

Details of valuation techniques and significant unobservable inputs used in the fair value measurement are as follows:

| Description | Fair value as at December 31, 2016 S\$'000 | Fair value as at December 31, 2015 S\$'000 | Valuation technique(s) | Significant unobservable input(s) | Range |
|------------------------|---|---|----------------------------|---------------------------------------|---|
| Office properties | 1,518 | 1,570 | Direct comparison approach | Price per square meter ⁽¹⁾ | S\$4,213 – S\$4,251 (2015 : S\$4,359 – S\$4,395) |
| Residential properties | 937 | 965 | Direct comparison approach | Price per square meter ⁽¹⁾ | S\$1,061 – S\$1,064 (2015 : S\$1,093 – S\$1,094) |

(1) Price per square meter is based on recent transactions adjusted for property type, age and location. Any significant isolated increases (decreases) in the estimated price per square meter would result in a significantly higher (lower) fair value measurement.

Fair value measurement of the Group's investment properties in Australia

The fair values of the Group's investment properties at December 31, 2016 and 2015 have been determined by management based on discounted cash flows of the contracted cash flows, supplemented by valuation from Taylor Byrne (which is an independent firm of professional valuers) performed in December 2016 and 2015 on an open market basis. In estimating the fair value of the properties, the highest and best use of the properties is their current use. There has been no change to the valuation technique during the year.

The Group classified its investment properties using a fair value hierarchy that reflects the nature and complexity of the significant inputs used in making the measurement. As at the end of the reporting period, the fair value measurements of the Group's properties are classified within Level 3 of the fair value hierarchy. There were no transfers between different levels during the year.

| Description | Fair value as at December 31, 2016 S\$'000 | Fair value as at December 31, 2015 S\$'000 | Valuation technique(s) | Significant unobservable input(s) | Range |
|------------------------|---|---|------------------------|---|---|
| Residential properties | 52,161 | 59,856 | Discounted cash flows | Selling prices per unit ⁽¹⁾ Discount rates ⁽²⁾ | S\$474,437 – S\$550,392 (2015 : S\$564,753 - S\$629,364) 7% (2015 : 7%) |

(1) Any significant isolated increases (decreases) in these inputs would result in a significantly higher (lower) fair value measurement.

(2) Any significant isolated (decreases) increases in these inputs would result in a significantly higher (lower) fair value measurement.

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13 ASSETS HELD FOR SALE

| | Group | |
|---------------------------------|---------|---------|
| | 2016 | 2015 |
| | S\$'000 | S\$'000 |
| Properties (Note 11) | 3,521 | 3,448 |
| Investment properties (Note 12) | 36,619 | 34,667 |
| | 40,140 | 38,115 |

Movements in properties were as follows:

| | | |
|--|-------|-------|
| Balance at beginning of year | 3,448 | – |
| Transfer from leasehold land and buildings (Note 11) | – | 3,448 |
| Translation adjustment | 73 | – |
| Balance at end of year | 3,521 | 3,448 |

Movements in investment properties were as follows:

| | | |
|---|--------|---------|
| Balance at beginning of year | 34,667 | 7,457 |
| Valuation gains for the year recognised in profit or loss | 1,166 | – |
| Transfer to investment properties (Note 12) | – | (7,457) |
| Transfer from investment properties (Note 12) | – | 34,667 |
| Translation adjustment | 786 | – |
| Balance at end of year | 36,619 | 34,667 |

During the year, the Group recognised valuation gains on assets held for sale amounting to S\$1,166,000 (2015 : S\$Nil) in profit or loss.

As at December 31, 2016 and 2015, the Group has pledged the above assets and the rental proceeds generated from the above to secure banking facilities granted to the Group.

In 2015, the management resolved to dispose of the warehouse properties in Hong Kong. Negotiations with interested parties are taking place. Accordingly, these properties and investment properties, with carrying amount of S\$3,521,000 and S\$36,619,000 (2015 : S\$3,448,000 and S\$34,667,000) respectively, which are expected to be sold within twelve months, have been classified as held for sale and are presented separately in the statement of financial position. The operations are included in the Group's investment activities for segment reporting purposes (Note 35).

The proceeds of disposal are expected to exceed the net carrying amount of the properties and investment properties and, accordingly, no fair value loss has been recognised on the classification of these assets as held for sale.

In 2015, the management has decided to retain the investment properties in Australia that were classified as held for sale in 2014, for the ongoing rental income and fees rather than disposing of them at the present time. The mortgagee bank agreed to the removal of sale covenants from the terms of the loan facility in return for an accelerated one-off prepayment of the loan, which was made at the end of 2015. The relevant properties with carrying amount of S\$7,457,000 were accordingly reclassified to investment properties in Note 12.

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13 ASSETS HELD FOR SALE (cont'd)

Fair value measurement of the Group's investment properties held for sale in Hong Kong

The fair values of the Group's investment properties held for sale in Hong Kong at December 31, 2016 and 2015 have been determined on the basis of valuations carried out at year end by Colliers International (HK) Ltd., which is an independent firm of professional valuers having an appropriate recognised professional qualification and recent experience in the location and category of the properties being valued, and not related to the Group. The fair value was determined based on an open market basis by making reference to the recent transactions of similar properties in similar location and condition under the prevailing market conditions. In estimating the fair value of the properties, the highest and best use of the properties is their current use. There has been no change to the valuation technique during the year.

The Group classified its investment properties using a fair value hierarchy that reflects the nature and complexity of the significant inputs used in making the measurement. As at the end of the reporting period, the fair value measurements of the Group's properties are classified within Level 3 of the fair value hierarchy. There were no transfers between different levels during the year.

| Description | Fair value as at December 31, 2016 | Fair value as at December 31, 2015 | Valuation technique(s) | Significant unobservable input(s) | Range |
|---------------------------|---|---|----------------------------------|--|--|
| | S\$'000 | S\$'000 | | | |
| Warehouse Properties * | 36,619 | 34,667 | Direct comparison approach | Price per square meter per unit ⁽¹⁾ | S\$5,303 – S\$5,524 (2015: S\$5,026 – S\$5,226) |

(1) Price per square meter is based on recent transactions adjusted for property type, age and location. Any significant isolated increases (decreases) in the estimated price per square meter would result in a significantly higher (lower) fair value measurement.

* Transferred from properties and investment properties in 2015.

14 SUBSIDIARY CORPORATIONS

| | Company | |
|--|-----------|-----------|
| | 2016 | 2015 |
| | S\$'000 | S\$'000 |
| Unquoted equity shares, at cost | 273,522 | 273,522 |
| Amounts owing by subsidiary corporations (non-trade) | 1,851 | 1,983 |
| Less: impairment loss | (113,017) | (111,095) |
| | 162,356 | 164,410 |
| Amount owing to subsidiary corporations (non-trade) | (68,346) | (68,180) |

Movements in impairment loss for investments in subsidiary corporations and allowance for amounts owing by subsidiary corporations were as follows:

| | Company | |
|--|---------|---------|
| | 2016 | 2015 |
| | S\$'000 | S\$'000 |
| Balance at beginning of year | 111,095 | 120,095 |
| Impairment loss (Reversal of impairment) for investment in subsidiary corporations | 1,922 | (9,000) |
| Balance at end of year | 113,017 | 111,095 |

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14 SUBSIDIARY CORPORATIONS (cont'd)

Management has made an additional impairment loss of S\$1,922,000 (2015 : reversal of impairment loss of S\$9,000,000) for certain subsidiary corporations based on an assessment of their recoverable values, which is fair value less costs to sell. The net impairment occurred mainly as a result of the decrease in the net asset values of certain subsidiary corporations from a combination of operational losses and changes in exchange rates of the currencies in which their net assets are denominated.

In 2015, the reversal occurred mainly as a result of the uplift in the net asset values of certain subsidiary corporations following the strengthening of the currencies in which their net assets are denominated.

Amounts owing by subsidiary corporations (non-trade) include a loan of S\$1,568,000 (2015 : S\$1,485,000) which bears interest at 2.25% (2015 : 2.25%) per annum and is denominated in Japanese Yen. The remaining amounts are interest-free and mainly denominated in Australian dollars.

Amounts owing to subsidiary corporations (non-trade) include a loan of S\$1,568,000 (2015 : S\$1,485,000) which bears interest at 2% (2015 : 2%) per annum and is denominated in Japanese Yen. The remaining amounts are interest-free and mainly denominated in Hong Kong dollars.

Management has estimated that the fair values of the non-current amounts owing by and owing to subsidiary corporations approximate their carrying values.

The principal subsidiary corporations of the Company and the Group are as follows:

| Name of subsidiary corporation | Country of incorporation and operation | Cost of investment held by the Company | | Effective equity interest held by the Group | | Principal activities |
|--|--|--|---------|---|------|--|
| | | 2016 | 2015 | 2016 | 2015 | |
| | | S\$'000 | S\$'000 | % | % | |
| Thakral Corporation (HK) Limited ⁽³⁾ | Hong Kong | 229,638 | 229,638 | 100 | 100 | Trading in lifestyle products and accessories |
| Thakral Brothers Limited ⁽²⁾ | Japan | 7,543 | 7,543 | 100 | 100 | Trading in lifestyle products and accessories |
| Thakral Lifestyle Pte Ltd | Singapore | 5,716 | 5,716 | 100 | 100 | Trading in lifestyle products and accessories |
| Thakral Capital Holdings Pte Ltd ^(b) | Singapore | 30,612 | 30,612 | 75 | 75 | Investment holding |
| Thakral China Ltd ⁽¹⁾ | People's Republic of China | * | * | 100 | 100 | Investment holding and trading in lifestyle products and accessories |
| Thakral Electronics (Shanghai) Ltd ⁽¹⁾ | People's Republic of China | * | * | 100 | 100 | Trading in lifestyle products and accessories |
| TCAP Pte Ltd ^(b) | Singapore | * | * | 75 | 75 | Investment holding |
| Thakral Capital Investments Ltd ^{(3) (b)} | Hong Kong | * | * | 75 | 75 | Investment holding |
| Thakral Capital Australia Pty Ltd ^{(1) (b)} | Australia | * | * | 75 | 75 | Origination, execution, and management of investment opportunities |
| LNG Trust ^{(1) (b)} | Australia | * | * | 75 | 75 | Property development |
| LNG Trust No. 2 ^{(1) (b)} | Australia | * | * | 75 | 75 | Property development |
| Thakral Japan Properties Pte Ltd ^(a) | Singapore | * | * | 49.9 | 49.9 | Investment holding |
| TCAP Partners Pty Ltd | Australia | * | * | 75 | 75 | Investment holding |

* Held by subsidiary corporations

14 SUBSIDIARY CORPORATIONS (cont'd)

The above subsidiary corporations are audited by Deloitte & Touche LLP, Singapore except for subsidiary corporations that are indicated below:

- (1) Audited by other member firms of Deloitte Touche Tohmatsu Limited for purposes of consolidation.
- (2) Audited by Matsui C.P.A. Office, Japan
- (3) Audited by Moore Stephens, Hong Kong
- (a) The Group has a 49.9% ownership interest in Thakral Japan Properties Pte Ltd ("TJP"), a Singapore incorporated company that was set up in 2014. The Group's 49.9% interest in TJP gives the Group the same percentage of the voting rights in TJP. The remaining 50.1% of the ordinary shares of TJP are owned by 3 shareholders, none individually holding more than 20%.

The directors of the Group made an assessment on the shareholding structure of TJP as to whether or not the Group has control over TJP in accordance with the definition of control and the related guidance set out in FRS 110. The directors concluded that the Group has control over TJP on the basis of the Group's absolute size of holding in TJP, the relative size and dispersion of the shareholdings owned by the other shareholders and the full representation of the Group in TJP's Board of Directors which gives the Group the ability to direct the relevant activities of TJP and affect TJP's returns. Therefore, in accordance with the requirements of FRS 110, TJP has been assessed to be a subsidiary corporation of the Group.

- (b) On January 29, 2015, the Company and its wholly-owned subsidiary corporation, Thakral Capital Holdings Pte Ltd ("TCH"), entered into a share sale agreement (the "Share Sale Agreement") with each of (i) J & H Singh Pty Limited (in its capacity as trustee for ASK Buyser Executive Superannuation Fund No. 1); (ii) Aljen Pty Limited (in its capacity as trustee for Aljen Trust); (iii) Australian Forestry Investments Pty Limited (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) purchased and each of the Vendors sold their respective portions of the issued and paid-up share capital of TCAP Pte Ltd ("TCAP" and together with its subsidiary corporations, the "TCAP Group") (amounting to an aggregate of 49% of the issued and paid-up capital of TCAP), on the terms and conditions of the Share Sale Agreement (the "Acquisition").

In consideration for the Acquisition, TCH allotted and issued an aggregate of 250,000 new ordinary shares or 25% in the capital of TCH (the "Consideration Shares") at an issue price of S\$70 per Consideration Share to the Vendors during the year, of which 50,000 Consideration Shares (the "Escrowed Shares") are held by the Company as bare trustee for and on behalf of the Vendors subject to the fulfilment of certain escrow release conditions or the occurrence of a defined event before December 31, 2017.

For accounting purposes, the Acquisition represents a reorganisation of shareholdings in the subsidiary corporations under common control. Based on the valuation of the transaction and as a result of accounting for this arrangement, the Group recorded a negative capital reserve of S\$9,207,000 during the previous year (Note 26).

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14 SUBSIDIARY CORPORATIONS (cont'd)

Information about the composition of the Group at the end of the financial year is as follows:

| Principal activity | Country of incorporation and operation | Number of wholly-owned subsidiary corporations | |
|---|--|--|------|
| | | 2016 | 2015 |
| Investments | Hong Kong | 3 | 3 |
| Trading in lifestyle products and accessories | Singapore | 1 | 1 |
| | China | 7 | 8 |
| | Hong Kong | 4 | 4 |
| | British Virgin Islands | 1 | 1 |
| | Japan | 1 | 1 |
| | Mauritius | 1 | 1 |
| | India | 1 | 1 |
| Others | Hong Kong | 2 | 2 |
| | | 21 | 22 |

| Principal activity | Country of incorporation and operation | Number of non wholly-owned subsidiary corporations | |
|---|--|--|------|
| | | 2016 | 2015 |
| Investments | Singapore | 3 | 3 |
| | Australia | 14 | 14 |
| | Hong Kong | 4 | 4 |
| | British Virgin Islands | – | 1 |
| Trading in lifestyle products and accessories | Timor-Leste | – | 1 |
| | | 21 | 23 |

The table below shows details of non-wholly owned subsidiary corporations of the group that have material non-controlling interests:

| Name of subsidiary corporation | Country of incorporation and principal place of business | Proportion of ownership interests and voting rights held by non-controlling interests | | Profit allocated to non-controlling interests | | Accumulated non-controlling interests | |
|--|--|---|------|---|---------|---------------------------------------|---------|
| | | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 |
| | | % | % | S\$'000 | S\$'000 | S\$'000 | S\$'000 |
| Thakral Japan Properties Pte Ltd | Singapore | 50.1 | 50.1 | 549 | 5 | 10,191 | 8,894 |
| Thakral Capital Holdings Pte Ltd and its subsidiary corporations | Singapore | 25 | 25 | 2,472 | 2,540 | 13,751 | 12,270 |
| Total | | | | 3,021 | 2,545 | 23,942 | 21,164 |

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14 SUBSIDIARY CORPORATIONS (cont'd)

Summarised financial information in respect of each of the Group's subsidiary corporations that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

| | Thakral Japan Properties Pte Ltd | | Thakral Capital Holdings Pte Ltd and its subsidiary corporations | |
|---|-------------------------------------|---------|--|----------|
| | 2016 | 2015 | 2016 | 2015 |
| | S\$'000 | S\$'000 | S\$'000 | S\$'000 |
| Current assets | 2,710 | 1,115 | 33,547 | 16,450 |
| Non-current assets | 19,435 | 17,854 | 78,154 | 87,959 |
| Current liabilities | (828) | (412) | (29,934) | (17,660) |
| Non-current liabilities | (978) | (807) | (26,766) | (37,669) |
| Equity attributable to owners of the Company | 10,148 | 8,856 | 41,250 | 36,810 |
| Non-controlling interests | 10,191 | 8,894 | 13,751 | 12,270 |
| Revenue | 1,557 | 1,038 | 33,816 | 22,129 |
| Net other expenses | (462) | (1,028) | (23,927) | (11,970) |
| Profit for the year | 1,095 | 10 | 9,889 | 10,159 |
| Profit attributable to owners of the Company | 546 | 5 | 7,417 | 7,619 |
| Profit attributable to the non-controlling interests | 549 | 5 | 2,472 | 2,540 |
| Profit for the year | 1,095 | 10 | 9,889 | 10,159 |
| Other comprehensive income (loss) attributable to owners of the Company | 746 | 1,897 | 680 | (1,461) |
| Other comprehensive income (loss) attributable to the non-controlling interests | 748 | 1,905 | 228 | (487) |
| Other comprehensive income (loss) for the year | 1,494 | 3,802 | 908 | (1,948) |
| Total comprehensive income attributable to owners of the Company | 1,292 | 1,902 | 8,097 | 6,158 |
| Total comprehensive income attributable to the non-controlling interests | 1,297 | 1,910 | 2,700 | 2,053 |
| Total comprehensive income for the year | 2,589 | 3,812 | 10,797 | 8,211 |
| Dividends paid to non-controlling interests | - | - | (1,219) | - |
| Net cash outflow from operating activities | (84) | (2,029) | (3,793) | (1,977) |
| Net cash inflow from investing activities | - | 88 | 6,390 | 3,242 |
| Net cash inflow (outflow) from financing activities | 76 | - | (1,437) | (7,388) |
| Net cash (outflow) inflow | (8) | (1,941) | 1,160 | (6,123) |

Financial support

At the end of the reporting period, the Company has agreed to provide financial support to certain subsidiary corporations that have a net current liability position of S\$0.04 million (2015 : S\$7 million), mainly for working capital purposes.

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15 JOINT VENTURES

| | Group | |
|--------------------------------------|---------|---------|
| | 2016 | 2015 |
| | S\$'000 | S\$'000 |
| Cost of investment in joint ventures | 513 | – |
| Share of post-acquisition loss | (400) | – |
| Translation adjustment | 2 | – |
| | 115 | – |

16 LOANS RECEIVABLE

| | Group | |
|---|---------|---------|
| | 2016 | 2015 |
| | S\$'000 | S\$'000 |
| Loans receivable - non-current, at amortised cost | 25,870 | 28,087 |
| Loans receivable - current, at amortised cost | 28,382 | 11,733 |
| | 54,252 | 39,820 |

The loans receivable, denominated in Australian dollars, are secured by, inter alia, first or second mortgages over the land of the projects, first or second mortgages and debentures over the borrower and other project related entities as well as personal guarantees by owners/principal shareholders of certain developers.

The current and non-current loans receivable are extended to third parties for development projects to fund the construction of housing units in Australia. The effective interest rate comprises of internal rate of return of 36% (2015 : 39%) and 21% (2015 : 22%) per annum respectively on the principal amount and variable interest determinable at completion of the project less relevant 10% withholding tax.

There are no past due receivables as at the end of the current and prior year. There has not been a significant change in credit quality of the balances that are not past due and accordingly no allowance for doubtful receivables has been made in respect of these receivables.

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17 DERIVATIVE FINANCIAL INSTRUMENT

The Group uses foreign exchange options to manage its exposure to foreign exchange rates on the capital invested in its available-for-sale investment.

The following table details the notional principal amounts and remaining term of foreign exchange rate options.

| Outstanding contract | Contractual exchange rate | Foreign currency | Contract value | Fair value | |
|----------------------------|------------------------------|---------------------|-------------------|------------|--------|
| | | | | 2016 | 2015 |
| | | US\$'000 | JPY'000 | \$'000 | \$'000 |
| USD call JPY put (5 years) | 118.29 JPY/USD | 11,000 | 1,301,218 | 755 | 767 |

Details of valuation techniques and significant unobservable inputs used in the fair value measurement are as follow:

| Description | Fair value as at December 31, 2016 S\$'000 | Fair value as at December 31, 2015 S\$'000 | Fair value hierarchy | Valuation technique | Significant unobservable input (s) |
|-----------------|--|--|-------------------------|--|--|
| Option contract | 755 | 767 | Level 2 | Option pricing model and discounted cash flow. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties. | N/A |

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18 AVAILABLE-FOR-SALE INVESTMENTS

| | Group | |
|---------------------|---------------|---------------|
| | 2016 | 2015 |
| | S\$'000 | S\$'000 |
| At fair value: | | |
| Unquoted investment | 18,680 | 17,087 |
| Club debenture | 1 | 1 |
| Total | 18,681 | 17,088 |

| Description | Fair value as at December 31, 2016 S\$'000 | Fair value as at December 31, 2015 S\$'000 | Fair value hierarchy | Valuation technique(s) | Significant unobservable input(s) | Range |
|---------------------|--|--|-------------------------|---------------------------|---|--|
| Unquoted investment | 18,680 | 17,087 | Level 3 | See Note (a) below | See Note (a) below | S\$3,974 - S\$4,884 (2015 : S\$3,747 - S\$3,891) |

Note (a)

The fair value of the unquoted investment is estimated based on the Group's share of the net asset values of the investee, which approximates their fair values as at the end of the reporting period. The investee's main assets are two office buildings and a hotel building in Japan which are leased out to external parties. The significant input used in valuing the underlying office properties is price per square meter, which is based on recent transactions adjusted for property type, age and location. Any significant isolated increases (decreases) in the estimated price per square meter would result in a significantly higher (lower) fair value measurement.

For the hotel building acquired on November 24, 2016, it is carried at acquisition cost which is considered by management to approximate fair value as at December 31, 2016.

19 TRADE PAYABLES

| | Group | |
|---------------------------------|--------------|--------------|
| | 2016 | 2015 |
| | S\$'000 | S\$'000 |
| Outside parties | 2,586 | 5,620 |
| Due to related parties (Note 6) | 47 | 638 |
| Total | 2,633 | 6,258 |

The average credit period on purchases of goods is 10 days (2015 : 9 days).

Trade payables principally comprise amounts outstanding for trade purchases and ongoing costs.

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20 BILLS PAYABLE AND TRUST RECEIPTS

Bills payable and trust receipts represent short term financing provided by banks at market interest rates for the purchase of goods.

The bills payable and trust receipts are secured by certain fixed deposits placed with the banks and certain properties in Hong Kong as well as corporate guarantees by the Company.

The average effective interest rates paid are as follows:

| | Group | |
|----------------------------------|-------|------|
| | 2016 | 2015 |
| | % | % |
| Trust receipts and bill payables | 3.22 | 2.86 |

21 BANK AND OTHER BORROWINGS

| | Group | |
|--|----------|----------|
| | 2016 | 2015 |
| | S\$'000 | S\$'000 |
| Loan from a financial institution | 5,324 | 4,566 |
| Other loans | 7,854 | – |
| Bank loans | 55,491 | 67,827 |
| | 68,669 | 72,393 |
| Less: Amount due for settlement within 12 months (shown under current liabilities) | (44,664) | (44,104) |
| Amount due for settlement after 12 months | 24,005 | 28,289 |

Loan from a financial institution

The loan from a financial institution of S\$5,324,000 (2015 : S\$4,566,000) is arranged at fixed interest rate of 14.06% (2015 : 14.06%) per annum. This loan was advanced on March 20, 2013 and is due for repayment on September 1, 2018 upon maturity. The loan amount is unsecured.

Other loans

Other loans from certain private investors of S\$7,854,000 (2015 : S\$Nil) are arranged, at fixed interest rates of 15% for the current portion and 17% to 20% for the non-current portion, to provide funding for the investments in Australia. The current portion is unsecured and has no fixed terms of repayment. The non-current portion is secured by the charge against the specific corresponding debt instruments issued by a developer and repayable upon the realisation of the underlying project.

Bank loans (secured)

Certain bank loans amounting to S\$26,132,000 (2015 : S\$26,542,000) are secured by certain fixed deposits placed with the banks and certain properties in Hong Kong as well as corporate guarantee by the Company. Included in these bank loans is a 10-year mortgage loan of S\$5,439,000 (2015 : S\$5,666,000), which is required to be repaid by monthly instalments and a final payment in 2020 as per the agreement with the bank. In view of the Group's intention to dispose of the underlying properties securing this loan, this would result in early settlement of the loan and the non-current portion of this loan was therefore presented under current liabilities at the end of the reporting periods.

Bank loans include loans drawn from a bank in Australia amounting to S\$24,174,000 (2015 : S\$31,042,000) which are secured by, inter alia, mortgages over the land owned by certain Australian subsidiary corporations, general fixed and floating charges over the assets of these subsidiary corporations as well as the subsidiary corporations that lease the residential properties to the lessees.

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21 BANK AND OTHER BORROWINGS (cont'd)

The average effective interest rates paid on bank and other borrowings are as follows:

| | Group | |
|-----------------------------------|-------|-------|
| | 2016 | 2015 |
| | % | % |
| Loan from a financial institution | 14.06 | 14.06 |
| Other loans | 15.95 | – |
| Bank loans | 4.06 | 3.94 |

The estimated fair values of the non-current loans approximate their carrying values as the loans are expected to be repriced on a timely basis depending on movements in the market lending rates, except for the fixed interest rate loan instruments. Management is of the view that the fair value of the fixed interest loans approximates the carrying value of the loans as the interest rates commensurate with the internal rate of returns and risks associated with the property development projects, and these loans are solely obtained to fund these projects.

22 OTHER PAYABLES

| | Group | | Company | |
|---|---------|---------|---------|---------|
| | 2016 | 2015 | 2016 | 2015 |
| | S\$'000 | S\$'000 | S\$'000 | S\$'000 |
| Accruals | 6,424 | 5,783 | 409 | 378 |
| Advances from customers | 6,698 | 6,272 | – | – |
| VAT/Tax payable | 5,950 | 2,357 | – | 2 |
| Dividend payable to non-controlling shareholders in a subsidiary corporation | 481 | – | 240 | – |
| Sundry creditors | 2,063 | 805 | – | – |
| | 21,616 | 15,217 | 649 | 380 |

Included in sundry creditors is an amount of S\$225,000 (2015 : S\$126,000) due to related parties (Note 6) for the reimbursement of expenses paid on behalf of the Group.

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23 PROVISIONS

| | Employee long service payment S\$'000 |
|--|--|
| Group | |
| As at January 1, 2015 | 3,041 |
| Translation adjustment | 152 |
| Provision for the year | 232 |
| Utilisation | (336) |
| As at December 31, 2015 | 3,089 |
| Translation adjustment | (22) |
| Provision for the year | 370 |
| Utilisation | (468) |
| As at December 31, 2016 | 2,969 |
| Company | |
| As at January 1, 2015 | 46 |
| Provision for the year | 6 |
| As at December 31, 2016 and at December 31, 2015 | 52 |

The provisions are made in respect of the Group's and Company's potential liability for long-service payments to employees of certain subsidiary corporations upon their leaving the Group and Company respectively.

24 DEFERRED TAX LIABILITY

The following are the major deferred tax liabilities recognised by the Group and the movements thereon during the current and prior reporting periods, primarily from fair value gain on available-for-sale investments and revaluation gains on investment properties:

| | Group | |
|---|---------|---------|
| | 2016 | 2015 |
| | S\$'000 | S\$'000 |
| Balance as at beginning of year | 1,035 | 429 |
| Translation adjustment | 48 | 33 |
| Charge to other comprehensive income for the year | 126 | 714 |
| Credit to profit or loss for the year (Note 31) | (66) | (141) |
| Balance as at end of year | 1,143 | 1,035 |

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016

25 ISSUED CAPITAL

| | Group and Company | | | |
|--|---------------------------|-----------------|---------|---------|
| | 2016 | 2015 | 2016 | 2015 |
| | Number of ordinary shares | | S\$'000 | S\$'000 |
| Issued and fully paid: | | | | |
| At beginning of year | 130,860,616 | 2,617,213,668 | 72,579 | 72,579 |
| Reduction in number of shares upon share-consolidation | – | (2,486,353,052) | – | – |
| At end of year | 130,860,616 | 130,860,616 | 72,579 | 72,579 |

The Company completed the consolidation of its ordinary shares on a 20:1 basis on May 11, 2015.

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

26 RESERVES

The capital reserve arose upon the reorganisation of shareholdings in the subsidiary corporations under common control. Further information about the reorganisation is set out in Note 14.

The asset revaluation reserve arose on the revaluation of land and buildings before the transfer to investment properties. Where revalued land or buildings are sold, the portion of the asset revaluation reserve that relates to that asset is effectively realised and transferred directly to retained earnings. The asset revaluation reserve is not available for distribution to the Company's shareholders.

The investment revaluation reserve arises on the revaluation of available-for-sale investments to its fair value. Where a revalued investment is sold, the portion of the reserve that relates to that investment is effectively realised and recognised in profit or loss.

The options reserve arises on the grant of share options to employees under the employee share option scheme. Further information about share-based payments to employees is set out in Note 27.

Exchange differences relating to the translation from the functional currencies of the Group's foreign subsidiary corporations into Singapore dollars are brought into account by entries made directly to the foreign currency translation reserve.

27 SHARE-BASED PAYMENTS

Equity-settled share option scheme

The Company has a share option scheme for all employees of the Group and no share options were granted after March 30, 2011.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016

27 SHARE-BASED PAYMENTS (cont'd)

Details of the share options outstanding during the year, after adjusting for the consolidation of shares as elaborated in Note 25, are as follows:

| | Group and Company | | | |
|--------------------------------------|-------------------------|---------------------------------|-------------------------|---------------------------------|
| | 2016 | | 2015 | |
| | Number of share options | Weighted average exercise price | Number of share options | Weighted average exercise price |
| | S\$ | S\$ | S\$ | S\$ |
| Outstanding at beginning of the year | 70,000 | 0.90 | 270,750 | 1.25 |
| Cancelled or lapsed during the year | (35,000) | 0.80 | (200,750) | 1.37 |
| Outstanding at end of the year | <u>35,000</u> | 1.00 | <u>70,000</u> | 0.90 |
| Exercisable at end of the year | <u>35,000</u> | 1.00 | <u>70,000</u> | 0.90 |

Options are exercisable at prices specified at the time of the grant. The Compensation Committee had fixed the exercise price at a discount not exceeding 20% to the above weighted average exercise price. All options have vested by 2008. If the options remain unexercised after a period of 5 or 10 years (depending on the term specified in the options) from the date of grant, the options expire. Options are forfeited if the employee leaves the Group.

No options were granted or exercised in 2016 and 2015.

The options outstanding at the end of the year have a weighted average remaining contractual life of 0.08 year (2015 : 0.67 year) and have exercise prices of S\$1.0 (2015 : ranging from S\$0.8 to S\$1.0 as adjusted for the consolidation of shares for comparison purposes).

Thakral Capital Holdings Pte Ltd, a subsidiary corporation of the Company, also has a share option scheme for all TCH Group employees and directors which had been approved at an Extraordinary General Meeting on April 29, 2015 ("the TCH Scheme"). Options are exercisable at prices specified at the time of the grant. If options granted remain unexercised after a period of 5 years (depending on the term specified in the options) from the relevant vesting date, the options expire. Except for certain specified circumstances, options are forfeited if the employee leaves the TCH Group.

No options were granted in 2016 or 2015 under the TCH Scheme.

No share-based payments were recognised by the Group and the Company during the year.

28 REVENUE

| | Group | |
|--|----------------|----------------|
| | 2016 | 2015 |
| | S\$'000 | S\$'000 |
| Product sales | 178,647 | 307,333 |
| Interest income from loans receivable | 20,459 | 10,064 |
| Dividend income from unquoted investment | 1,557 | 1,038 |
| Management fee and other service income | 6,139 | 5,419 |
| Rental income (Notes 12 and 37) | 8,091 | 7,472 |
| | <u>214,893</u> | <u>331,326</u> |

NOTES TO FINANCIAL STATEMENTS

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29 OTHER OPERATING INCOME

| | Group | |
|-----------------------|---------|---------|
| | 2016 | 2015 |
| | S\$'000 | S\$'000 |
| Government subsidies | 141 | 149 |
| Compensation received | 402 | - |
| Others | 267 | 148 |
| | 810 | 297 |

30 FINANCE COSTS

| | Group | |
|---|---------|---------|
| | 2016 | 2015 |
| | S\$'000 | S\$'000 |
| Interest expense to non-related parties | 5,330 | 4,631 |

31 INCOME TAX

| | Group | |
|---|---------|---------|
| | 2016 | 2015 |
| | S\$'000 | S\$'000 |
| Current taxation: | | |
| Provision for taxation in respect of current year | 677 | 29 |
| Underprovision in prior years | 159 | 50 |
| Deferred tax: | | |
| Amount reversed for taxation in respect of deferred tax liabilities in current year (Note 24) | (66) | (141) |
| Income tax expense (credit) for the year | 770 | (62) |

The income tax is calculated at 17% (2015 : 17%) of the estimated assessable profit for the year. The total charge for the year can be reconciled to the accounting profit as follows:

| | Group | |
|---|---------|---------|
| | 2016 | 2015 |
| | S\$'000 | S\$'000 |
| Profit before tax | 4,214 | 8,571 |
| Income tax charge at statutory rate of 17% | 716 | 1,457 |
| Tax effect of: | | |
| Expenses that are not deductible in determining taxable profit | 3,536 | 2,088 |
| Income that is not taxable in determining taxable profit | (5,748) | (4,813) |
| Current year's tax losses not recognised | 1,816 | 1,390 |
| Different tax rates of the subsidiary corporations operating in other jurisdictions | 307 | (113) |
| Tax effect on utilisation of deferred tax benefits previously not recognised | (16) | (121) |
| Underprovision of tax in respect of prior years | 159 | 50 |
| Total income tax expense (credit) for the year | 770 | (62) |

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016

31 INCOME TAX (cont'd)

The Group has estimated tax loss carryforwards which are available for offsetting against future taxable income as follows:

| | Group | |
|---|---------|---------|
| | 2016 | 2015 |
| | S\$'000 | S\$'000 |
| Amount at beginning of year | 240,558 | 217,641 |
| Tax losses expired during the year | (3,009) | (776) |
| Amount in current year | 10,677 | 8,089 |
| Translation adjustment | 686 | 16,241 |
| Adjustment for prior years after finalisation | 231 | 95 |
| Amount utilised in current year | (98) | (732) |
| Amount at end of year | 249,045 | 240,558 |
| Deferred tax benefit on above not recorded (based on applicable tax rates in various jurisdictions) | 44,277 | 42,424 |

The Group has estimated temporary differences from capital allowances available for offsetting against future taxable income as follows:

| | Group | |
|--|---------|---------|
| | 2016 | 2015 |
| | S\$'000 | S\$'000 |
| Amount at beginning of year | 1,332 | 1,384 |
| Amount in current year | 220 | 123 |
| Amount utilised in current year | (393) | (175) |
| Amount at end of year | 1,159 | 1,332 |
| Deferred tax benefit on above not recorded | 197 | 226 |

The realisation of the future income tax benefits from tax loss carryforwards and temporary differences from capital allowances are subject to agreement by the relevant countries' tax authorities in which the Group operates. These amounts are available for offset against future taxable income of the subsidiary corporations concerned subject to compliance with certain provisions of the relevant countries' income tax regulations. Future tax benefits arising from these unutilised tax losses and capital allowances have not been recognised in the financial statements as there is no reasonable certainty of their realisation in the foreseeable future.

At the end of the reporting period, the aggregate amount of temporary differences associated with undistributed earnings of subsidiary corporations for which deferred tax liabilities have not been recognised is S\$0.55 million (2015 : S\$0.51 million). No liability has been recognised in respect of these differences because the Group is in a position to control the timing of the reversal of the timing differences and it is probable that such differences will not reverse in the foreseeable future.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016

32 PROFIT FOR THE YEAR

| | Group | |
|--|---------------|---------------|
| | 2016 | 2015 |
| | S\$'000 | S\$'000 |
| Profit for the year is arrived at after charging (crediting): | | |
| Directors' remuneration: | | |
| of the Company | 1,722 | 2,447 |
| of subsidiary corporations | 1,522 | 1,667 |
| <u>Total directors' remuneration</u> | <u>3,244</u> | <u>4,114</u> |
| Cost of inventories recognised as expense | 168,033 | 295,831 |
| Audit fees: | | |
| Paid to auditors of the Company | | |
| Current year | 252 | 222 |
| Paid to other auditors | | |
| Current year | 310 | 285 |
| Overprovision in prior year | - | (2) |
| Non-audit fees paid to auditors: | | |
| Auditors of the Company | 41 | 18 |
| Other auditors | 10 | 13 |
| Loss on disposal of property, plant and equipment | 2 | - |
| Allowance for inventories recognised in cost of sales | 1,098 | 1,794 |
| Loss on derivative financial instruments – net | 280 | 748 |
| Foreign currency exchange adjustment loss | 1,391 | 500 |
| Impairment loss on financial assets: | | |
| (Reversal of) Allowance for doubtful trade receivables | (7) | 328 |
| Allowance for doubtful other receivables | 191 | 116 |
| <u>Total impairment loss on financial assets recognised in administrative expenses</u> | <u>184</u> | <u>444</u> |
| Depreciation of property, plant and equipment | 403 | 448 |
| Employee benefits expense (including directors' remuneration): | | |
| Salaries, wages, bonus and others | 14,747 | 15,184 |
| Defined contribution plans | 889 | 1,026 |
| <u>Total employee benefits expense</u> | <u>15,636</u> | <u>16,210</u> |

33 DIVIDEND

On December 7, 2016, a tax-exempt (one-tier) interim dividend of S\$0.02 per share (total dividend of S\$2,617,000) was paid to shareholders in respect of the financial year ended December 31, 2016.

34 BASIC AND DILUTED EARNINGS PER SHARE (CENTS)

The earnings per share is calculated by dividing the Group's net profit attributable to equity holders of the Company by the existing weighted average number of shares in issue during the year as follows:

| | 2016 | 2015 |
|--|-------------|-------------|
| | Cents | Cents |
| Basic earnings per share | 0.32 | 4.65 |
| Diluted earnings per share | 0.32 | 4.65 |
| Weighted average number of ordinary shares | 130,860,616 | 130,860,616 |

The calculation of the basic and diluted earnings per share is based on:

| | 2016 | 2015 |
|---|-------|-------|
| | Cents | Cents |
| Profit for the year attributable to equity holders of the Company | 423 | 6,090 |

35 SEGMENT INFORMATION

The Group, which operates in three geographical segments being Australia, the People's Republic of China (including Hong Kong) and others (India, Japan and Singapore), has 3 main core divisional activities. The reportable segments provided to the Group's chief operating decision makers are based on the types of activities, as described below:

(a) Investments ("INV")

This includes real estate and property investments in Australia, People's Republic of China (including Hong Kong) and Japan.

(b) Lifestyle ("LIFE")

This division comprises distribution of lifestyle products and accessories in India, Japan, People's Republic of China (including Hong Kong), Singapore and in various export markets.

(c) Others ("OTH")

For those other activities which do not fall into the above categories.

The accounting policies of the reportable segments are the same as the Group's accounting policies.

Segment revenue and expense: Segment revenue and expense are the operating revenue and expense reported in the Group's consolidated statement of profit or loss that are directly attributable to a segment and the relevant portion of such revenue and expense that can be allocated on a reasonable basis to a segment.

Segment assets and liabilities: Segment assets include all operating assets used by a segment and consist principally of operating receivables, inventories and property, plant and equipment, net of allowances. Capital additions include the total cost incurred to acquire property, plant and equipment directly attributable to the segment. Segment liabilities include all operating liabilities.

Inter-segment transfers: Segment revenue and expenses include transfers between business segments. Inter-segment sales are charged at prevailing market prices. These transfers are eliminated on consolidation.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016

35 SEGMENT INFORMATION (cont'd)

Information regarding the Group's reportable segments is presented below.

Group's reportable segments

Year ended December 31, 2016

| | INV | LIFE | OTH | TOTAL |
|---|---------|---------|---------|---------|
| | S\$'000 | S\$'000 | S\$'000 | S\$'000 |
| Revenue | | | | |
| External sales | 36,246 | 178,647 | – | 214,893 |
| Result | | | | |
| Segment result | 27,223 | (6,571) | (1,452) | 19,200 |
| Unallocated corporate expenses | | | | (1,538) |
| Valuation losses on investment properties and assets held for sale, net | | | | (7,318) |
| Finance income | | | | 991 |
| Finance costs | | | | (5,330) |
| Foreign exchange loss | | | | (1,391) |
| Profit before income tax and share of results of joint ventures | | | | 4,614 |
| Share of loss of joint ventures | | | | (400) |
| Profit before income tax | | | | 4,214 |
| Income tax | | | | (770) |
| Profit for the year | | | | 3,444 |
| Other information | | | | |
| Capital expenditure: | | | | |
| Property, plant and equipment | 5 | 318 | 12 | 335 |
| Depreciation expense | 17 | 380 | 6 | 403 |
| Assets | | | | |
| Segment assets | 176,348 | 63,060 | 291 | 239,699 |
| Total assets | | | | 239,699 |
| Liabilities | | | | |
| Segment liabilities | 51,537 | 65,433 | 452 | 117,422 |
| Income tax payable | | | | 721 |
| Deferred tax liability | | | | 1,143 |
| Total liabilities | | | | 119,286 |

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016

35 SEGMENT INFORMATION (cont'd)

Year ended December 31, 2015

| | INV | LIFE | OTH | TOTAL |
|---|---------|----------|---------|---------|
| | S\$'000 | S\$'000 | S\$'000 | S\$'000 |
| Revenue | | | | |
| External sales | 23,993 | 307,333 | – | 331,326 |
| Result | | | | |
| Segment result | 15,812 | (10,047) | (1,640) | 4,125 |
| Unallocated corporate expenses | | | | (1,535) |
| Valuation gains on investment properties, net | | | | 9,915 |
| Finance income | | | | 1,197 |
| Finance costs | | | | (4,631) |
| Foreign exchange loss | | | | (500) |
| Profit before income tax | | | | 8,571 |
| Income tax credit | | | | 62 |
| Profit for the year | | | | 8,633 |
| Other information | | | | |
| Capital expenditure: | | | | |
| Property, plant and equipment | 6 | 209 | – | 215 |
| Depreciation expense | 68 | 374 | 6 | 448 |
| Assets | | | | |
| Segment assets | 164,219 | 71,366 | 247 | 235,832 |
| Total assets | | | | 235,832 |
| Liabilities | | | | |
| Segment liabilities | 48,420 | 68,455 | 423 | 117,298 |
| Income tax payable | | | | 67 |
| Deferred tax liability | | | | 1,035 |
| Total liabilities | | | | 118,400 |

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016

35 SEGMENT INFORMATION (cont'd)

Geographical information

The Group's operations are located in Australia, India, Japan, People's Republic of China (including Hong Kong) and Singapore.

The following table provides an analysis of:

- the Group's sales by geographical market, irrespective of the origin of the goods/services.
- additions to property, plant and equipment and the carrying amount of segment assets analysed by the geographical area in which the respective companies are incorporated.

| | Revenue | | Capital expenditure | | Non-current assets* | |
|--|---------|---------|---------------------|---------|---------------------|---------|
| | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 |
| | S\$'000 | S\$'000 | S\$'000 | S\$'000 | S\$'000 | S\$'000 |
| People's Republic of China (including Hong Kong) | 191,674 | 305,904 | 231 | 66 | 2,974 | 3,055 |
| Australia | 12,632 | 11,390 | 5 | 5 | 52,169 | 59,871 |
| Others | 10,587 | 14,032 | 99 | 144 | 1,280 | 1,298 |
| | 214,893 | 331,326 | 335 | 215 | 56,423 | 64,224 |

The basis of the information stated under the geographical segment above is the aggregate of the relevant figures from companies incorporated in those countries.

* Non-current assets other than financial instruments and joint ventures.

Information about major customers

Included in revenues of S\$178,647,000 (2015 : S\$307,333,000) arising from the Lifestyle segment are revenues of approximately S\$48,064,000 (2015 : S\$82,021,000) which arose from sales to 2 (2015 : 1) of the Group's largest customers.

36 CONTINGENT LIABILITIES AND COMMITMENTS

Contingent Liabilities

| | Group | | Company | |
|--|---------|---------|---------|---------|
| | 2016 | 2015 | 2016 | 2015 |
| | S\$'000 | S\$'000 | S\$'000 | S\$'000 |
| Guarantees given to banks in respect of bank facilities utilised by subsidiary corporations in the Group | – | – | 26,974 | 26,007 |

At the end of the reporting period, the Company has granted a Sponsor Guarantee for a maximum of S\$43.3 million (2015 : S\$31.3 million) to a bank in respect of bank facilities utilised by an investee of the Group's available-for-sale investment for the purchase of properties in Japan. There has been no call/demand from the bank on the guarantee to date.

At the end of the reporting period, the Company has granted a Guarantee for a maximum of S\$15.7 million (2015 : S\$15.5 million) to a bank in respect of bank facilities utilised by a borrower of the Group's loans receivable for a project to fund the construction of housing units in Australia. There has been no call/demand from the bank on the guarantee to date.

36 CONTINGENT LIABILITIES AND COMMITMENTS (cont'd)

Contingent Liabilities (cont'd)

At the end of the reporting period, the Group has granted certain Interest and/or Cost Overrun Guarantees for a maximum of S\$8.0 million (2015 : S\$1.4 million) to certain banks in respect of bank facilities utilised by the borrowers of the Group's loans receivable for the projects to fund the construction of housing units in Australia. There has been no call/demand from the banks on the guarantees to date.

At the end of the reporting period, the Group has granted certain Guarantees for a maximum of S\$8.4 million to certain banks in respect of bank facilities utilised by the borrowers of the Group's loans receivable for the projects to fund the construction of housing units in Australia. There has been no call/demand from the banks on the guarantees to date. The Group did not provide such guarantees in the previous year.

Commitments

As at December 31, 2016, the investment subsidiary corporation of the Group, Thakral Capital Investments Limited ("TCIL"), has entered into the following agreement to participate in the development of the projects owned by the joint venture entities in Australia in respect of which the full amount of capital committed for those projects has not been recorded as liabilities in the financial statements. The details of the projects are as follows:

Projects in Queensland, Australia where TCIL has committed to provide or procure the provision of about A\$20.0 million (equivalent to S\$20.9 million) by way of progressive subscriptions of debt instruments. Monies of A\$5.7 million (equivalent to S\$5.9 million) have been recorded as loans receivable in Note 16 for the amounts provided by the Group. As at December 31, 2016, the Group has procured the provision of approximately A\$13.1 million (S\$13.6 million). Additional capital required shall be sourced from, inter alia, external capital providers by way of mezzanine debt.

As at December 31, 2016, the joint venture also committed to acquire one land parcel in Australia for a consideration of about A\$4.0 million (equivalent to S\$4.2 million). Deposits totaling A\$0.2 million (equivalent to S\$0.2 million) were paid by the joint venture during the year.

All commitments amounting to A\$10.5 million (equivalent to S\$10.8 million) to provide capital for the development of two projects in Brisbane and Sydney, Australia that were outstanding as at 31 December 2015 had been fulfilled during the year. The amounts invested by the Group are included in loans receivable in note 16.

37 OPERATING LEASE ARRANGEMENTS

The Group as lessee

At the end of the reporting period, the commitments in respect of non-cancellable operating leases for the rental of office and residential premises were as follows:

| | Group | | Company | |
|--|---------|---------|---------|---------|
| | 2016 | 2015 | 2016 | 2015 |
| | S\$'000 | S\$'000 | S\$'000 | S\$'000 |
| Within 1 year | 827 | 627 | 62 | 35 |
| In the second to fifth years inclusive | 604 | 245 | 46 | - |
| | 1,431 | 872 | 108 | 35 |

Operating lease expense during the year amounted to S\$2,135,000 (2015 : S\$2,548,000).

Certain leases are negotiated for an average term of 2 years and rentals are fixed for an average of 2 years.

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37 OPERATING LEASE ARRANGEMENTS (cont'd)

The Group as lessor

The Group rents out certain investment properties (including those held for sale) in the PRC (including Hong Kong) and Australia under operating leases. At the end of the reporting period, the Group has contracted with tenants for the following future minimum lease payments:

| | Group | |
|--|---------|---------|
| | 2016 | 2015 |
| | S\$'000 | S\$'000 |
| Within 1 year | 8,359 | 8,253 |
| In the second to fifth years inclusive | 22,162 | 22,145 |
| | 30,521 | 30,398 |

Certain leases are negotiated for an average term of 2 years and rentals are fixed for an average of 2 years.

Property rental income earned during the year was S\$8,091,000 (2015 : S\$7,472,000) (Note 28).

38 IFRS CONVERGENCE

Singapore-incorporated companies listed on the Singapore Exchange will be required to apply a new Singapore financial reporting framework that is identical to the International Financial Reporting Standards (IFRS) for annual periods beginning on or after January 1, 2018. The Group will be adopting the new framework for the first time for financial year ending December 31 2018, with retrospective application to the comparative financial year ending December 31, 2017 and the opening statement of financial position as at January 1, 2017 (date of transition).

Based on a preliminary assessment of the potential impact arising from IFRS 1 First-time adoption of IFRS, management does not expect any changes to the Group's current accounting policies or material adjustments on transition to the new framework, other than those that may arise from implementing new/revised IFRSs, and the election of certain transition options available under IFRS 1. Management expects the potential impact arising from new/revised IFRSs will be consistent with the corresponding new/revised SFRSs.

Management is currently performing a detailed analysis of the transition options and other requirements of IFRS 1.

Particularly, management is evaluating the following transition options in the following areas, and if elected, may result in material adjustments on transition to the new framework:

- Business combinations
- Foreign currency translation

The preliminary assessment above may be subject to change arising from the detailed analysis.

SHAREHOLDERS' INFORMATION

AS AT MARCH 13, 2017

| | | |
|----------------------------------|---|--------------------|
| Issued and fully paid-up capital | : | S\$72,498,724.21 |
| Number of issued shares | : | 130,860,616 |
| Class of shares | : | Ordinary share |
| Voting rights | : | One vote per share |

DISTRIBUTION OF SHAREHOLDERS BY SIZE OF SHAREHOLDINGS

| Size of Shareholdings | Number of Shareholders | % | Number of Shares | % |
|-----------------------|------------------------|---------------|--------------------|---------------|
| 1- 99 | 1,644 | 21.86 | 64,460 | 0.05 |
| 100 - 1,000 | 3,490 | 46.41 | 1,209,582 | 0.92 |
| 1,001 - 10,000 | 1,752 | 23.30 | 7,335,684 | 5.61 |
| 10,001 - 1,000,000 | 619 | 8.23 | 29,370,804 | 22.44 |
| 1,000,001 and above | 15 | 0.20 | 92,880,086 | 70.98 |
| Total | 7,520 | 100.00 | 130,860,616 | 100.00 |

SUBSTANTIAL SHAREHOLDERS

| Name of Shareholder | Direct Interest | | Deemed Interest | |
|---|-----------------|-------|---------------------------|-------|
| | (No. of Shares) | % | (No. of Shares) | % |
| Kartar Singh Thakral | – | – | 39,073,659 ⁽¹⁾ | 29.86 |
| Inderbethal Singh Thakral | – | – | 39,073,659 ⁽¹⁾ | 29.86 |
| Manbeen Kaur Thakral | – | – | 39,073,166 ⁽²⁾ | 29.86 |
| Thakral Investments Limited | 9,720,638 | 7.43 | 29,352,528 ⁽³⁾ | 22.43 |
| Preview Investments Limited | 6,876,250 | 5.25 | 22,476,278 ⁽⁴⁾ | 17.18 |
| Bikramjit Singh Thakral | 8,900 | 0.01 | 19,226,278 ⁽⁵⁾ | 14.69 |
| Prime Trade Enterprises Limited | 19,226,278 | 14.69 | – | – |
| Venture Delta Limited | 10,122,667 | 7.74 | – | – |
| Constellation Star Holdings Limited | – | – | 10,122,667 ⁽⁶⁾ | 7.74 |
| China Yuchai International Limited | – | – | 10,122,667 ⁽⁶⁾ | 7.74 |
| HL Technology Systems Pte Ltd | – | – | 10,122,667 ⁽⁶⁾ | 7.74 |
| Hong Leong (China) Limited | – | – | 10,122,667 ⁽⁶⁾ | 7.74 |
| Hong Leong Asia Ltd. | – | – | 10,122,667 ⁽⁶⁾ | 7.74 |
| Hong Leong Corporation Holdings Pte Ltd | – | – | 10,122,667 ⁽⁶⁾ | 7.74 |
| Hong Leong Enterprises Pte. Ltd. | – | – | 10,122,667 ⁽⁶⁾ | 7.74 |
| Hong Leong Investment Holdings Pte. Ltd. | – | – | 10,122,667 ⁽⁶⁾ | 7.74 |
| Davos Investment Holdings Private Limited | – | – | 10,122,667 ⁽⁶⁾ | 7.74 |
| Kwek Holdings Pte Ltd | – | – | 10,122,667 ⁽⁶⁾ | 7.74 |

Notes:

- (1) Held through Thakral Investments Limited, TPL Investments Pte Ltd⁽⁷⁾, Preview Investments Limited, Prime Trade Enterprises Limited and Market Watch Ltd⁽⁸⁾.
- (2) Held through Thakral Investments Limited, Preview Investments Limited, Prime Trade Enterprises Limited and Market Watch Ltd.
- (3) Held through Preview Investments Limited, Prime Trade Enterprises Limited and Market Watch Ltd.
- (4) Held through Prime Trade Enterprises Limited and Market Watch Ltd.
- (5) Held through Prime Trade Enterprises Limited.
- (6) Held through Venture Delta Limited.
- (7) TPL Investments Pte Ltd holds 493 shares in the Company which amounts to an interest of 0.0004% in the Company.
- (8) Market Watch Ltd holds 3.25 million shares in the Company which amounts to an interest of 2.48% in the Company.

SHAREHOLDERS' INFORMATION

AS AT MARCH 13, 2017

TWENTY LARGEST SHAREHOLDERS

| No. | Name of Shareholders | Number of Shares | % |
|--------------|---|-------------------|--------------|
| 1. | Citibank Nominees Singapore Pte Ltd | 21,179,452 | 16.18 |
| 2. | Prime Trade Enterprises Limited | 19,226,278 | 14.69 |
| 3. | Raffles Nominees (Pte) Limited | 11,118,558 | 8.50 |
| 4. | Venture Delta Limited | 10,122,667 | 7.74 |
| 5. | United Overseas Bank Nominees (Private) Limited | 9,928,099 | 7.59 |
| 6. | Kanwaljeet Singh Dhillon | 4,033,000 | 3.08 |
| 7. | Market Watch Ltd | 3,250,000 | 2.48 |
| 8. | Thakral Investments Limited | 3,140,282 | 2.40 |
| 9. | Asia Richer Investment Services Limited | 2,094,750 | 1.60 |
| 10. | DBS Nominees (Private) Limited | 2,055,451 | 1.57 |
| 11. | OCBC Securities Private Limited | 1,731,193 | 1.32 |
| 12. | KGI Securities (Singapore) Pte. Ltd. | 1,431,961 | 1.09 |
| 13. | Amarjit Kaur | 1,282,800 | 0.98 |
| 14. | CIMB Securities (Singapore) Pte Ltd | 1,242,639 | 0.95 |
| 15. | Phillip Securities Pte Ltd | 1,042,956 | 0.80 |
| 16. | J & H Singh Pty Ltd | 1,000,000 | 0.76 |
| 17. | OCBC Nominees Singapore Private Limited | 744,945 | 0.57 |
| 18. | Atma Singh s/o Lal Singh | 661,750 | 0.51 |
| 19. | Bulkships Asia Pte Ltd | 490,000 | 0.37 |
| 20. | Maybank Kim Eng Securities Pte Ltd | 481,650 | 0.37 |
| Total | | 96,258,431 | 73.55 |

PERCENTAGE OF SHAREHOLDING IN PUBLIC'S HANDS

Based on information available to the Company as at March 13, 2017, approximately 59.18% of the issued shares of the Company is held by the public. Accordingly, the Company has complied with Rule 723 of the Listing Manual of the SGX-ST.

The Company did not hold any treasury shares as at March 13, 2017.

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6 APRIL 2017

If you are in any doubt as to the action you should take, you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser immediately.

This Appendix is circulated to Shareholders of Thakral Corporation Ltd (the “**Company**”) together with the Company’s annual report for the year ended 31 December 2016 (“**Annual Report**”). Its purpose is to explain to Shareholders the rationale and provide information pertaining to the proposed renewal of the Shareholders’ General Mandate for Interested Person Transactions (as defined in this Appendix) to be tabled at the Annual General Meeting of the Company to be held on 28 April 2017 at 2:00 pm at Cinnamon Room, Level 5, Novotel Singapore Clarke Quay, 177A River Valley Road, Singapore 179031.

The Notice of the Annual General Meeting and a Proxy Form are enclosed with the Annual Report.

If you have sold or transferred all your shares in the Company, you should immediately forward this Appendix, the Annual Report and Proxy Form to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for onward transmission to the purchaser or transferee.

The Singapore Exchange Securities Trading Limited takes no responsibility for the correctness of any of the statements made, reports contained or opinions expressed in this Appendix.



THAKRAL CORPORATION LTD

(Incorporated in Singapore)

(Company Registration Number: 199306606E)

APPENDIX TO ANNUAL REPORT 2016

in relation to

THE PROPOSED RENEWAL OF THE SHAREHOLDERS’ GENERAL MANDATE FOR INTERESTED PERSON TRANSACTIONS

APPENDIX TO ANNUAL REPORT 2016

DEFINITIONS

In this Appendix, the following definitions apply throughout unless otherwise stated:

| | | |
|----------------------------------|---|---|
| “AGM” | : | The Annual General Meeting of the Company to be held on 28 April 2017. |
| “Appendix” | : | This appendix to the Company’s Annual Report 2016 dated 6 April 2017. |
| “associate” | : | In the case of a company, (a) in relation to any director, chief executive officer, substantial shareholder or controlling shareholder (being an individual) means:- (i) his immediate family; (ii) the trustees of any trust of which he or his immediate family is a beneficiary or, in the case of a discretionary trust, is a discretionary object; and (iii) any company in which he and his immediate family together (directly or indirectly) have an interest of 30% or more; and (b) in relation to a substantial shareholder or a controlling shareholder (being a company) means any other company which is its subsidiary or holding company or is a subsidiary of such holding company or one in the equity of which it and/or such other company or companies taken together (directly or indirectly) have an interest of 30% or more. |
| “Audit Committee” | : | The audit committee of the Company comprising Natarajan Subramaniam, Lee Ying Cheun and Dileep Nair. |
| “Board” | : | The board of Directors of the Company as at the date of this Appendix. |
| “CDP” | : | The Central Depository (Pte) Limited. |
| “Chief Financial Officer” | : | The chief financial officer of the Company who is not an Interested Person. |
| “Companies Act” or “Act” | : | The Companies Act, Chapter 50 of Singapore, as amended or modified from time to time. |
| “Company” | : | Thakral Corporation Ltd. |
| “Director” | : | A director of the Company as at the date of this Appendix. |
| “FY” | : | Financial year ended or ending 31 December. |
| “Group” | : | The Company, its subsidiaries and/or its associated companies. |
| “Immediate Family” | : | In relation to a person, means the person’s spouse, child, adopted child, step-child, sibling and parent. |
| “Independent Directors” | : | Has the meaning as ascribed to it in Section 8.1 of this Appendix. |
| “Interested Person Transactions” | : | Has the meaning as ascribed to it under Section 2.4.1 of this Appendix. |
| “Interested Persons” | : | The Thakral Family Companies, and “Interested Person” means any of the Thakral Family Companies. |

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| “IPT Circular” | : | The Company’s circular dated 13 April 2011. |
| “IPT Mandate” | : | A Shareholders’ general mandate pursuant to Chapter 9 of the Listing Manual permitting the Company, its subsidiaries and associated companies or any of them, to enter into Interested Person Transactions with the Interested Persons and has the meaning ascribed to it in Section 2.1.5 of this Appendix. |
| “Listing Manual” | : | The Listing Manual of the SGX-ST, as amended, modified or supplemented from time to time. |
| “Lock Out Agreement” | : | The agreement entered into by the Company, Mr. Kartar Singh Thakral, Thakral Brothers (Private) Limited and Dartmoor Pte Ltd dated 24 November 1995 in relation to the parties’ trading activities with their consumer electronic product customers worldwide and between themselves. |
| “NTA” | : | Net tangible assets. |
| “Rights to Lock-Out” | : | Has the meaning as ascribed to it in Section 3.2.2 of this Appendix. |
| “Sales Director” | : | The sales director of a major subsidiary of the Company who is not an Interested Person. |
| “Securities Accounts” | : | Securities accounts maintained by a Depositor with CDP but not including securities sub-accounts maintained with a Depository Agent. |
| “SGX-ST” | : | The Singapore Exchange Securities Trading Limited. |
| “Shareholders” | : | The registered holders of Shares except where the registered holder is CDP, the term “Shareholders” shall, in relation to such Shares, mean the Depositors into whose Securities Accounts those Shares are credited. Any reference to Shares held by Shareholders shall include Shares standing to the credit of the respective Shareholders’ Securities Accounts. |
| “Shares” | : | Ordinary shares in the share capital of the Company. |
| “Subsidiaries” | : | Has the meaning as ascribed to it by Section 5 of the Companies Act. |
| “Substantial Shareholder” | : | Has the meaning as ascribed it by Section 81 of the Companies Act. |
| “TCL Territories” | : | Hong Kong, the People’s Republic of China, Taiwan, Japan, the Philippines and such other countries as may be agreed by the parties to the Lock Out Agreement from time to time. |
| “TFC Sale in TCL Territories” | : | Sale by any of the Thakral Family Companies of consumer electronic products (i) to parties in the TCL Territories or (ii) to parties outside the TCL Territories which they know to be destined for resale in or into the TCL Territories. |
| “Thakral Controlling Company” | : | Any of Thakral Investments Limited, Preview Investments Limited and/or any company (i) that will be deemed as a controlling shareholder of the Company within the definition of the Listing Manual and (ii) in which a Thakral Family Director or his associate has an interest. |
| “Thakral Controlling Shareholder” | : | Any of Mr. Kartar Singh Thakral, Mr. Inderbethal Singh Thakral, Madam Manbeen Kaur Thakral and/or any individual who (i) will be deemed as a controlling shareholder of the Company within the definition of the Listing Manual and (ii) is a Thakral Family Director or an associate of a Thakral Family Director. |

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|----------------------------|---|---|
| “Thakral Family Directors” | : | Mr. Kartar Singh Thakral, Mr. Inderbethal Singh Thakral and/or Mr. Bikramjit Singh Thakral. |
| “Thakral Family Company” | : | (1) a company in which any Thakral Family Director and his Immediate Family together (directly or indirectly) have an interest of 30% or more; or (2) a company in which any Thakral Controlling Shareholder and his Immediate Family together (directly or indirectly) have an interest of 30% or more; or (3) a Thakral Controlling Company; or (4) a company which is a subsidiary or holding company of any Thakral Controlling Company or a subsidiary of such holding company or a company in the equity of the Thakral Controlling Company and/or such other company or companies taken together (directly or indirectly) have an interest of 30% or more, excluding the Group from time to time, and “Thakral Family Companies” shall be construed accordingly. |
| “S\$” | : | Singapore Dollars, the lawful currency of the Republic of Singapore. |
| “%” or “per cent” | : | Per centum. |

The terms “Depositor” and “Depository Agent” shall have the meanings ascribed to them respectively by Section 81SF of the Securities and Futures Act, Chapter 289 of Singapore or any statutory modification thereof, as the case may be.

Words importing the singular shall, where applicable, include the plural and vice versa. Words importing the masculine gender shall, where applicable, include the feminine and neuter genders. References to persons shall include corporations.

The headings in this Appendix are inserted for convenience only and shall be ignored in construing this Appendix.

Any reference to a time of day in this Appendix is made by reference to Singapore time unless otherwise stated.

Any reference in this Appendix to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any word defined under the Companies Act or the Listing Manual or any statutory modification thereof and used in this Appendix shall, where applicable, not otherwise defined in this Appendix shall have the meaning ascribed to it under the Companies Act or the Listing Manual or any statutory modification thereof, as the case may be, unless otherwise provided.

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1. INTRODUCTION

- 1.1 The Directors of the Company propose to renew the existing shareholders' mandate for interested person transactions ("***IPT Mandate***") pursuant to Chapter 9 of the Listing Manual.
- 1.2 The purpose of this Appendix, circulated together with the Annual Report, is to explain the rationale and provide information to Shareholders for the proposed renewal of the IPT Mandate.

2. THE PROPOSED RENEWAL OF THE IPT MANDATE

2.1 Chapter 9 of the Listing Manual

- 2.1.1 Chapter 9 of the Listing Manual governs transactions between an "entity at risk" and an "interested person", and provides that, subject to certain materiality thresholds and exceptions, such transactions must be approved by the shareholders of the listed company and must be announced immediately.
- 2.1.2 The Thakral Family Companies are "interested persons" for the purposes of Chapter 9 of the Listing Manual.
- 2.1.3 Pursuant to Chapter 9 of the Listing Manual, the approval of Shareholders would have to be obtained for the trading transactions with the Thakral Family Companies if the value of the transaction concerned equals to, or exceeds: (i) 5% of the Group's latest audited NTA; or (ii) 5% of the Group's latest audited NTA, when aggregated with other transactions entered into with the same interested person during the same financial year.
- 2.1.4 Based on the latest audited consolidated accounts of the Group for the financial year ended 31 December 2016, the NTA of the Group was S\$97,614,000. Accordingly, in relation to the Company, for the purposes of Chapter 9 of the Listing Manual, 5% of the Company's latest audited consolidated NTA would be S\$4,881,000.
- 2.1.5 Chapter 9 of the Listing Manual, however, allows a listed company to seek from its shareholders a mandate for recurrent interested person transactions of a revenue or trading nature or those necessary for its day-to-day operations such as the sale and purchase of supplies and materials. This mandate is subject to disclosure in the listed company's annual report of the aggregate value of the transactions conducted pursuant to the mandate during the financial year concerned, and is subject to annual renewal.
- 2.1.6 For the purposes of Chapter 9 of the Listing Manual:-
 - (i) an "***entity at risk***" means:-
 - (a) the listed company;
 - (b) a subsidiary of the listed company that is not listed on the SGX-ST or an approved exchange; or
 - (c) an associated company of the listed company that is not listed on the SGX-ST or an approved exchange, provided that the listed company and/or its subsidiaries (the "***listed group***"), or the listed group and its interested person(s), has control over the associated company;
 - (ii) an "***interested person***" means a director, chief executive officer or controlling shareholder of the listed company or an associate of such director, chief executive officer or controlling shareholder;

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- (iii) an “**associate**” in relation to an interested person who is a director, chief executive officer or controlling shareholder includes an immediate family member (that is, the spouse, child, adopted-child, step-child, sibling or parent) of such director, chief executive officer or controlling shareholder, the trustees of any trust of which the director/his immediate family, the chief executive officer/his immediate family or the controlling shareholder/ his immediate family is a beneficiary or, in the case of a discretionary trust, is a discretionary object, and any company in which the director/his immediate family, the chief executive officer/his immediate family or controlling shareholder/his immediate family has or have an aggregate interest (directly or indirectly) of 30% or more, and, where a controlling shareholder is a corporation, its subsidiary or holding company or fellow subsidiary or a company in which it and/or they have (directly or indirectly) an interest of 30% or more;
- (iv) an “**approved exchange**” means a stock exchange that has rules which safeguard the interests of shareholders against interested person transactions according to similar principles as Chapter 9;
- (v) an “**interested person transaction**” means a transaction between an entity at risk and an interested person; and
- (vi) a “**transaction**” includes-
 - (a) the provision or receipt of financial assistance;
 - (b) the acquisition, disposal or leasing of assets;
 - (c) the provision or receipt of services;
 - (d) the issuance or subscription of securities;
 - (e) the granting of or being granted options; and
 - (f) the establishment of joint ventures or joint investments,whether or not in the ordinary course of business, and whether or not entered into directly or indirectly.

2.2 Background to the IPT Mandate

- 2.2.1 At an extraordinary general meeting of the Company held on 29 April 2011 (“**EGM**”), the Company was granted a general mandate by its Shareholders pursuant to Chapter 9 of the Listing Manual which permitted the Group to enter into the Interested Person Transactions detailed in Section 2.4.1 below. Details of and the rationale for the existing IPT Mandate were set out in the Company’s circular to Shareholders dated 13 April 2011 (“**IPT Circular**”) and are restated under Section 2.3 of this Appendix below.
- 2.2.2 The IPT Mandate approved at the Company’s EGM was last renewed at the Company’s annual general meeting held on 29 April 2016 and is in force until the next annual general meeting of the Company. Accordingly, the existing IPT Mandate will expire at the forthcoming Annual General Meeting (“**AGM**”) to be held on 28 April 2017 and the Directors are proposing to renew the IPT Mandate at the AGM.

2.3 Rationale for Renewal of the IPT Mandate

- 2.3.1 The Group has, from time to time, been sourcing consumer electronics and electrical products from the Thakral Family Companies and vice versa. The Thakral Family Companies and the Group have only been sourcing such products through each other when it is mutually advantageous to trade with or through one another rather than directly with suppliers. The Group has only been sourcing products for the Thakral Family Companies where it has a better relationship with the suppliers than the Thakral Family Companies. Similarly, the Group has only been sourcing such products from the Thakral Family Companies where the Thakral Family Companies have a better relationship with the suppliers than the Group. The parties therefore wish to continue with the existing relationship as regards to trading in consumer electronics and electrical products.

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2.3.2 In view of the time-sensitive and recurrent nature of commercial transactions, the renewal of the IPT Mandate, pursuant to Chapter 9 of the Listing Manual will enable the Group, in the ordinary course of its business, to enter into the transactions with the Thakral Family Companies as set out above, provided that such transactions are made on normal commercial terms. Please refer to Section 2.5 of this Appendix below for the benefits of the IPT Mandate to the Shareholders.

2.4 Classes of Interested Persons and Description of Interested Persons Transactions

2.4.1 The IPT Mandate, if renewed, will apply to interested person transactions, being the sales and purchase of consumer electronics and electrical products ("**Interested Person Transactions**"), which are carried out with the Thakral Family Companies only.

2.4.2 Transactions with Interested Persons that do not fall within the ambit of the renewed IPT Mandate shall be subject to the provisions of Chapter 9 of the Listing Manual and/or other relevant provisions of the Listing Manual.

2.4.3 The renewed IPT Mandate will not cover any Interested Person Transaction that is below S\$100,000 in value as the threshold and aggregation requirements of Chapter 9 of the Listing Manual would not apply to such transactions. In addition, the IPT Mandate will not include transactions for the purchase and sale of assets, undertakings or businesses.

2.5 Benefits to Shareholders

2.5.1 The renewal of the IPT Mandate eliminates the need to convene separate general meetings from time to time to seek Shareholders' approval as and when the need to enter or renew the transactions with the Thakral Family Companies arises, thereby reducing substantially the administrative time and expense in convening such meetings, without compromising the corporate objectives and adversely affecting the business opportunities available to the Group.

2.5.2 The renewed IPT Mandate is intended to facilitate transactions contemplated therein which are entered into in the ordinary course of business and which are transacted from time to time with the Thakral Family Companies, provided that they are carried out at arm's length and on normal commercial terms and are not prejudicial to the interests of the Company and its minority shareholders.

3. REVIEW PROCEDURES FOR THE INTERESTED PERSON TRANSACTIONS WITH THE THAKRAL FAMILY COMPANIES

3.1 General

In general, the Company has established various procedures to ensure that the Interested Person Transactions with the Thakral Family Companies are undertaken on normal commercial terms and will not be prejudicial to the interests of the Company and its minority shareholders. In general, the Group will only enter into transactions with the Interested Persons if: (i) the terms offered by the Interested Persons to the Group are not less favourable than the terms that may be obtainable by the Group from unrelated third parties; and/or (ii) the terms extended by the Group to the Interested Persons are not more favourable than the terms extended by the Group to unrelated third parties.

3.2 Lock Out Agreement

3.2.1 The Lock Out Agreement was entered into in 1995 to minimize potential conflict of interest that may arise as a result of certain members of the Thakral family's interests in the Group. It was terminated with effect from 28 September 2007 upon certain terms and conditions so as to allow the Company to trade freely in the relevant territories without being subject to restrictions on the Group under the Lock Out Agreement.

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- 3.2.2 Notwithstanding the termination of the Lock Out Agreement, the Audit Committee has the right to require the provisions of the Lock Out Agreement to re-apply to the parties of the Lock Out Agreement ("**Rights to Lock-Out**") if the shareholding of Mr. Kartar Singh Thakral, Mr. Inderbethyl Singh Thakral and Mr. Bikramjit Singh Thakral and/or their family members in the Company is 15% or more than 15%, or when the quantum of a transaction relating to the TFC Sale in TCL Territories is of a value equal to, or exceeding:
- (i) 3% of the Group's latest audited consolidated NTA; or
 - (ii) 3% of the Group's latest audited consolidated NTA, when aggregated with the values of all other TFC Sales in TCL Territories during the same financial year of the Company.
- 3.2.3 The Audit Committee will review the shareholding information contained in the Register of Directors' Shareholdings and Register of Substantial Shareholders maintained by the Company to ascertain whether the shareholding of the Thakral Family Directors and/or their family members in the Company is 15% or more than 15%, and if so, whether the Rights to Lock-Out should be exercised by the Audit Committee.
- 3.2.4 The Thakral Family Directors will deliver to the Company, not later than 30 days after 31 March, 30 June, 30 September and 31 December in each year, a certificate signed by any one of the Thakral Family Directors certifying the aggregate amount of TFC Sales in TCL Territories for that quarter, and setting out the names of the Thakral Family Companies which carried out such TFC Sales in TCL Territories and a breakdown of the amount of such TFC Sales in TCL Territories and the number of customers in respect of each relevant country for that quarter ("**Quarterly Certificates**").
- 3.2.5 The Audit Committee will review, and if considered appropriate, request the Thakral Family Companies identified in the Quarterly Certificates referred to in paragraph 3.2.4 or such other Thakral Family Companies as the Company may reasonably request in writing ("**Relevant TF Companies**") to procure from the auditors of the Relevant TF Companies a certificate signed by the auditors certifying the aggregate amount of TFC Sales in the TCL Territories undertaken by such Relevant TF Company for that year, and setting out a breakdown of the amount of such TFC Sales in TCL Territories and the number of customers in respect of each country for that year. Such auditors' certification shall be made at the expense of the Company. The Relevant TF Company is required to procure the audit certificate within 30 days of the request from the Company.
- 3.2.6 The Company shall maintain and make available to the Audit Committee, on a regular basis, the shareholding information, the Quarterly Certificates, all Interested Person Transactions and such other relevant information which it may reasonably require with the co-operation of the Company and the Thakral Family Directors.
- 3.2.7 The Audit Committee has reviewed the above information during FY2016 to determine whether the Rights to Lock-Out had become exercisable and should be exercised by the Audit Committee. After due consideration, taking into account that the Group would likely benefit more than the relevant Thakral Family Companies if the Lock Out Agreement was not reinstated, the Audit Committee took the view that it was advantageous to all Shareholders including minority shareholders that the Audit Committee not exercise the Rights to Lock-Out and not reinstate the Lock Out Agreement.

3.3 Other Review Procedures

- 3.3.1 In addition, the Company has implemented and will continue to maintain the following procedures:
- (a) the Company or relevant Group company will seek to obtain third party quotations from the market and/or from comparable transactions undertaken by the Group with third parties to decide whether the Interested Person Transactions should be transacted. In the event that it is not possible or practicable to obtain third party quotations (for example, where the relevant Thakral Family Company is the sole supplier of the relevant consumer electronics and electrical products in certain regions), the Company or relevant Group company will generally only enter into the Interested Person Transactions if, *inter alia*, the profits based on the transaction prices are within the acceptable margins set by the Company or relevant Group company. In such cases, the Sales Director shall record such Interested Person Transactions and report the same to the Audit Committee on a quarterly basis. The Audit Committee will review such Interested Person Transactions to ascertain whether the Interested Person Transactions are conducted on normal commercial terms, at arm's length and will not be prejudicial to the interests of the Company and its minority shareholders; and

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- (b) the Group has supplemented its internal systems by setting threshold limits in respect of the Interested Person Transactions with review procedures in place to ensure that all categories of Interested Person Transactions are undertaken on an arm's length basis, on normal commercial terms and are not prejudicial to the interests of the Group and its minority shareholders. Interested Person Transactions are categorised pursuant to such review procedures as follows:
- (i) a Category 1 transaction is one in which the transaction value exceeds S\$100,000.00 but is less than or is equal to S\$500,000.00;
 - (ii) a Category 2 transaction is one in which the transaction value exceeds S\$500,000.00, but is less than or is equal to S\$1,000,000.00; and
 - (iii) a Category 3 transaction is one where the transaction value exceeds S\$1,000,000.00.

Category 1 transactions are subject to the review and approval of the Sales Director prior to being transacted. Category 2 transactions are subject to the review and approval of the Chief Financial Officer prior to being transacted. Category 3 transactions are subject to the review and approval of the Audit Committee prior to being transacted.

The threshold limits set out above are based on expected and past sale and purchases volume of the Group as well as the need for commercial efficiency.

In the event that the Sales Director, Chief Financial Officer or a member of the Audit Committee (where applicable) is deemed to be an interested person (as defined in the Listing Manual) in any Interested Person Transaction, he will abstain from reviewing that particular transaction. Approval of that transaction will accordingly be undertaken by a suitable person nominated by the Audit Committee or by the remaining members of the Audit Committee (where applicable).

- 3.3.2 The Audit Committee will review the procedures described in paragraph 3.3.1 above for determining transaction prices between the Group and the Thakral Family Companies, to assess if such procedures, if complied with, are sufficient to ensure that the transactions with the Thakral Family Companies as regards to trading in consumer electronics and electrical products, are on normal commercial terms and will not be prejudicial to the interests of minority shareholders.
- 3.3.3 The Audit Committee will review any actual or potential conflicts of interest in relation to sales of consumer electronics and electrical products in TCL Territories that may involve any Thakral Family Director disclosed by him to the Board and the exercise of his fiduciary duties in this respect. Upon disclosure of an actual or potential conflict of interest by any Thakral Family Director, the Audit Committee will evaluate whether it considers a conflict of interest does in fact exist. The review will include an examination of the nature of the conflict and such relevant supporting data, as the Audit Committee may deem reasonably necessary.
- 3.3.4 The Audit Committee will review from time to time the procedures established to monitor TFC Sales in TCL Territories to determine if such procedures are adequate and/or commercially practicable for the purpose of monitoring TFC Sales in TCL Territories. If, during its periodic review, the Audit Committee believes that the procedures as stated above have become inappropriate or are no longer sufficient to monitor TFC Sales in TCL Territories, the Audit Committee will improve on and/or adopt new procedures to deal with potential conflict of interest between the relevant members of the Thakral family and the Group in relation to sales in the TCL Territories.
- 3.3.5 The Thakral Family Directors will abstain from participating in Board discussions involving, and voting at the Board in respect of, any matter and/or business opportunity relating to sales of consumer electronics and electrical products in the TCL Territories where there is any conflict of interest arising between the relevant Thakral Family Director and the Group in respect of such matter and/or business opportunity.
- 3.3.6 All transactions between the Group and the Thakral Family Companies are subject to the quarterly review of the Audit Committee to ensure that they are carried out on an arm's length and commercial basis. In the event that a member of the Audit Committee is interested in any Interested Person Transaction, he will abstain from reviewing that particular transaction.

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3.3.7 If during periodic reviews by the Audit Committee, the Audit Committee is of the view that the review procedures as stated above have become inappropriate or insufficient in view of changes to the nature of, or the manner in which, the business activities of the Group are conducted, the Company will revert to Shareholders for a fresh mandate based on new guidelines and review procedures to ensure that the interested person transactions with the Thakral Family Companies will be carried out on an arm's length basis and normal commercial terms, and will not be prejudicial to the interests of the Company and the minority shareholders.

4. DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTEREST IN THE COMPANY

4.1 The interests of Directors and Substantial Shareholders in the Company are set out under the Directors' Statement and Shareholders' Information sections respectively in the Annual Report.

5. VALIDITY PERIOD OF THE RENEWED IPT MANDATE

5.1 The renewed IPT Mandate will take effect from the passing of the ordinary resolution relating thereto, and will (unless revoked or varied by the Company in general meeting) continue in force until the conclusion of the next annual general meeting of the Company. Approval from Shareholders will be sought for the renewal of the IPT Mandate at the next annual general meeting and at each subsequent annual general meeting of the Company, subject to satisfactory review by the Audit Committee of its continued application to the transactions with the Thakral Family Companies.

6. DISCLOSURE IN ANNUAL REPORT

6.1 The Company will announce the aggregate value of transactions conducted with the Interested Persons pursuant to the IPT Mandate for the relevant financial periods which the Company is required to report on pursuant to the Listing Manual and within the time required for the announcement of such reports.

6.2 Disclosure will also be made in the Company's annual report of the aggregate value of transactions conducted with the Interested Persons pursuant to the IPT Mandate during the financial year, and in the annual reports for subsequent financial years that the IPT Mandate continues in force, in accordance with the requirements of Chapter 9 of the Listing Manual.

7. STATEMENT OF THE AUDIT COMMITTEE

7.1 Having considered, *inter alia*, the terms, the rationale for and the benefits of renewing the IPT Mandate, the Audit Committee is satisfied that the methods or procedures implemented in FY2016 and which will be maintained by the Company as set out in Section 3 of this Appendix for determining transaction prices of Interested Person Transactions have not changed since the last Shareholders' approval and the current methods or procedures are sufficient to ensure that the Interested Person Transactions will be carried out at arm's length, on normal commercial terms and will not be prejudicial to the interests of the Company and its minority shareholders. As such, an independent financial adviser's opinion is not required for the renewal of the Company's IPT Mandate under Listing Rule 920(1)(c).

7.2 The Audit Committee is also satisfied that, the procedures that have been established to monitor TFC Sales in TCL Territories, as referred to in Section 3 of this Appendix, are adequate and/or commercially practicable for purposes of monitoring the Interested Person Transactions. The Audit Committee will review from time to time such procedures as stated in Section 3 of this Appendix. Should the Audit Committee subsequently no longer be of this opinion, the Company will revert to the Shareholders for a fresh mandate based on the new guidelines and procedures for transactions with interested persons.

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8. DIRECTORS' RECOMMENDATION

- 8.1 The Directors who are considered independent for the purpose of making a recommendation to Shareholders on the renewal of the IPT Mandate are Messrs Natarajan Subramaniam, Lee Ying Cheun and Dileep Nair (the "*Independent Directors*").
- 8.2 The Independent Directors are of the view that the entry into of the Interested Person Transactions between the Group and the Thakral Family Companies in the ordinary course of its business (as described in Section 2.3.1) are in the best interests of the Group. For the reasons as set out in Section 2.5 and taking into consideration the Audit Committee's confirmation in Section 7, the Independent Directors are of the opinion that the current review procedures for the Interested Person Transactions with the Thakral Family Companies are sufficient to ensure that the transactions will be carried out on normal commercial terms, and will not be prejudicial to the interests of the Group and the minority shareholders and recommend that Shareholders vote in favour of the resolution relating to the renewal of the IPT Mandate to be proposed at the AGM.
- 8.3 In accordance with the requirements of Chapter 9 of the Listing Manual, the Thakral Family Directors, being directors of the Thakral Family Companies, have abstained from making any recommendation on the renewal of the IPT Mandate.

9. ACTION TO BE TAKEN BY SHAREHOLDERS

- 9.1 Shareholders who are unable to attend the AGM and wish to appoint a proxy to attend and vote on their behalf should sign and return the Proxy Form attached to the Notice of AGM in accordance with the instructions printed thereon as soon as possible and in any event so as to arrive at the registered office of the Company at 20 Upper Circular Road, #03-06 The Riverwalk, Singapore 058416, not later than 48 hours before the time fixed for the AGM. The appointment of a proxy by a Shareholder does not preclude him from attending and voting in person at the meeting if he wishes to do so.

10. SHAREHOLDERS WHO WILL ABSTAIN FROM VOTING

- 10.1 By virtue of their interest in the IPT Mandate, the Thakral Family Companies, being Interested Persons, will abstain and have undertaken to ensure that their associates will abstain from voting on the ordinary resolution relating to the proposed renewal of the IPT Mandate at the forthcoming AGM.
- 10.2 Further, the Thakral Family Companies undertake not to accept and shall ensure that their associates shall not accept the appointment as proxies to vote and attend at the forthcoming AGM in respect of the ordinary resolution relating to the proposed renewal of the IPT Mandate for other Shareholders of the Company unless the Shareholder concerned shall have given specific instructions as to the manner in which his votes are to be cast.

11. DIRECTORS' RESPONSIBILITY STATEMENT

- 11.1 The Directors (including those who may have delegated supervision of this Appendix) collectively and individually accept responsibility for the accuracy of the information given in this Appendix and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, the facts stated and the opinions expressed (excluding the Independent Directors' recommendations in the case of the Directors who are not Independent Directors) in this Appendix are fair and accurate in all material respects and that no material facts have been omitted which would make any statement in this Appendix misleading in any material respect.

12. DOCUMENTS AVAILABLE FOR INSPECTION

- 12.1 Copies of the following documents may be inspected at the registered office of the Company at 20 Upper Circular Road, #03-06 The Riverwalk, Singapore 058416 during normal business hours from the date of this Appendix up to the date of the AGM:
- (i) the Constitution of the Company; and
 - (ii) the Annual Report of the Company for FY2016.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Twenty-Fourth Annual General Meeting of Thakral Corporation Ltd (the "Company") will be held on Friday, 28 April 2017 at 2.00 p.m. at Cinnamon Room, Level 5, Novotel Singapore Clarke Quay, 177A River Valley Road, Singapore 179031 for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Statement and the Audited Financial Statements of the Company for the year ended 31 December 2016 together with the Auditors' Report thereon. **(Resolution 1)**
2. To re-elect Mr. Dileep Nair, a Director who is retiring pursuant to Article 94(4) of the Company's Articles of Constitution. **(Resolution 2)**

Mr. Dileep Nair if re-elected as a Director of the Company, will remain as a member of the Audit Committee and Compensation Committee and will be considered independent for the purposes of Rule 704(8) of Listing Manual of the Singapore Exchange Securities Trading Limited.
3. To approve the payment of Directors' fees of S\$475,500 for the year ending 31 December 2017, to be paid quarterly in arrears. (31 December 2016: S\$475,500) **(Resolution 3)**
4. To re-appoint Deloitte & Touche LLP as the Company's Auditors and to authorise the Directors to fix their remuneration. **(Resolution 4)**
5. 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 resolutions as Ordinary Resolutions, with or without any modifications:

6. Authority to allot and issue shares

That pursuant to Section 161 of the Companies Act, Cap. 50 and Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited, the Directors be empowered to allot and issue shares (whether by way of rights, bonus or otherwise) and convertible securities in the capital of the Company at any time and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit provided that the aggregate number of shares (including shares to be issued in accordance with the terms of convertible securities issued, made or granted pursuant to this Resolution) to be allotted and issued pursuant to this Resolution shall not exceed fifty per centum (50%) of the total number of issued shares in the capital of the Company at the time of the passing of this Resolution, of which the aggregate number of shares and convertible securities to be issued other than on a pro rata basis to all shareholders of the Company shall not exceed twenty per centum (20%) of the total number of issued shares in the capital of the Company and that such authority shall, unless revoked or varied by the Company in general meeting, continue in force (i) until the conclusion of the Company's next Annual General Meeting or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier or (ii) in the case of shares to be issued in accordance with the terms of convertible securities issued, made or granted pursuant to this Resolution, until the issuance of such shares in accordance with the terms of such convertible securities.

[See Explanatory Note (i)]

(Resolution 5)

NOTICE OF ANNUAL GENERAL MEETING

7. Renewal of Shareholders' Mandate for Interested Person Transactions

That for the purposes of Chapter 9 of the Listing Manual of the Singapore Exchange Securities Trading Limited: -

- (a) approval be and is hereby given for the Company, its subsidiaries and its associated companies or any of them to enter, in the ordinary course of business, into the transactions and arrangements for the sale and purchase of consumer electronics and electrical products as described in Section 2.3.1 of the Appendix to Annual Report 2016 dated 6 April 2017 (the "Appendix"), with any party who is of the class or classes of interested persons described in Section 2.4.1 of the Appendix, provided that all such transactions and arrangements are made on normal commercial terms in accordance with the review procedures for interested person transactions as set out in Section 3 of the Appendix, and that the Directors of the Company be and are hereby authorised to take such steps and exercise such discretion as the Directors of the Company may in their absolute discretion deem fit, advisable or necessary in connection with all such transactions and arrangements (the "Shareholders' Mandate");
- (b) the Shareholders' Mandate shall, unless revoked or varied by the Company in general meeting, continue in force until the conclusion of the next Annual General Meeting; and
- (c) authority be given to the Directors to complete and do all such acts and things (including executing all such documents as may be required) as they may consider necessary, desirable or expedient to give effect to the Shareholders' Mandate as they may think fit.

[See Explanatory Note (ii)]

(Resolution 6)

By Order of the Board

Chan Wan Mei
Company Secretary
Singapore
Date: 6 April 2017

Explanatory Notes

- (i) The Ordinary Resolution 5 proposed in item 6 above, if passed, will empower the Directors from the date of this Meeting until the date of the next Annual General Meeting, or the date by which the next Annual General Meeting is required by law to be held or when varied or revoked by the Company in general meeting, whichever is the earlier, to allot and issue shares (whether by way of rights, bonus or otherwise) and convertible securities in the Company. The number of shares and convertible securities that the Directors may allot and issue under this resolution would not exceed fifty per centum (50%) of the total number of issued shares in the capital of the Company at the time of the passing of this resolution. For issue of shares and convertible securities other than on a pro rata basis to all shareholders, the aggregate number of shares and convertible securities to be issued shall not exceed twenty per centum (20%) of the total number of issued shares in the capital of the Company.

For the purpose of this resolution, the percentage of issued shares is based on the Company's issued shares at the time this proposed Ordinary Resolution is passed after adjusting for new shares arising from the conversion or exercise of convertible securities, the exercise of share options or the vesting of share awards outstanding or subsisting at the time when this proposed Ordinary Resolution is passed and any subsequent consolidation or subdivision of shares.

- (ii) The Ordinary Resolution 6 proposed in item 7 above, if passed, will authorise the Interested Person Transactions as described in the Appendix and recurring in the year and will empower the Directors to do all acts necessary to give effect to the Shareholders' Mandate. This authority will, unless previously revoked or varied by the Company at a general meeting, expire at the conclusion of the next Annual General Meeting of the Company.

NOTICE OF ANNUAL GENERAL MEETING

Notes

1. A member (other than a Relevant Intermediary*) entitled to attend and vote at the Annual General Meeting (the "Meeting") is entitled to appoint not more than 2 proxies to attend and vote in his/her stead. A proxy need not be a Member of the Company.
2. Where a member (other than a Relevant Intermediary*) appoints two proxies, he or she shall specify the proportion of his or her shareholding to be represented by each proxy in the instrument appointing the proxies.
3. A Relevant Intermediary may appoint more than 2 proxies, but each proxy must be appointed to exercise the rights attached to a different share or shares held by him (which number and class of shares shall be specified).
4. If the appointor is a corporation, the instrument appointing a proxy must be executed under the corporation's common seal or signed by its attorney or an officer on behalf of the corporation.
5. The instrument appointing a proxy must be deposited at the Registered Office of the Company at 20 Upper Circular Road, #03-06 The Riverwalk, Singapore 058416 not less than 48 hours before the time appointed for holding the Meeting.

* A Relevant Intermediary is:

- (a) a banking corporation licensed under the Banking Act (Chapter 19) of Singapore 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; or
- (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities Futures Act (Chapter 289) of Singapore and who holds shares in that capacity; or
- (c) the Central Provident Fund Board established by the Central Provident Fund Act (Chapter 36) of Singapore, 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.

PERSONAL DATA PRIVACY:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Meeting 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 or service providers) for the purpose of the processing and administration by the Company (or its agents or service providers) of proxies and representatives appointed for the Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Meeting (including any adjournment thereof), and in order for the Company (or its agents or service providers) 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 or service providers), 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 or service providers) of the personal data of such proxy(ies) and/or representative(s) for the Purposes (the "Warranty"); 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 the Warranty.

THAKRAL CORPORATION LTD

(Company Registration No. 199306606E)

(Incorporated in the Republic of Singapore with Limited Liability)

IMPORTANT:

1. An investor who holds shares under the Central Provident Fund Investment Scheme ("CPF Investor") and/or the Supplementary Retirement Scheme ("SRS Investor") (as may be applicable) may attend and cast his vote(s) at the Meeting in person. CPF and SRS Investors who are unable to attend the Meeting but would like to vote, may inform their CPF and/or SRS Approved Nominees to appoint the Chairman of the Meeting to act as their proxy, in which case, the CPF and SRS Investors shall be precluded from attending the Meeting.
2. This Proxy Form is not valid for use by CPF and SRS Investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

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 6 April 2017.

PROXY FORM

(Please see notes overleaf before completing this Form)

I/We, _____ (Name), NRIC/Passport No. _____

of _____ (Address)

being a member/members of Thakral Corporation Ltd (the "Company"), hereby appoint:

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

*and/or

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

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 28 April 2017 at 2.00 p.m. at Cinnamon Room, Level 5, Novotel Singapore Clarke Quay, 177A River Valley Road, Singapore 179031 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 or in the event of any other matter arising at the Meeting and at any adjournment thereof, the proxy/proxies will vote or abstain from voting at his/her discretion. The authority herein includes the right to demand or to join in demanding a poll and to vote on a poll.

(Please indicate your vote "For" or "Against" with a tick [✓] within the box provided.)

| No. | Resolutions relating to: | For | Against |
|-----|---|-----|---------|
| 1 | Directors' Statement and Audited Financial Statements for the year ended 31 December 2016 | | |
| 2 | Re-election of Mr. Dileep Nair as a Director | | |
| 3 | Approval of Directors' fees amounting to S\$475,500 for the year ending 31 December 2017, to be paid quarterly in arrears | | |
| 4 | Re-appointment of Deloitte & Touche LLP as Auditors | | |
| 5 | Authority to allot and issue shares | | |
| 6 | Renewal of Shareholders' Mandate for Interested Person Transactions | | |

Dated this _____ day of _____ 2017

| 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

*Delete where inapplicable

IMPORTANT: PLEASE READ NOTES OVERLEAF.

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) of Singapore), 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 (other than a Relevant Intermediary*) entitled to attend and vote at a 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 (other than a Relevant Intermediary*) 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 Relevant Intermediary may appoint more than 2 proxies, but each proxy must be appointed to exercise the rights attached to a different share or shares held by him (which number and class of shares shall be specified).
5. Subject to note 9 below, 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 20 Upper Circular Road, #03-06 The Riverwalk, Singapore 058416 not less than 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 attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is 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 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, Chapter 50 of Singapore.
9. An investor who holds shares under the Central Provident Fund Investment Scheme ("CPF Investor") and/or the Supplementary Retirement Scheme ("SRS Investor") (as may be applicable) may attend and cast his vote(s) at the Meeting in person. CPF and SRS Investors who are unable to attend the Meeting but would like to vote, may inform their CPF and/or SRS Approved Nominees to appoint the Chairman of the Meeting to act as their proxy, in which case, the CPF and SRS Investors shall be precluded from attending the Meeting.

* A Relevant Intermediary is:

- (a) a banking corporation licensed under the Banking Act (Chapter 19) of Singapore 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; or
- (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act (Chapter 289) of Singapore and who holds shares in that capacity; or
- (c) the Central Provident Fund Board established by the Central Provident Fund Act (Chapter 36) of Singapore, 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.

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 name in the Depository Register as at 72 hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.

1st fold here

PROXY FORM

Affix
Postage
Stamp

The Company Secretary
THAKRAL CORPORATION LTD
20 Upper Circular Road
#03-06 The Riverwalk
Singapore 058416

2nd fold here

3rd fold here and seal

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