



**THAKRAL**  
CORPORATION LTD

STRONG **Heritage**  
REWARDING **Innovation**

ANNUAL REPORT  
**2012**





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# Corporate Profile

Listed on the SGX Mainboard since December 1995, Thakral Corporation Ltd is in the consumer electronics distribution business and strategic property and equity investments.

Presently, China (including Hong Kong) and other Southeast Asian countries are the Group's key markets for its consumer electronics distribution business. Under its extensive consumer brand portfolio are global names such as Apple, Canon, Fuji, Hewlett-Packard, Lenovo, Nikon, Nokia, Orion, Panasonic, Samsung and Sony. The Group has also taken up brands such as Belkin, Buffalo, Built, Cygnett, Empire, Huawei, Logic3, Native Union, Scott, Skullcandy, SwitchEasy and ZTE.

The Group also markets and distributes trendy consumer electronics products under its own proprietary brand "YES".

The Group invests in real estate and other investment opportunities which include financial instruments backed by property and in direct property with a view to earning a strong return on its capital and revolving its capital speedily including bringing in co-investors. The Group also earns income from the services it provides in originating, packaging and managing projects for its co-investors. The Group has been the cornerstone investor in these investment opportunities.

*The Group is implementing dynamic business models and innovative use of capital to achieve sustainable growth over the long term.*





# Principal Businesses

## Distribution

- Thakral China Ltd  
Shanghai, PRC
- Thakral Corporation (HK) Limited  
Hong Kong
- Thakral Brothers Limited  
Osaka, Japan
- Singapore Sourcing & Technology Pvt Ltd  
Noida, India
- Digital Info Technology Pte Ltd  
Singapore





## Investments

- TCAP Pte Ltd and Thakral Pan Asia Property Holdings Pte Ltd  
Singapore
- TCAP Australia Pty Ltd and TCL Properties Pty Ltd  
Sydney and Melbourne, Australia
- Wujiang Dafa Real Estate Development Co Ltd  
Wujiang, PRC



# Our Network



# Leveraging on Strong Heritage for Innovative Growth

The Group's strong heritage that emphasises entrepreneurship, business integrity and innovation has laid the foundation for the continuing growth of the Group. These time-honored values have nurtured an enduring culture fostering an extensive business network and loyalty, from which new initiatives have taken root.



# Chairman's Statement



Through strategic investments and business innovation, we have spurred sustainable growth and positive returns for our shareholders.

**STRONG Heritage**  
**REWARDING Innovation**







Dear Shareholders,

The Group has continued to report a profit for the financial year ended December 31, 2012 ("FY2012"). This is despite the challenging global market with China's slower economic growth and uncertainties in Europe, as well as a general slowdown in consumer demand for electronics products. The Group has achieved this through the contribution from its Investment Division including unrealised valuation gain on investment properties as well as from disposal of investments. The Group has been able to successfully maintain a strong financial structure through these difficult times.

Through strategic investments and business innovation, we have spurred sustainable growth and positive returns for our shareholders.

We are pleased to declare a second interim dividend of 0.1 cent per share to reward our shareholders for their loyal support of the Group for the 2012 financial year.

Together with the interim dividend of 0.1 cent per share paid to shareholders on November 30, 2012, the total dividend payout for the year was 0.2 cent per share. Dividend yield is 5.1% on the closing share price of 3.9 cents on February 25, 2013. This is among the highest yields provided by SGX-listed companies for the period under review.

Going forward, we will stay vigilant by closely monitoring global developments and seizing new opportunities that may arise in the markets we operate in.

Forecasts by many economists of slightly higher economic growth of China for 2013 and improved global business sentiment are encouraging. Strategic developments and attention to innovation in both our core

businesses in Distribution and Investments, should provide positive results in financial year ending December 31, 2013 ("FY2013").

### Financial Performance Review

Despite the 15% decline in revenue, the Group managed to improve its overall net profit by 69% from S\$9.9 million in FY2011 to S\$16.8 million in FY2012. This was largely attributed to the significant gain from the sale of the Thakral Holdings Group ("THG") securities, reflecting the positive returns from prudent investment decisions previously made.

The proceeds from the sale of THG have been primarily allocated to support the growth of the Group's Investment Division which has a strong pipeline of new projects.

The Group also had a net unrealized valuation gain of S\$5.4 million in FY2012 on its investment properties in Hong Kong, China and Australia – up against a gain of S\$0.5 million in the previous financial year.

The Group's overall cash balance, including pledged deposits, decreased 7.3% from S\$53.2 million in financial year ended December 31, 2011 ("FY2011") to S\$49.3 million in FY2012. This was partly due to the increased outflow of cash used for the Group's new investment projects, expected to bring positive returns which will be reflected in our performance over the next couple of years. This is in line with our overall strategy to optimize the use of capital to enhance returns to our shareholders.

Group earnings per share doubled from 0.32 cent per share in FY2011 to 0.62 cent for the full year under review.



On the other hand, the Group's net asset value per share was 4.15 cents in FY2012 compared to 4.31 cents in FY2011.

### Strategies – New Growth and Innovation

To broaden our customer base and leverage on the Group's strong heritage, as well as our extensive sourcing and supply chain capabilities, we have expanded our distribution business beyond consumer electronics. This strategy aims to capitalise on our expertise and network as a distributor to tap on new growth opportunities in procurement of interior fittings and finishes.

We will accelerate the expansion of our brand portfolio, product range, as well as market penetration into new emerging economies such as Cambodia, Laos, Vietnam and Thailand. All of these will, in the longer term, help us achieve a more balanced portfolio and market exposure to better manage risks from downturns in any single market.

In line with the Group's objective to expand its Investment Division, we have secured three new real estate development projects in Australia during the year under review. These investments are expected to contribute

positively to the Group's revenue and profits in FY2013. There are also several other new property investment projects in the pipeline which will add value to the Group. The Group has now invested and has a pipeline of new investments totalling more than A\$100 million which we hope to carry out with our co-investors. The Group has allocated about 40% of its balance sheet to investments by the Investment Division.

### Growth Prospects

Global business sentiment is showing signs of improvement. In particular, the East Asian and Pacific region – the Group's main markets – is expected to continue leading global growth in 2013, expanding over two percentage points faster than the world average.

China is experiencing an economic uptrend with the new leadership firmly in place, with a predicted economic growth of 8.2% in 2013 – as forecasted by IMF.

The Group is actively taking steps to introduce new products and brands with strong growth potential to boost sales and profitability. The Distribution Division will continue to embark on new marketing



campaigns to launch higher-margin innovative products that deliver new and exciting customer experiences and sales growth.

The incentives provided by State and Federal Governments in Australia, especially to first homebuyers together with the ongoing shortage of housing in the major cities and low interest rate environment will contribute to the continuing favourable climate for the Group's real estate investments in Australia. We will continue to invest mainly in residential developments in capital cities on the Eastern Seaboard—Sydney, Melbourne and Brisbane and regional centres showing strong growth prospects.

We remain cautiously optimistic of the Group's performance for FY2013 and will continue to forge ahead with our strategic growth plans with the aim of delivering positive returns to our shareholders.


### **Corporate Social Responsibility**

As a responsible corporate citizen, the Group is conscious of its obligations to contribute to the society in which it conducts business. In that regard, the Group had contributed

to Business Times' Children for Children Programme in FY2012 and now have plans to contribute to Project Hope in China (a Chinese public service project organised by the China Youth Development Foundation and the Communist Youth League Central Committee) to build schools in impoverished rural areas for needy children. The Group also makes donations to community organisations from time to time.

In terms of green initiatives, we have sponsored the Singapore Green Building Council's YES Green Quiz contest to support green awareness among young students. In our own business, especially in the investments made through the Investment Division in Australia, we look to 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 need for artificial heating and cooling and for energy efficiency.





For instance, our Emerant Lane project in Sydney, and all the GLNG houses were designed for cross ventilation so that the dwellings have natural ventilation to minimise use of artificial means for heating and cooling, and oriented with solar access to capture natural daylight. The following ecologically sustainable development principles are being applied to all our projects to achieve an appropriate balance between economic, environmental and social design factors:

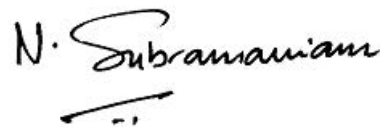
- Environmental – design solutions for environmental management;
- Design – excellence in design to maximise the amenity of the occupier, neighbourhood and the areas' environmental quality; and
- Community Lifestyle – high quality attractive liveable dwellings that offer a diversity of design and living environments for the range of occupiers and the community.

### Acknowledgements

The strength and vitality of the Thakral heritage comes from the continued trust and appreciation of our customers, employees, shareholders and business partners.

We will continue to bring greater value to all our stakeholders and the communities we serve.

To conclude, I would like to express my sincere thanks and appreciation to all our customers, business partners, employees, bankers and shareholders for their loyalty, and I look forward to your continued support and confidence in us.



Natarajan Subramaniam  
Independent Non-Executive Chairman



## Financial Highlights

	FY10	FY11	FY12
Revenue (S\$ Million)	409.3	363.7	309.3
Net Profit (S\$ Million)	37.8*	9.9	16.8**
Earnings Per Share (cent)	1.44*	0.32	0.62**
Net Asset Value (cents)	3.83	4.31***	4.15

\*Includes gain from sale of investment in Gateway Distriparks Limited.

\*\*Includes gain on disposal of Thakral Holdings Group shares, and net unrealized valuation gain on investment properties of S\$5.4 million (net of an unrealized valuation loss on the real estate investment projects in Australia).

\*\*\*Restated following the adoption of the revised FRS.







## Review of Operations

During the financial year ended December 31, 2012 ("FY2012"), our operating results were negatively affected by the global uncertainties and softer demand for consumer electronics products in China, our key market.

Owing to reduced sales in the Distribution Division caused mainly by negative consumer sentiments towards Japanese brands in China, our consolidated sales and operating revenue declined 15% to S\$309.3 million in FY2012.

However, the Group's profit before income tax rose 42% to S\$17.2 million.

The improved profit before income tax benefited from S\$15.0 million one-off gain from the sale of its investment in Thakral Holdings Group ("THG") in Australia. We also recorded a net unrealized valuation gain of S\$5.4 million in FY2012 on investment

properties in Hong Kong, China and Australia, up from a gain of S\$0.5 million in the previous financial year.

### Segment Performance

#### Distribution: Transforming our Consumer Electronics Distribution Business

This division reported a loss of S\$0.8 million on a reduced turnover of S\$301.5 million for FY2012.

However, sales in 4QFY2012 picked up by 10% to S\$79.8 million compared to 3QFY2012 – indicating an uptick in demand although margins are still weak due to competitive pressure.

In today's rapidly changing and highly competitive global electronics market, it has become essential to introduce ground-breaking products, services and





technologies that maximise our distinctive strengths, strong heritage and extensive sourcing and supply chain capabilities. By implementing such strategic plans, we intend to restore the business to profitability. We will also be accelerating management decision-making to make focused and selective investments based on our long-term strategies.

Going forward, we are taking the following important steps in response to the challenges faced by our consumer electronics distribution business:

- *Strengthen our core business:* Continue to revitalize our broad range of products by introducing new brands such as Buffalo, Huawei and ZTE, as well as new products with strong consumer appeal – such as mobile phones and wireless modems around rapid growth areas of Digital Imaging, Online Gaming, and Smart phones.
- *Expand into new markets:* Penetrate into emerging markets – such as Laos, Cambodia, Vietnam and Thailand for consumer electronics.
- *Capitalise on existing expertise and network:* Tapped on new growth opportunities in global procurement of interior fittings and finishes to meet the rising demand from the fast growing property and construction markets.
- *Realign our business portfolio and optimize resources:* Continue to strengthen our sales and marketing efforts, while at the same time streamline and utilize our sales channels more efficiently by funneling more products through each channel to maximise returns.

Through the diligent execution of these initiatives, we aim to enhance our Distribution Division with an improved gross margin in

financial year ending December 31, 2013 (“FY2013”).

### **Investments: Expanding Participation in Real Estate Investment Projects**

This division encompasses the investments in real estate projects in Australia, as well as the property development unit in Wujiang China.

Contributions from the real estate investment business in Australia increased in FY2012 over financial year ended December 31, 2011 (“FY2011”). Despite this, the division’s revenue and profits fell from S\$10.3 million and S\$6 million in FY2011 to S\$7.8 million and S\$3.9 million in FY2012 respectively. This decline was largely attributed to the absence of sales of the Wujiang Dafa property units this year in comparison with last year.

For its quarterly performance, the Investment Division achieved higher revenue of S\$3.7 million for 4QFY2012, up from S\$3.1 million in 4QFY2011. The segment profit for 4QFY2012 was also higher than the previous corresponding quarter – S\$2.7 million versus S\$2.2 million.

Among the residential real estate projects in progress since FY2011, Australia Towers Stage 1 and GLNG Housing Phase 1 have been successfully concluded, GLNG Housing Phase 2 partly completed with Emerant Lane due for completion soon.

The division completed and delivered 45 houses in Gladstone, Australia, under its first development project for GLNG. It had been awarded the contract to provide 56 more houses to GLNG in the second phase of the project. Construction of these houses is progressing on time and within budget.



Of these, 17 houses were delivered to GLNG during the last quarter of 2012 and the rest are scheduled for delivery in stages, with all houses to be completed and delivered in the first half of 2013. The GLNG houses from phase 1 contributed to profits mainly in the second half of FY2012. There was marginal contribution from the completed phase 2 houses in FY2012 as the overall project is still under construction.

In line with the Group's strategy to expand its participation in real estate projects, the Investment Division has secured three new projects in Australia during the year in review. These include the development of over 600 residential apartments in two towers in New

Quay at Docklands in Melbourne – which have already achieved pre-sales of over 90%, and two other early-stage projects involved the development of more than 100 apartments in Highgate Hill and West End in Brisbane. These investments will be carried out with our co-investors.

This division also has other new property investment projects in the pipeline, which are expected to make significant positive contributions to the Group in FY2013.



# Corporate Information

## BOARD OF DIRECTORS

### EXECUTIVE:

Kartar Singh Thakral  
Inderbethal Singh Thakral  
Jasvinder Singh Thakral  
Jaginder Singh Pasricha

### NON-EXECUTIVE:

Natarajan Subramaniam *(Chairman)*  
*Independent*  
Lee Ying Cheun *Independent*  
Pratap Chinnan Nambiar *Independent*  
Ting Sii Tien @ Yao Sik Tien

## AUDIT COMMITTEE

Natarajan Subramaniam *(Chairman)*  
Lee Ying Cheun  
Pratap Chinnan Nambiar

## NOMINATION COMMITTEE

Natarajan Subramaniam *(Chairman)*  
Kartar Singh Thakral  
Pratap Chinnan Nambiar

## COMPENSATION COMMITTEE

Lee Ying Cheun *(Chairman)*  
Natarajan Subramaniam  
Ting Sii Tien @ Yao Sik Tien

## INVESTMENT COMMITTEE

Natarajan Subramaniam *(Chairman)*  
Kartar Singh Thakral  
Jaginder Singh Pasricha

## COMPANY SECRETARIES

Chan Lai Yin  
Tay Chee Wah

## REGISTERED OFFICE

20 Upper Circular Road  
#03-06 The Riverwalk  
Singapore 058416  
Tel: (65) 6336 8966  
Fax: (65) 6336 7225  
E-mail: [enquiries@thakralcorp.com.sg](mailto:enquiries@thakralcorp.com.sg)  
Website: [www.thakralcorp.com](http://www.thakralcorp.com)

## SHARE REGISTRAR

BOARDROOM CORPORATE &  
ADVISORY SERVICES PTE. LTD.  
50 Raffles Place  
#32-01 Singapore Land Tower  
Singapore 048623  
Tel: (65) 6536 5355  
Fax: (65) 6536 1360

## AUDITORS

DELOITTE & TOUCHE LLP  
CERTIFIED PUBLIC ACCOUNTANTS  
6 Shenton Way Tower Two  
#32-00  
Singapore 068809  
AUDIT PARTNER-IN-CHARGE  
John Tan Hon Chye  
Date of Appointment: 26 April 2012

## PRINCIPAL BANKERS

Australia and New Zealand Banking  
Group Limited  
Australia

Bank of Communications Co., Ltd.  
China

China Merchants Bank Co., Ltd.  
China

United Overseas Bank Limited  
Singapore and Hong Kong







## Board of Directors

Natarajan  
Subramaniam



Kartar Singh  
Thakral



Inderbethal Singh  
Thakral



Ting Sii Tien @  
Yao Sik Tien



**THAKRAL**  
CORPORATION LTD

Jasvinder Singh  
Thakral



Lee Ying Cheun



Jaginder Singh  
Pasricha



Pratap Chinnan  
Nambiar



### **Natarajan Subramaniam** Age 74 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 26 April 2012. He is also Chairman of the Audit, Investment and Nomination Committees and a member of the Compensation 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 which 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 and a member of the Accounting and Auditing Standards, Quality Control and Professional Development Committees of Ernst & Young International. He is a Fellow of the Institute of Chartered Accountants in England and Wales, the Institute of Certified Public Accountants, Singapore and the Singapore Institute of Directors. He holds a Bachelor of Arts Degree from the University of Malaya in Singapore.

**Kartar Singh Thakral** Age 79  
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 26 April 2012. 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. He is a trustee of the Singapore Sikh Education Foundation and Sri Guru Nanak Sat Sang Sabha and was a trustee of Singapore Indian Development Association from 1991 till 31 December 2006.

**Inderbethal Singh Thakral** Age 53  
Executive Director

Mr Inderbethal Singh Thakral ("Mr Bethal") is the Managing Director, Distribution Business of the Group. He was first appointed a Director on 12 August 1994 and was last re-elected on 22 April 2010.

Mr Bethal has extensive experience in the distribution business and headed the Group's operations in Hong Kong and China since 1984. He joined the family business, Thakral Brothers (Pte) Ltd in Singapore in 1975. In 1980, he moved to Japan to familiarise himself with the operations and business partners there. With China trade becoming an important part of Hong Kong's business direction, Mr Bethal focused on expanding the Group's business in the PRC and developing trade relations in the PRC and Hong Kong. At the same time, he enlarged the range of brands as well as product lines carried by the Group thereby increasing its share of the distribution business market. He is also actively involved in and has an oversight role over the Group's property business at Wujiang Dafa.

Mr Bethal was a non-executive director of Thakral Holdings Limited, a company which was listed on the Australian Stock Exchange. He is the Chairman of Sahib Sri Guru Gobind Singh Ji Education Trust, Hong Kong.

**Ting Sii Tien @ Yao Sik Tien** Age 58  
Non-Executive Director

Mr Ting Sii Tien @ Yao Sik Tien is a Non-Executive Director and a member of the Compensation Committee of the Company. He was first appointed a Director on 5 May 2008 and was last re-elected on 26 April 2012.

Mr Ting is currently the Executive Director and Chief Executive Officer ("CEO") of Singapore listed Hong Leong Asia Ltd. ("HLA"). He is also the Group General Manager of Hong Leong Corporation Holdings Pte Ltd, Executive Director and Group CEO of Malaysia listed Tasek Corporation Berhad and Non-Executive Director of Singapore listed HL Global Enterprises Limited. He was previously the Group Chief Financial Officer of HLA and the Chief Financial Officer of New York listed China Yuchai International Limited. Mr Ting has over 25 years of experience as a financial controller in various companies including Deutsche Bank Aktiengesellschaft (Singapore), Bank of Montreal, Singapore and is an associate member of the Institute of Chartered Accountants in England and Wales.

**Jasvinder Singh Thakral** Age 60  
Executive Director

Mr Jasvinder Singh Thakral ("Mr Jasvinder") is an Executive Director of the Company. He was first appointed a Director on 15 November 1995 and was last re-elected on 29 April 2011.

Mr Jasvinder joined the Group as Managing Director of Thakral Japan in 1970 and is responsible for the operations of the Osaka buying office. Being born and brought up in Japan, he has extensive experience in Japanese business and work culture and has been in charge of sourcing consumer electronic products directly from Japanese manufacturers. Over the years, Mr Jasvinder has strengthened relationships with the Group's suppliers and has managed to retain their support despite difficult times. He has also been the key person in managing the change-over to the current high-end product line that the Group distributes.

Upon relocating to Shanghai in 2010, Mr Jasvinder has been actively involved in the local PRC operations and in further developing relations with suppliers including Canon and Panasonic for the PRC. He was also involved in building relationships with manufacturers including Canon, Panasonic and Sony in India.

**Lee Ying Cheun** Age 71  
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 26 April 2012. Mr Lee is the Chairman of the Compensation Committee and a member of the Audit Committee.



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. He was the Group General Manager of WBL Corporation and the Managing Director of Wearnes Technologies from 1994 to 1998 and an Executive Director of Hong Kong listed Vincent Intertrans Limited from 1999 to 2000. He held various executive positions (Asia) in Optimer Pharmaceuticals, Inc., USA from 2001 to 2006 and was an Independent Director on boards of various listed companies. He is currently 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 and a member of the Singapore Institute of Directors.

### Jaginder Singh Pasricha Age 65 Executive Director

Mr Jaginder Singh Pasricha is the Managing Director, Investments & Corporate of the Company. He was first appointed a Director on 2 September 2008 and was last re-elected on 26 April 2012. He is a member of the Investment Committee of the Company.

Mr Pasricha was a barrister and solicitor of the Supreme Court of Victoria and had conducted a boutique law firm specialising in commercial and corporate matters prior to joining an Australian investment bank to lead its real estate operations in India. Mr Pasricha has extensive experience in real estate and real estate investment transactions, corporate structuring, tax planning, mergers and acquisitions, company listing, international cross border transactions, debt restructuring, joint ventures and capital raising.

Mr Pasricha is a Non-Executive Director of Singapore listed Jacks International Limited and was for a number of years a Non-Executive Director of Thakral Holdings Limited which was listed on the Australian Stock Exchange. He is a graduate of King's College London University where he also read his masters at law. He is a member of the Honourable Society of the Inner Temple.

### Pratap Chinnan Nambiar Age 58 Independent Non-Executive Director

Mr Pratap Chinnan Nambiar is a Non-Executive Director of the Company. He was first appointed a Director on 28 July 2009 and was last re-elected on 22 April 2010. Mr Nambiar is a member of the Audit Committee and Nomination Committee of the Company. The Board, after due review and taking into consideration the views of the Company's Nomination Committee, considers Mr Nambiar to be an independent director.

Mr Nambiar is the Founder, Chief Executive Officer and Director of Thought Perfect Pte Ltd, a Singapore based business performance coaching firm for CEOs. Prior to founding Thought Perfect Pte Ltd, he was the Regional Executive Partner Global Markets, based in Singapore, for KPMG Asia Pacific, responsible for the Asia Pacific Global Client Program. Mr Nambiar has over 35 years of International experience including stints in India, Indonesia, The Middle East, Nigeria, USA, Russia, and of course, Singapore. Starting his career in the Market Research division of J. Walter Thompson, he has been exposed to a wide range of products and services holding senior management positions in multi-national companies like Eastman Kodak, The Bata Shoe Company, Ernst & Young and KPMG. He was also a Leadership Consulting Partner for the Asia Pacific region with Heidrick & Struggles from September 2010 to August 2011.

Mr Nambiar was appointed as the Executive in Residence at the NUS Business School in 2008. He is a freelance writer who contributes performance based articles to various newspapers and magazines in the Asia Pacific region. He also teaches some executive MBA programs. He was the Founder President (1996) of the Singapore Branch of The Chartered Institute of Marketing (CIM UK) and was conferred the CIM President's Award for his contribution to the field of Marketing. Mr Nambiar has been the Asia Pacific Advisor to an organisation called Peaceful Settlement founded by Sir Geoffrey Howe in London, which provides Mediation services to corporates.

He is an honours graduate in Economics and Statistics and a Gold Medal winner in his postgraduate studies in Advertising and Public Relations from Bombay University. He is a Fellow of The Chartered Institute of Marketing (UK) with a MBA from the National University of Singapore. He has attended several management development programs, at Harvard, Kellogg, IMD and INSEAD.



# Key Executives

## Sanjib Sengupta | Chief Financial Officer

Mr Sanjib Sengupta is the Chief Financial Officer ("CFO") of the Company, and is responsible for financial reporting, risk management, internal controls, financial planning, treasury and taxation matters. Prior to his appointment as CFO, he was the Group Internal Auditor ("GIA") and has been with the Group since 1997.

In his previous role as GIA, Sanjib reviewed issues relating to internal control, risk and compliance, efficiency and operational audit, audit of interested party transactions and the monitoring of implementation of audit recommendations.

In addition to his role as CFO, Sanjib also has multi-disciplinary experience in public and private enterprises in auditing, consulting, analysis and appraisal for more than 25 years. This includes a senior position with a state government in India for 9 years overseeing financial analysis and appraisal of projects sponsored by State Level Public Enterprises.

He is a fellow member of The Institute of Chartered Accountants of India and an associate member of The Institute of Cost & Works Accountants of India. He graduated with Honours in Commerce.

## Kanwaljeet Singh Dhillon | Executive Director, Thakral Corporation (HK) Limited

Mr Kanwaljeet Singh Dhillon is the Executive 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 30 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 from Punjab University, India in 1974 with a Bachelor of Commerce degree.

## Anil Moolchand Daryanani | Group Financial Controller

Mr Anil Daryanani is the Group Financial Controller with additional responsibilities as the Company Secretary of all the Group companies in Hong Kong. Anil is a non-practising 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 25 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 financial, tax and legal advisers in Hong Kong and Singapore.





## Principal Officers

### THAKRAL CORPORATION LTD Singapore

Kartar Singh Thakral  
Executive Director

Inderbethal Singh Thakral  
Managing Director, Distribution Business

Jaginder Singh Pasricha  
Managing Director, Investments & Corporate

Sanjib Sengupta  
Chief Financial Officer

K F Patrick Lau  
Group Internal Auditor

Anil Moolchand Daryanani  
Group Financial Controller

Vivian But (Ms)  
Deputy Financial Controller (Corporate)

Patrick Lau  
Asst Financial Controller (Corporate)

### THAKRAL CORPORATION (HK) LIMITED Hong Kong

Inderbethal Singh Thakral  
Managing Director, Distribution Business

Kanwaljeet Singh Dhillon  
Executive Director

Pessumal Motwani  
Senior Vice President - Sales & Marketing

Sophie Doo (Ms)  
Financial Controller

Steven Yu  
Vice President - Business Development

### TCAP AUSTRALIA PTY LTD Melbourne & Sydney, Australia

Jaginder Singh Pasricha  
Managing Director

Greggory John Piercy  
Director

Victor Shkolnik  
Director

Kevin Charles Barry  
Director

### THAKRAL BROTHERS LIMITED Osaka, Japan

Kuldip Singh Thakral  
Chairman

Jasvinder Singh Thakral  
Managing Director

Sueko Takahashi (Ms)  
General Manager & Chief Financial Officer

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

Inderbethal Singh Thakral  
Managing Director, Distribution Business

Jasvinder Singh Thakral  
Executive Director

Sam Zhang  
General Manager - Sales & Marketing

Gan Liang  
Senior Vice President

Sean Qiu  
Financial Controller

Jeff Ji  
HR Manager

### WUJIANG DAFA REAL ESTATE DEVELOPMENT CO LTD Wujiang, PRC

Gan Liang  
Chairman

### SINGAPORE SOURCING & TECHNOLOGY PVT LTD Noida, India

K. R. Raman  
Chief Executive Officer

Dixit Bhatia  
Chief Financial Officer

### DIGITALL INFO TECHNOLOGY PTE LTD Singapore

Grace Cheong (Ms)  
General Manager

Teo Wee Kiang  
Senior Vice President, Business Development

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 August 2012 meeting. The latest list covers matters relating to:

- appointment of Chairman, Directors, Managing Director(s), 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 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 principal subsidiaries inside and outside Singapore;
- 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 and disposal of subsidiaries or other assets or incurring liabilities over S\$4 million;
- investments, capital projects and other transactions outside the ordinary course of business above S\$4 million;
- 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;



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- 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 Association 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 2012 (the "Financial Year") are as follows:

Director	Board	Audit Committee	Compensation Committee	Nomination Committee	Investment Committee
<b>No. of Meetings held</b>	<b>4</b>	<b>4</b>	<b>1</b>	<b>1</b>	<b>3</b>
Natarajan Subramaniam	4/4	4/4	1/1	1/1	3/3
Kartar Singh Thakral	4/4	NA	NA	1/1	3/3
Lee Ying Cheun	4/4	4/4	1/1	NA	NA
Pratap Chinnan Nambiar	4/4	4/4	NA	1/1	NA
Inderbethal Singh Thakral	4/4	NA	NA	NA	NA
Jasvinder Singh Thakral	3/4	NA	NA	NA	NA
Jaginder Singh Pasricha	4/4	NA	NA	NA	3/3
Ting Sii Tien @ Yao Sik Tien	4/4	NA	1/1	NA	NA

Other than the above, the Board has met to review the strategic directions of its core businesses. Independent directors and non-executive director have also met separately 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 by 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 and risk management conducted by the Singapore Institute of Directors, SGX and other established bodies. The Company funds all relevant training programmes for Board members. During the Financial Year, a number of directors have attended relevant training programmes and non-executive directors have the opportunity to visit 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\$4 million. Members of the Investment Committee are:

Mr Natarajan Subramaniam	(Chairman)
Mr Kartar Singh Thakral	(Member)
Mr Jaginder Singh Pasricha	(Member)

The Investment Committee has written Terms of Reference that describe the responsibilities of its members. Its terms of reference was last reviewed and updated by the Board in August 2012. The role of the Investment Committee is as follows:

- to review and approve investment proposals by the Company and/or its subsidiaries for amount up to S\$4 million;
- to review and recommend to the Board for approval investment proposals exceeding S\$4 million. For the avoidance of doubt, the Investment Committee may at its discretion refer any investment proposals, not exceeding S\$4 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 investment proposal even if below S\$4 million or 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 consists of eight directors of whom four are executive, one non-executive and three independent and non-executive. The Company considers directors with one or more relationships as set out in the Code as non-independent. Among the said relationships are the relationship with the Company, its related corporation, its 10% shareholders 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 two substantial shareholders 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 judgement and provides appropriate checks and balances on managerial 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.

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 informally to gain a better understanding of the pressures and opportunities faced by the Group and to provide support and direction.

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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 Pratap Chinnan Nambiar 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 comprising Mr Kartar Singh Thakral ("Mr Kartar"), Mr Nambiar and Mr Jaginder Singh Pasricha was formed to set out the criteria for the basis of the evaluation. The evaluation criteria included reviewing of past records and performance as well as level of commitment to determine whether such directors 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 conducted a rigorous evaluation on Mr Natarajan Subramaniam, the Chairman of the Board and Mr Lee Ying Cheun and recommended to the Nomination Committee and the Board that both the Chairman 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 the Chairman 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 role, 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 Inderbethal Singh Thakral ("Mr Bethal") and Mr Jaginder Singh Pasricha as Managing Director, Distribution Business and Managing Director, Investments & Corporate respectively, lead the Group in their respective designated areas of responsibilities. Mr Bethal 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 Natarajan Subramaniam	(Chairman)
Mr Kartar Singh Thakral	(Member)
Mr Pratap Chinnan Nambiar	(Member)

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 revised in August 2012.

The duties of the Nomination Committee are as follows:

- to recommend new appointments, re-election and re-appointments to the Board;
- 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 make recommendations to the Board for the continuation (or not) of the services of any director who has reached the age of seventy (70) years;



- 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;
- to assess the contribution of each individual board member to the effectiveness of the Board;
- to determine and implement the process of assessing the effectiveness of the Board as a whole;
- to make plans for succession, in particular for the Chairman of the Board and the Chief Executive Officers; 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 Association 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. Since the commencement of financial year 2012, the Chairman of Nomination Committee is also the Chairman of the Board. 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 the Board as a whole was undertaken by the Board based on input from individual board members and the Chairman. 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 more than satisfactory.

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## 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 are circulated to directors as and when they arise. The said 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 the aforesaid regular reports, all relevant information on material events and transactions complete with background and explanations are circulated to directors as and when they arise.

Each Board member has separate and independent access to the Company's senior executive officers and the Company Secretaries via telephone, fax and email. 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 Company's Memorandum and Articles of Association, relevant rules and regulations, including the requirements of the Companies Act and the Listing Rules. 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 Lee Ying Cheun	(Chairman)
Mr Natarajan Subramaniam	(Member)
Mr Ting Sii Tien @ Yao Sik Tien	(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 revised in August 2012. 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



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- 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.

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 %	Benefits %	Total %
Jaginder Singh Pasricha	625.2	–	82	13	5	100
Inderbethal Singh Thakral	595.7	–	25	8	67	100
Jasvinder Singh Thakral	528.9	–	46	–	54	100
Kartar Singh Thakral	438.5	–	71	28	1	100
Natarajan Subramaniam	232.5	100	–	–	–	100
Lee Ying Cheun	99.0	100	–	–	–	100
Pratap Chinnan Nambiar	82.5	100	–	–	–	100
Ting Sii Tien @ Yao Sik Tien	71.5	100	–	–	–	100

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



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## Key Senior Executives' Remuneration:

Name of Executive	Salary %	Bonus %	Benefits %	Total %
<b><i>S\$500,000 to below S\$750,000</i></b>				
Kanwaljeet Singh Dhillon	49	–	51	100
<b><i>S\$250,000 to below S\$500,000</i></b>				
Kevin Charles Barry	70	30	–	100
Greggory John Piercy	70	30	–	100
Victor Shkolnik	70	30	–	100
Sanjib Sengupta	70	–	30	100
<b><i>Below S\$250,000</i></b>				
Anil Moolchand Daryanani	67	–	33	100
K F Patrick Lau	90	8	2	100

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 %	Benefits %	Total %
<b><i>S\$200,000 to below S\$250,000</i></b>				
Kuldip Singh Thakral	100	–	–	100
<b><i>S\$150,000 to below S\$200,000</i></b>				
Harminder Kaur Pasricha	100	–	–	100

Mr Kuldip Singh Thakral (“Mr Kuldip”), Chairman of Thakral Brothers Limited, Osaka, is the brother of Mr Kartar and the father of Mr Jasvinder Singh Thakral.

Mrs Harminder Kaur Pasricha is the wife of Mr Jaginder Singh Pasricha. She provides administrative support duties in the Group’s Melbourne Office and from time to time, as required, assist with the conduct and management of due diligence on transactions undertaken by the Group in Australia.

No share options have been granted to Mr Kuldip and Mrs Pasricha 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 have both expired on 30 March 2011. The Board has reviewed and opined that it is not an appropriate time for the Group to implement new long term employee incentive schemes for the present.

Further information on the 2001 Scheme has been disclosed in the Report of the Directors from page 38 to page 39.

## 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 release 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](http://www.thakralcorp.com)) and its Chinese investor relation website (<http://ir.zaobao.com/thakral/index.html>).

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 objective.

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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, operational, financial, compliance related, 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.

An annual assessment of the material internal and risk controls in the Company has been undertaken by the internal auditor and external auditors. 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 Managing Directors 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 financial, operational and compliance 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 Managing Directors of the two divisions, 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 financial, operational, compliance and information technology risks as at 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 Pratap Chinnan Nambiar	(Member)

Mr Subramaniam has many years of public accounting experience and was a 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 Nambiar is an honours graduate in Economics and Statistics from Bombay University and a MBA holder from the National University of Singapore. He is the Founder, Chief Executive Officer and Director of Thought Perfect Pte Ltd, a Singapore based business performance coaching firm for CEOs. He has over 35 years of international experience and has held senior management roles in multinational corporations. With Mr Nambiar's business background and experience, his active participation in Audit Committee workshops which keeps him current with the roles and responsibilities of the Audit Committee as well as the experience gained as an Audit Committee member of the Company for the past years, the Board is confident that he is appropriately qualified to discharge his responsibility as a member of the Audit Committee.



The Audit Committee has written Terms of Reference which clearly set out its authority and duties. The Terms of Reference were last reviewed and revised in August 2012. 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 judgements so as to ensure the integrity of the financial statements and any announcements relating to the Group's financial performance, before consideration and adoption by the Board;
- to 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;
- to discuss with the 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 external auditors' examination has not been restricted or influenced in any manner by Management;
- to 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;
- to evaluate the effectiveness of the external auditors' efforts;
- to 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;
- to review the adequacy and effectiveness of internal controls and risk management policies and systems established by Management;
- to 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;
- to review the scope and results of the internal audit procedures and peruse regular reports submitted by the Head of the Internal Audit Department;
- to review the appointment, removal, evaluation and compensation of the internal audit function;
- to 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;
- to 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;
- to discuss the internal accounting controls with Management and be satisfied with their effectiveness;
- to review the arrangements for monitoring compliance with important regulatory or legal requirements and for monitoring sensitive transactions;
- to review the nature and appropriate disclosure of related party transactions on a quarterly basis;
- to 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;

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- to follow up on any complaints received from staff members or any other persons as a result of the Group's whistle blowing policy; and
- to 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 2012 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.

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 internal auditor 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 internal auditors, 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.

## **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 communications via electronic mail, telephone and post to the Audit Committee and Group Internal Auditor ("GIA"), for reporting 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 exercises the oversight function over the administration of the policy while the GIA administers the policy. In addition, the GIA 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. Thereafter, summarised results and follow up measures will be 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 document, whether revised or not upon such review, is circulated to employees after each annual review. The Audit Committee has reviewed the policy and procedures statement on 25 February 2013 and recommended the necessary changes to the document to comply with Guideline 12.7 of the Code. The policy and procedures statement have been circulated to the 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.



# Corporate Governance Report

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 2012 under review (excluding transactions less than S\$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920 of the Listing Manual)	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	S\$'000
<b>Thakral Brothers (Pte) Ltd and subsidiaries</b>		
Purchases, net of returns	NA	1,167
Sales, net of returns	NA	930
Operating lease charges paid / payable	168	NA

## Principle 13: Internal Audit

The internal audit function is headed by the GIA, whose 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 in-house internal audit function is independent of the functions it audits. It functions in accordance with the Standards for the Professional Practice of Internal Auditing and the Code of Ethics of The Institute of Internal Auditors. In addition, the GIA has appropriate standing within the Group.

The Audit Committee reviews the annual internal audit plans and ensures that the internal auditors have adequate resources to perform the internal audit function. 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 GIA and accepted by the Audit Committee are monitored for implementation. The Audit Committee also reviews the adequacy and the performance of the internal audit function annually.

## 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 recognizes the importance of engaging in effective communications with its shareholders and is, at all times, committed to provide to 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 put in place an investor relations policy to promote regular, effective and fair communication with shareholder whereby pertinent information can be regularly conveyed to shareholders.



# Corporate Governance Report



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 and Chinese investor relations 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 hard copy of 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 also participates in CIMB Securities Singapore Pte Ltd's Investor Education Program to have a dedicated research firm covering the Group's quarterly and yearly results as well as major updates and developments as and when announced by the Group. Such coverage provides shareholders and the investing public an independent analysis of the Group's results and developments.

Both the Company's website and its Chinese investor relations website are well maintained and updated on a timely basis. These websites are to provide comprehensive and up to date information on the Group including its corporate profile, principle businesses, directors' profile, corporate milestones, 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. The Chinese investor relations website also includes additional information such as the Company's share price details, price charts and Lianhe Zaobao news articles covering the Company.

The Company's contact details are made available on its website and its Chinese investor relations 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 at present 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.

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 association and pursuant to any applicable legislation.

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 attend the general meetings in person, the Company's articles of association allows such shareholders to appoint one or two proxies to attend and vote on their behalf. In practice, the Company allows 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. The Company intends to amend its articles of association to expressly allow for appointment of such proxies in due course. CPF investors in the Company's securities, with proper request submitted through their agent bank within the stipulated timeline, are also allowed to attend general meetings of the Company as observers.

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 association 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.

The Code has recommended that all resolutions at general meetings be voted by poll. However, having given due consideration to the time and costs involved for polling, the policy of the Company is that resolutions will only be put to vote by poll where the registered proxies for any resolution are below that of the minimum approval number required to approve such resolutions. Polling will be conducted, whenever validly demanded at general meetings. The Company shall announce the detailed results of the poll conducted at its general meetings showing the number of votes casted 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 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.



## Financial Contents

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The directors present their report together with the audited consolidated financial statements of Thakral Corporation Ltd (the “Company”) and its subsidiaries (collectively, the “Group”) and the statement of financial position and statement of changes in equity of the Company for the year ended December 31, 2012.

## 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  
 Jasvinder Singh Thakral  
 Lee Ying Cheun  
 Ting Sii Tien @ Yao Sik Tien  
 Jaginder Singh Pasricha  
 Pratap Chinnan Nambiar

## 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 paragraph 3 and 5 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 in which the directors are deemed to have an interest	
	As at January 1, 2012	As at December 31, 2012
<b>The Company</b>	<b>Ordinary shares</b>	
Kartar Singh Thakral	781,473,230	781,473,230
Inderbethal Singh Thakral	781,473,230	781,473,230
<b>Subsidiary - TCAP Pte Ltd</b>	<b>Ordinary shares</b>	
Jaginder Singh Pasricha	12,250	12,250

The directors' interests in the shares of the Company at January 21, 2013 were the same at December 31, 2012.



## 4 DIRECTORS' RECEIPT AND ENTITLEMENT TO CONTRACTUAL BENEFITS

Since the beginning of the year, no director or principal shareholder has received or become entitled to receive a benefit which is required to be disclosed under Section 201(8) of the Singapore Companies Act, by reason of a contract made by the Company or a related corporation with the director or principal shareholder or with a firm of which they are a member, or with a Company in which they have a substantial financial interest except for salaries, bonuses and other benefits as disclosed in the consolidated financial statements.

There were certain transactions (shown in the consolidated financial statements) with corporations in which certain directors have an interest.

## 5 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. The 2001 Scheme and the 2001 Plan expired on March 30, 2011.
- b) The options relating to the 2001 Scheme on ordinary shares of the Company outstanding at the end of the year were as follows:

Date of grant	Balance as at December 31, 2011	Lapsed or expired	Exercised	Balance as at December 31, 2012	Exercise price (S\$)	Exercisable period
Jun 18, 2002	1,580,000	(1,580,000)	–	–	0.07	Jun 18, 2003 to Jun 17, 2012
Apr 7, 2003	5,080,000	(80,000)	–	5,000,000	0.01	Apr 7, 2004 to Apr 6, 2013
Mar 8, 2004	7,650,000	(300,000)	–	7,350,000	0.10	Mar 8, 2005 to Mar 7, 2014
Aug 5, 2004	90,000	–	–	90,000	0.10	Aug 5, 2005 to Aug 4, 2014
Apr 1, 2005	5,490,000	(270,000)	–	5,220,000	0.07	Apr 1, 2006 to Mar 31, 2015
Apr 3, 2006	955,000	(122,500)	–	832,500	0.04	Apr 3, 2007 to Apr 2, 2016
Feb 1, 2007	900,000	–	–	900,000	0.05	Feb 1, 2008 to Jan 31, 2017
	<u>21,745,000</u>	<u>(2,352,500)</u>	<u>–</u>	<u>19,392,500</u>		

There were no options exercised during the year.

- c) The members of the Compensation Committee administering the 2001 Scheme are Messrs Lee Ying Cheun (Chairman), Natarajan Subramaniam and Ting Sii Tien @ Yao Sik Tien.

- d) There were no options given to directors, principal shareholders or their associates under the 2001 Scheme, except as disclosed below. 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) There are no options granted on the ordinary shares of the subsidiaries in the Group.

The details of the outstanding options granted under the 2001 Scheme to persons who were directors of the Company during the year are as follows:

Name of director	Aggregate options granted since commencement of the Scheme to the end of year	Aggregate options exercised since commencement of the Scheme to the end of year	Aggregate options lapsed/ expired since commencement of the Scheme to the end of year	Aggregate options outstanding as at the end of year
Jasvinder Singh Thakral	5,200,000	–	–	5,200,000

## 6 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  
 Pratap Chinnan Nambiar

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;



# Report of the Directors



- 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 of the results and financial position of the Company and the Group;
- 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 of the Group.

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.

## 7 AUDITORS

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

ON BEHALF OF THE BOARD

Mr Kartar Singh Thakral

Mr Inderbethal Singh Thakral

March 26, 2013



## Statement of Directors

In the opinion of the directors, the consolidated financial statements of the Group and statement of financial position and statement of changes in equity of the Company as set out on pages 43 to 102 are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at December 31, 2012, and of the results, 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.

ON BEHALF OF THE BOARD

Mr Kartar Singh Thakral

Mr Inderbethal Singh Thakral

March 26, 2013

# Independent Auditors' Report

To the Members of Thakral Corporation Ltd



## Report on the Financial Statements

We have audited the accompanying financial statements of Thakral Corporation Ltd (the "Company") and its subsidiaries (the "Group") which comprise the statements of financial position of the Group and the Company as at December 31, 2012, and the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows of the Group and the statement of changes in equity of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 43 to 102.

## Management's Responsibility 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 Singapore Companies Act (the "Act") and Singapore Financial Reporting Standards and for devising and maintaining a system of internal accounting controls sufficient to provide 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 profit and loss accounts and balance sheets and to maintain accountability of assets.

## Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Opinion

In our opinion, the 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 Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at December 31, 2012 and of the results, changes in equity and cash flows of the Group and the changes in equity of the Company for the year ended on that date.

## 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 subsidiaries incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

Public Accountants and  
Certified Public Accountants

Singapore  
March 26, 2013

# Statement of Financial Position

As at December 31, 2012

	Note	2012	Group 2011	January 1, 2011	2012	Company 2011	January 1, 2011
		S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
			(Restated)	(Restated)		(Restated)	(Restated)
<b>ASSETS</b>							
<b>Current assets</b>							
Inventories	7	46,476	53,220	41,583	–	–	–
Loan receivable	16	4,759	–	–	–	–	–
Held-to-maturity investment	8	–	6,206	–	–	–	–
Trade receivables	9	30,731	29,863	30,106	–	–	–
Other receivables and prepayments	10	6,149	6,333	7,676	183	2,305	2,289
Cash and bank balances	11	30,565	38,339	33,189	315	483	844
<b>Total current assets</b>		<b>118,680</b>	<b>133,961</b>	<b>112,554</b>	<b>498</b>	<b>2,788</b>	<b>3,133</b>
<b>Non-current assets</b>							
Property, plant and equipment	12	6,038	6,453	4,132	12	19	28
Investment properties	13	63,124	12,930	12,176	–	–	–
Investment properties under development	14	18,680	13,367	–	–	–	–
Subsidiaries	15	–	–	–	123,111	123,050	116,744
Loan receivable	16	901	2,433	–	–	–	–
Pledged fixed deposits	11	18,766	14,902	–	–	–	–
Available-for-sale investments	17	3,436	14,772	18,106	–	–	–
<b>Total non-current assets</b>		<b>110,945</b>	<b>64,857</b>	<b>34,414</b>	<b>123,123</b>	<b>123,069</b>	<b>116,772</b>
<b>Total assets</b>		<b>229,625</b>	<b>198,818</b>	<b>146,968</b>	<b>123,621</b>	<b>125,857</b>	<b>119,905</b>
<b>LIABILITIES AND EQUITY</b>							
<b>Current liabilities</b>							
Trade payables	18	8,120	17,355	6,629	–	–	–
Bills payable and trust receipts	19	10,533	7,482	14,468	–	–	–
Bank overdrafts and loans	20	35,895	30,587	7,282	–	–	–
Other payables	21	12,492	14,549	11,295	547	402	625
Provisions	22	4,069	2,076	2,086	27	27	–
Income tax payable		676	1,506	1,020	–	–	–
<b>Total current liabilities</b>		<b>71,785</b>	<b>73,555</b>	<b>42,780</b>	<b>574</b>	<b>429</b>	<b>625</b>
<b>Non-current liabilities</b>							
Amount owing to subsidiaries	15	–	–	–	22,995	24,640	20,095
Loans from financial institutions	23	44,685	7,145	–	–	–	–
Deferred tax liability	24	102	92	66	–	–	–
<b>Total non-current liabilities</b>		<b>44,787</b>	<b>7,237</b>	<b>66</b>	<b>22,995</b>	<b>24,640</b>	<b>20,095</b>
<b>Capital, reserves and non-controlling interests</b>							
Issued capital	25	72,531	72,531	72,531	72,531	72,531	72,531
Reserves	26	35,965	39,941	27,993	27,521	28,257	26,654
Equity attributable to equity holders of the Company		108,496	112,472	100,524	100,052	100,788	99,185
Non-controlling interests		4,557	5,554	3,598	–	–	–
<b>Total equity</b>		<b>113,053</b>	<b>118,026</b>	<b>104,122</b>	<b>100,052</b>	<b>100,788</b>	<b>99,185</b>
<b>Total liabilities and equity</b>		<b>229,625</b>	<b>198,818</b>	<b>146,968</b>	<b>123,621</b>	<b>125,857</b>	<b>119,905</b>

See accompanying notes to financial statements.



# Consolidated Income Statement

Year ended December 31, 2012



	Note	Group	
		2012	2011
		S\$'000	S\$'000
<b>Revenue</b>	28	309,258	363,718
<b>Cost of sales</b>		(287,198)	(325,295)
<b>Gross profit</b>		22,060	38,423
Other operating income	29	17,283	874
Distribution costs		(5,609)	(5,802)
Administrative expenses		(18,964)	(20,428)
Other operating expenses		(475)	(1,070)
Finance income		1,230	876
Finance costs	30	(3,743)	(1,260)
Valuation gains on investment properties	13	5,424	474
<b>Profit before income tax</b>		17,206	12,087
Income tax expense	31	(444)	(2,169)
<b>Profit for the year</b>	32	16,762	9,918
Attributable to:			
Equity holders of the Company		16,184	8,271
Non-controlling interests		578	1,647
		16,762	9,918
<b>Basic earnings per share (cent)</b>	34	0.62	0.32
<b>Diluted earnings per share (cent)</b>	34	0.62	0.32

See accompanying notes to financial statements.

# Consolidated Statement of Comprehensive Income

Year ended December 31, 2012

	Group	
	2012	2011
	S\$'000	S\$'000 (Restated)
<b>Profit for the year</b>	16,762	9,918
<b>Other comprehensive income</b>		
Translation (loss) gain arising on consolidation	(7,491)	4,233
Reclassification from equity to income statement upon disposal of available-for-sale investments	(14,978)	–
Revaluation surplus on transfer of property from property, plant and equipment to investment properties	–	2,111
Net fair value changes in available-for-sale investments	7,281	205
<b>Other comprehensive (loss) income for the year, net of tax</b>	(15,188)	6,549
<b>Total comprehensive income for the year</b>	<b>1,574</b>	<b>16,467</b>
<b>Total comprehensive income attributable to:</b>		
Equity holders of the Company	1,248	14,560
Non-controlling interests	326	1,907
	<b>1,574</b>	<b>16,467</b>

See accompanying notes to financial statements.

# Statements of Changes in Equity

Year ended December 31, 2012



Group	Issued capital S\$'000	Asset revaluation reserve S\$'000	Fair value adjustment reserve S\$'000	Options reserve S\$'000	Foreign currency translation reserve S\$'000	Retained earnings S\$'000	Attributable to equity holders of the Company		Total S\$'000
							Options reserve S\$'000	Retained earnings S\$'000	
Balance at January 1, 2011 as previously reported	72,531	625	7,492	759	(20,703)	39,280	99,984	3,598	103,582
Effects of adoption of amendments to FRS 12	-	-	-	-	(48)	588	540	-	540
Balance at January 1, 2011, restated	72,531	625	7,492	759	(20,751)	39,868	100,524	3,598	104,122
Total comprehensive income for the year	-	2,286	205	-	3,798	8,271	14,560	1,907	16,467
Dividends (Note 33)	-	-	-	-	-	(2,612)	(2,612)	-	(2,612)
Non-controlling interests arising on establishment of a subsidiary	-	-	-	-	-	-	-	49	49
Balance at December 31, 2011, restated	72,531	2,911	7,697	759	(16,953)	45,527	112,472	5,554	118,026
Total comprehensive income for the year	-	(160)	(7,697)	-	(7,079)	16,184	1,248	326	1,574
Dividends (Note 33)	-	-	-	-	-	(5,224)	(5,224)	-	(5,224)
Dividend paid to non-controlling shareholders	-	-	-	-	-	-	-	(1,323)	(1,323)
Balance at December 31, 2012	72,531	2,751	-	759	(24,032)	56,487	108,496	4,557	113,053

Company	Issued capital S\$'000	Options reserve S\$'000	Retained earnings S\$'000	Total S\$'000
Balance at January 1, 2011	72,531	759	25,895	99,185
Total comprehensive income for the year	-	-	4,215	4,215
Dividends (Note 33)	-	-	(2,612)	(2,612)
Balance at December 31, 2011	72,531	759	27,498	100,788
Total comprehensive income for the year	-	-	4,488	4,488
Dividends (Note 33)	-	-	(5,224)	(5,224)
Balance at December 31, 2012	72,531	759	26,762	100,052

See accompanying notes to the financial statements.

# Consolidated Statement of Cash Flows

Year ended December 31, 2012

	Group	
	2012	2011
	S\$'000	S\$'000
<b>OPERATING ACTIVITIES</b>		
Profit before income tax	17,206	12,087
Adjustments for:		
Depreciation expense	475	466
Dividend income and investment income	(2,384)	(5,033)
Interest expense	3,743	1,260
Interest income	(1,230)	(876)
Gain on disposal of property, plant and equipment	(33)	(309)
Gain on disposal of available-for-sale investments	(14,978)	–
Gain on disposal of subsidiaries	(99)	–
Valuation gains on investment properties	(5,424)	(474)
Net foreign exchange (gain) loss	(325)	423
Impairment loss on available-for-sale investments	24	17
Impairment loss on property, plant and equipment	–	153
Allowance for inventories	1,445	806
Allowance for doubtful trade receivables	252	2,119
Allowance for doubtful other receivables	6	469
Operating cash flows before movements in working capital	(1,322)	11,108
Trade receivables	(2,634)	(1,121)
Other receivables and prepayments	(734)	1,458
Inventories	2,821	(10,301)
Trade payables	(8,526)	9,872
Other payables and provisions	912	2,783
Cash (used in) generated from operations	(9,483)	13,799
Dividend income and investment income received	803	2,729
Income tax paid	(1,189)	(1,699)
Interest paid	(4,552)	(1,297)
Interest received	654	361
<b>Net cash (used in) from operating activities</b>	<b>(13,767)</b>	<b>13,893</b>



# Consolidated Statement of Cash Flows

Year ended December 31, 2012



	Group	
	2012	2011
	S\$'000	S\$'000
<b>INVESTING ACTIVITIES</b>		
Additions to property, plant and equipment	(620)	(645)
Proceeds from disposal of property, plant and equipment	87	310
Proceeds from disposal of available-for-sale investments	21,140	4,480
Proceeds from disposal of held-to-maturity investment	6,377	–
Disposal of subsidiaries (Note 35)	(5)	–
Additions to investment properties and investment properties under development	(50,610)	(13,288)
Additions to held-to-maturity investment	–	(5,310)
Additions to loan receivables	(1,694)	(2,323)
Additions to available-for-sale investments	(3,428)	–
<b>Net cash used in investing activities</b>	<b>(28,753)</b>	<b>(16,776)</b>
<b>FINANCING ACTIVITIES</b>		
Dividend paid to non-controlling shareholders	(1,323)	–
Cash from non-controlling interests on establishment of a subsidiary	–	49
Dividends paid	(5,224)	(2,612)
Decrease (Increase) in fixed deposits with maturities exceeding three months	7,884	(3,446)
Increase in pledged bank deposits	(6,189)	(11,748)
Increase (Decrease) in bills payable and trust receipts	3,461	(7,319)
Increase in loans from financial institutions	37,851	7,066
Increase in bank loans	5,208	23,965
<b>Net cash from financing activities</b>	<b>41,668</b>	<b>5,955</b>
Net (decrease) increase in cash and cash equivalents	(852)	3,072
Cash and cash equivalents at beginning of year (Note 11)	29,066	24,027
Net effect of exchange rate changes in the balance of cash held in foreign currencies	(2,546)	1,967
<b>Cash and cash equivalents at end of year (Note 11)</b>	<b>25,668</b>	<b>29,066</b>

See accompanying notes to the financial statements.

## 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 activities of the Company are those of investment holding.

The principal activities of the subsidiaries are disclosed in Note 15.

The statement of financial position and statement of changes in equity of the Company and the consolidated financial statements of the Group for the year ended December 31, 2012 were authorised for issue by the Board of Directors on March 26, 2013.

## 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").

**ADOPTION OF NEW AND REVISED STANDARDS** - On January 1, 2012, 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 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 except as disclosed below:

### **Amendments to FRS 12 *Income Taxes - Deferred Tax: Recovery of Underlying Assets***

The Group adopted the amendments to FRS 12 on January 1, 2012. The amendments introduce an exception to the principle when deferred tax assets or deferred tax liabilities arise from investment property measured using the fair value model in FRS 40 *Investment Property*; and investment property acquired in a business combination if it is subsequently measured using the fair value model in FRS 40.

Previously, the entity measured deferred tax assets and deferred tax liabilities arising from investment properties to reflect the tax consequences that would follow from the manner in which the entity expected to recover the carrying amount of its investment properties (which may differ depending on whether the recovery is from use or from sale or from both). Such manner of recovery was based on estimates of future transactions based on current intention.

The amendments introduce a rebuttable presumption that the carrying amount of the investment property will be recovered entirely through sale. This presumption is rebutted if the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits over time, rather than through sale.

The Group has not rebutted the presumption, and has provided for deferred taxes on the basis that the carrying amounts of its investment properties will be recovered entirely from sale. The effects of retrospective application is disclosed in Note 38.

# Notes to Financial Statements

December 31, 2012



## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

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

### Amendments to FRS 1 *Presentation of Financial Statements - Amendments relating to Presentation of Items of Other Comprehensive Income ("OCI")*

The amendment on Other Comprehensive Income ("OCI") presentation will require the Group to present in separate groupings, OCI items that might be recycled i.e., reclassified to profit or loss (e.g., those arising from cash flow hedging, foreign currency translation) and those items that would not be recycled (e.g. revaluation gains on property, plant and equipment under the revaluation model). The tax effects recognised for the OCI items would also be captured in the respective grouping, although there is a choice to present OCI items before tax or net of tax.

Changes arising from these amendments to FRS 1 will take effect from financial years beginning on or after July 1, 2012, with full retrospective application.

### Amendments to FRS 19 *Employee Benefits*

The amendments to FRS 19 change the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. The amendments require the recognition of changes in defined benefit obligations and in fair value of plan assets when they occur, and hence eliminate the 'corridor approach' permitted under the previous version of FRS 19 and accelerate the recognition of past service costs. The amendments require all actuarial gains and losses to be recognised immediately through other comprehensive income in order for the net pension asset or liability recognised in the consolidated statement of financial position to reflect the full value of the plan deficit or surplus.

The amendments to FRS 19 are effective for annual periods beginning on or after January 1, 2013 and require retrospective application with certain exceptions. The management is currently evaluating the impact of the amendments to FRS 19 on amounts reported in respect of the Groups' defined benefit plans.

### FRS 110 *Consolidated Financial Statements*

FRS 110 replaces the control assessment criteria and consolidation requirements currently in FRS 27 *Separate Financial Statements* and INT FRS 12 *Consolidation -Special Purpose Entities*.

FRS 110 defines the principle of control and establishes control as the basis for determining which entities are consolidated in the consolidated financial statements. It also provides more extensive application guidance on assessing control based on voting rights or other contractual rights. Under FRS 110, control assessment will be based on whether an investor has (i) power over the investee; (ii) exposure, or rights, to variable returns from its involvement with the investee; and (iii) the ability to use its power over the investee to affect the amount of the returns. FRS 27 remains as a standard applicable only to separate financial statements.

FRS 110 will take effect from financial years beginning on or after January 1, 2014, with retrospective application subject to transitional provisions. The management is currently evaluating the impact on application of FRS 110.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### FRS 112 Disclosure of Interests in Other Entities

FRS 112 requires an entity to provide more extensive disclosures regarding the nature of and risks associated with its interest in subsidiaries, associates, joint arrangements and unconsolidated structured entities. FRS 112 will take effect from financial years beginning on or after January 1, 2014, and the Group is currently estimating extent of additional disclosures needed.

### FRS 113 Fair Value Measurement

FRS 113 is a single new Standard that applies to both financial and non-financial items. It replaces the guidance on fair value measurement and related disclosures in other Standards, with the exception of measurement dealt with under FRS 102 *Share-based Payment*, FRS 17 *Leases*, net realisable value in FRS 2 *Inventories* and value-in-use in FRS 36 *Impairment of Assets*.

FRS 113 provides a common fair value definition and hierarchy applicable to the fair value measurement of assets, liabilities, and an entity's own equity instruments within its scope, but does not change the requirements in other Standards regarding which items should be measured or disclosed at fair value.

The disclosure requirements in FRS 113 are more extensive than those required in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under FRS 107 *Financial Instruments: Disclosures* will be extended by FRS 113 to cover all assets and liabilities within its scope.

FRS 113 will be effective prospectively from annual periods beginning on or after January 1, 2013. Comparative information is not required for periods before initial application.

The management anticipates that the application of FRS 113 may affect certain amounts reported in the financial statements and result in more extensive disclosures in the financial statements.

### Amendments to FRS 32 *Financial Instruments: Presentation* and FRS 107 *Financial Instruments: Disclosure – Offsetting Financial Assets and Financial Liabilities*

The amendments to FRS 32 clarify existing application issues relating to the offsetting requirements. Specifically, the amendments clarify the meaning of 'currently has a legal enforceable right of set-off' and 'simultaneous realisation and settlement'.

The amendments to FRS 107 require entities to disclose information about rights of set-off and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement.

The amendments to FRS 107 are required for annual periods beginning on or after January 1, 2013 and interim periods within those annual periods. The disclosures should be provided retrospectively for all comparative periods. However, the amendments to FRS 32 are effective for annual periods beginning on or after January 1, 2014, with retrospective application required.

The management anticipates that the application of amendments to FRS 107 will result in more extensive disclosures on offsetting financial assets and financial liabilities. However, the management is currently evaluating the impact of the amendments to FRS 32 on the financial assets and liabilities that have been set-off on the statement of financial position.



# Notes to Financial Statements

December 31, 2012



## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### Annual Improvements to FRS 2012

The Annual Improvements include a number of amendments to various FRSs. The amendments are effective for annual periods beginning on or after January 1, 2013. The amendments include:

- Amendments to FRS 16 *Property, Plant and Equipment*; and
- Amendment to FRS 32 *Financial Instruments: Presentation*.

Amendments to FRS 16 clarify that spare parts, stand-by equipment and servicing equipment should be classified as property, plant and equipment when they meet the definition of property, plant and equipment in FRS 16 and as inventory if otherwise. The management does not anticipate that the amendments to FRS 16 will have a significant effect on the financial statements.

Amendments to FRS 32 clarify that income tax relating to distributions to holders of an equity instrument and to transaction costs of an equity transaction should be accounted for in accordance with FRS 12 *Income Taxes*. The management anticipates that the amendments will have no effect on the financial statements as the Group has already adopted this treatment.

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

**BASIS OF CONSOLIDATION** - The consolidated financial statements incorporate the financial statements of the Company and entities (including special purpose entities) controlled by the Company (its subsidiaries) and the financial statement of the subsidiaries are made up to December 31 for each year. Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate.

The financial statements of certain subsidiaries have not been prepared on a going-concern basis for the consolidated financial statements as management intends to cease the operations or liquidate these subsidiaries. Accordingly, assets and liabilities of these subsidiaries are carried at net realisable (settlement) values and all their liabilities and known losses have been provided for as at the end of each reporting period and all their assets and liabilities have been classified as current assets and current liabilities.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are identified separately from the Group's equity therein. The interest of non-controlling shareholders may be initially measured (at date of original business combination) either at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement basis is made on an acquisition-by-acquisition basis. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### BASIS OF CONSOLIDATION (Cont'd)

Changes in the Group's interest in a subsidiary that do not result in a loss of control 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. 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, the profit or loss on disposal 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 and any non-controlling interests. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for (ie. reclassified to profit or loss or transferred directly to retained earnings) in the same manner as would be required if the relevant assets or liabilities were disposed of. The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under FRS 39 *Financial Instruments: Recognition and Measurement* or, when applicable, the cost on initial recognition of an investment in an associate or jointly controlled entity.

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

**SPECIAL PURPOSE ENTITY** - Controlled entities are those entities, including special purpose entities (SPEs), over which the Group has the power to govern the financial and operating policies so as to obtain benefits from their activities. Control rather than ownership interest is the sole criterion for determining a parent entity relationship. SPEs require consolidation in circumstances such as those where the Group has access to the majority of the residual income or is exposed to the majority of the residual risk associated with the SPE. SPEs are consolidated in the consolidated financial statements under INT FRS 12 *Consolidation - Special Purpose Entities*.

**BUSINESS COMBINATIONS** - Acquisitions of subsidiaries 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.

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 in accordance with FRS 39 *Financial Instruments: Recognition and Measurement*, or FRS 37 *Provisions, Contingent Liabilities and Contingent Assets*, as appropriate, with the corresponding gain or loss 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.

# Notes to Financial Statements

December 31, 2012



## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### BUSINESS COMBINATIONS (Cont'd)

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 the replacement by the Group of an acquiree's share-based payment awards are measured in accordance with FRS 102 *Share-based Payment*; 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.

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.

The accounting policy for initial measurement of non-controlling interests is described above.

**FINANCIAL INSTRUMENTS** - Financial assets and financial liabilities are recognised on the Group's statements of financial position when the Group become a party to the contractual provisions of the instrument.

#### 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 through the expected life of the financial instrument, or where appropriate, a shorter period. Income and expense is recognised on an effective interest basis for debt instruments.

#### **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: "held-to-maturity investments", "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.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### Financial assets (Cont'd)

#### Held-to-maturity investments

Financial assets with fixed or determinable payments and fixed maturity dates where the Group has a positive intent and ability to hold to maturity are classified as held-to-maturity investments. Held-to-maturity investments are recorded at amortised cost using the effective interest method less impairment, with revenue recognised on an effective yield basis.

#### Available-for-sale financial assets

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 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 end of the reporting period. The change in fair value attributable to translation differences that result from a change in amortised cost of the 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 recognition of interest would be immaterial.

#### Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where 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 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. 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 and other receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.



# Notes to Financial Statements

December 31, 2012



## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### Financial assets (Cont'd)

#### Impairment of financial assets (Cont'd)

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. With the exception of available-for-sale equity instruments, 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 loss was recognised, the previously recognised impairment loss is reversed through the profit or loss to the extent the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

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. In respect of available-for-sale debt instruments, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the instrument can be objectively related to an event occurring after the recognition of the impairment loss.

#### 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 Company and 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 and Company 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 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.

Interest-bearing bank loans and overdrafts are initially recognised at fair value, and are subsequently measured at amortised cost, using the effective interest method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the Group's accounting policy for borrowing costs (see below).

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### Financial liabilities and equity instruments (Cont'd)

#### 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 to hedge its currency exposure arising from firm commitments to suppliers for the purchase of goods.

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.

#### Embedded derivatives

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at fair value with changes in fair value recognised in profit or loss.

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

**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.

# Notes to Financial Statements

December 31, 2012



## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### LEASES (Cont'd)

#### The Group as lessee

Rental 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.

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.

**INVENTORIES** - Inventories are measured at the lower of cost (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 impairment losses.

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

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

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, Hong Kong (which is an independent firm of valuers).

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

The gain or loss arising on the 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 AND INVESTMENT PROPERTIES UNDER DEVELOPMENT** - Investment properties and investment properties under development, 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 valuation on an open market value for existing use basis. 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.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

**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.

**PROVISIONS** - Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event where, 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 shares 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.

# Notes to Financial Statements

December 31, 2012



## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### SHARE-BASED PAYMENTS (Cont'd)

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.

#### 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.



## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### BORROWING COSTS (Cont'd)

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 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 statement of comprehensive income 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 subsidiaries 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, and is accounted for using the balance sheet liability method. 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 for taxable temporary differences arising on investments in subsidiaries, 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 is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset 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.

# Notes to Financial Statements

December 31, 2012



## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### INCOME TAX (Cont'd)

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 directly in other comprehensive income. For such non-monetary items, any exchange component of that gain or loss is also recognised in other comprehensive income.

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.

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.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### FOREIGN CURRENCY TRANSACTIONS AND TRANSLATION (Cont'd)

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

**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 net of bank overdrafts, and other short-term highly liquid investments 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*

Management is of the opinion that there are no critical judgements involved that have a significant effect on the amounts recognised in the financial statements apart from those involving estimates which are dealt with below.

### *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 financial statements within the next year, are discussed below.

#### Allowances for inventories

Management reviews the inventory listing on a periodic basis. This review involves comparison of the carrying value of the inventory items with the respective net realisable value. The purpose is to ascertain whether an allowance is required to be made in the financial statements for any obsolete and slow-moving items. Management is satisfied that adequate allowance for obsolete and slow-moving inventories has been made in the financial statements. The carrying amount of the Group's inventories is disclosed in Note 7.

# Notes to Financial Statements

December 31, 2012



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

### Allowances for 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 trade and other 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 trade and other 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 9 and 10 respectively.

### Impairment of investments in subsidiaries

Determining whether investments in subsidiaries are impaired requires an estimation of the recoverable amount of the investment in subsidiaries 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 subsidiaries. The fair value less cost to sell is determined by reference to the estimated realisable values of the net tangible assets of the subsidiaries. The carrying amounts of the Company's investments in subsidiaries are disclosed in Note 15.

### Valuation of investment properties and investment properties under development

The Group's investment properties and investment properties under development, with carrying amounts of S\$63,124,000 (Note 13) and S\$18,680,000 (Note 14) respectively as at December 31, 2012, are stated at their estimated fair values which are determined annually by management and/or independent professional values on an open market value basis. These estimated fair values may differ from the prices 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. As a result, actual results of operations and realisation of these properties could differ from the estimates set forth in these financial statements. If the actual fair values of investment properties and investment properties under development differ by 10% from the estimates used for these financial statements, the carrying value of these properties and their related fair value changes in the profit or loss would be increased or decreased by S\$8,180,000.

# Notes to Financial Statements

December 31, 2012

## 4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT

### (a) *Categories of financial instruments*

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

	Group		Company	
	2012	2011	2012	2011
	S\$'000	S\$'000	S\$'000	S\$'000
<b>Financial assets</b>				
Held-to-maturity investment	–	6,206	–	–
Loans and receivables (including cash and bank balances)	90,529	90,198	466	2,755
Available-for-sale investments	3,436	14,772	–	–
<b>Financial liabilities</b>				
Amortised cost	106,361	71,925	547	402

### (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.

#### (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 prepayments. Cash and cash equivalents are placed with credit-worthy financial institutions. 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 and other receivables which are provided to key management are disclosed in Notes 9 and 10 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 a certain concentration of credit risk as approximately 57% (2011 : 46%) of the total trade and other receivables were due from the Group's ten largest customers. As at December 31, 2012, the Group holds security cheques and deposits from customers representing approximately 38% (2011 : 32%) of the above concentration risk.



# Notes to Financial Statements

December 31, 2012



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

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

#### (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 financial institutions. The interest bearing borrowings of the Group are disclosed in Notes 19, 20 and 23. 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 bearing assets and liabilities are short to medium-term in nature, and any variation in the interest rates is not expected to have a material impact on the results of the Group.

#### *Interest rate sensitivity*

The sensitivity analyses below have been determined based on the exposure to interest rates for bank deposits and 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 for the year ended December 31, 2012 of the Group would decrease/increase by S\$363,000 (2011 : profit decrease/increase by S\$47,000).

The Company's profit and loss and equity are not affected by the changes in interest rates as there is no interest-bearing instruments.

#### (iii) **Foreign exchange risk management**

The Group's foreign exchange exposures arise mainly from the inter-se exchange rate movements of the United States dollar, the Chinese renminbi, the Hong Kong dollar, the Indian rupee, the Japanese yen and the Australian dollar vis-a-vis the Singapore dollar which is also the Group's reporting currency. The Group is also exposed to fluctuations in the Australian dollar by virtue of its investments denominated in this currency.

The Group is also exposed to foreign exchange risk on sales and purchases that are denominated in currencies other than Hong Kong dollars, the functional currency of the significant subsidiaries based in Hong Kong. The currencies giving rise to this risk are primarily Japanese yen and the United States dollar. 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 minimise the foreign exchange exposure.

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

# Notes to Financial Statements

December 31, 2012

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

### (b) Financial risk management policies and objectives (Cont'd)

#### (iii) Foreign exchange risk management (Cont'd)

At the end of the reporting period, the carrying amounts of monetary assets, monetary liabilities and available-for-sale investments denominated in currencies other than the respective Group entities' functional currencies are as follows:

	Group				Company			
	Assets		Liabilities		Assets		Liabilities	
	2012	2011	2012	2011	2012	2011	2012	2011
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
United States dollars	17,556	27,736	19,574	16,199	11	27	–	–
Australian dollars	4	8	3	15	–	4	3	15
Hong Kong dollars	17	2,279	21,403	72,710	11	2,251	2,651	24,640
Singapore dollars	393	39	2,736	1,717	–	–	–	–
Chinese renminbi	82	5,874	4	150	–	–	–	–
Japanese yen	–	134	20	–	–	–	–	–

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

The Company has a number of investments in foreign subsidiaries, whose net assets are exposed to currency translation risk.

#### 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, 2012



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

### (b) Financial risk management policies and objectives (Cont'd)

#### (iii) Foreign exchange risk management (Cont'd)

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

	United States		Chinese		Hong Kong		Australian		Singapore	
	dollar impact	2011	renminbi impact	2011	dollar impact	2011	dollar impact	2011	dollar impact	2011
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
<u>Group</u>										
Profit for the year	137	(1,079)	(8)	(553)	2,167	6,876	-	1	239	162
Other equity	65	(74)	-	(19)	(28)	167	-	-	(5)	6
<u>Company</u>										
Profit for the year	(1)	(3)	-	-	264	2,239	-	1	-	-
Other equity	-	-	-	-	-	-	-	-	-	-

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		Chinese		Hong Kong		Australian		Singapore	
	dollar impact	2011	renminbi impact	2011	dollar impact	2011	dollar impact	2011	dollar impact	2011
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
<u>Group</u>										
Profit for the year	(137)	1,079	8	553	(2,167)	(6,876)	-	(1)	(239)	(162)
Other equity	(65)	74	-	19	28	(167)	-	-	5	(6)
<u>Company</u>										
Profit for the year	1	3	-	-	(264)	(2,239)	-	(1)	-	-
Other equity	-	-	-	-	-	-	-	-	-	-

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

### (b) Financial risk management policies and objectives (Cont'd)

#### (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 cashflow 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 overdrafts and loans from financial institutions for working capital purposes.

#### *Non-derivative financial liabilities*

	Weighted average effective interest rate	On demand or within 1 year	Within 2 to 5 years	Adjustment	Total
	%	S\$'000	S\$'000	S\$'000	S\$'000
<u>Group</u>					
<u>2012</u>					
Non-interest bearing	–	15,248	–	–	15,248
Variable interest rate instruments	5.62	48,138	43,271	(4,555)	86,854
Fixed interest rate instruments	18.37	–	5,042	(783)	4,259
		63,386	48,313	(5,338)	106,361
<u>2011</u>					
Non-interest bearing	–	26,711	–	–	26,711
Variable interest rate instruments	4.29	39,571	3,737	(1,805)	41,503
Fixed interest rate instruments	18.37	–	5,653	(1,942)	3,711
		66,282	9,390	(3,747)	71,925

As disclosed in Note 20, the Group has a 10-year mortgage loan which has been classified as a current liability in view of a clause in the loan agreement whereby the lender has the right to demand repayment at its discretion. However, management expects to repay the monthly instalments and a final payment in 2020 as per the agreed schedule and thus avoid the need for the lender to demand early repayment.

# Notes to Financial Statements

December 31, 2012



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

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

#### (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 fair values of financial assets and financial liabilities are determined as follows:

- (i) the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices; and
- (ii) the fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The Group classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

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



# Notes to Financial Statements

December 31, 2012

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

### (b) Financial risk management policies and objectives (Cont'd)

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

Financial instruments measured at fair value:

	Total	Level 1	Level 2	Level 3
	S\$'000	S\$'000	S\$'000	S\$'000
<u>Group</u>				
2012				
Available-for-sale investments:				
Unquoted finance fund	3,428	–	–	3,428
Club debenture	8	–	–	8
	<u>3,436</u>	<u>–</u>	<u>–</u>	<u>3,436</u>
2011				
Available-for-sale investments:				
Quoted equities	14,736	14,736	–	–
Club debenture	36	–	–	36
	<u>14,772</u>	<u>14,736</u>	<u>–</u>	<u>36</u>

Financial assets measured at fair value based on level 3

	Available-for-sale investments
	S\$'000
<u>Group</u>	
As at January 1, 2011	3,662
Translation adjustment	3
Allowance for impairment in value	(17)
Redemption	(3,612)
As at December 31, 2011	<u>36</u>
Translation adjustment	(4)
Allowance for impairment in value	(24)
Additions	3,428
As at December 31, 2012	<u>3,436</u>

#### (vi) Derivative financial instrument risk

It is the Group's policy not to trade in derivative contracts. From time to time and in the normal course of business, the Group may enter into forward exchange contracts to hedge its currency exposure arising from firm commitments to suppliers for the purchase of goods.

As at December 31, 2012 and 2011, the Group did not have any outstanding commitments.

# Notes to Financial Statements

December 31, 2012



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

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

#### (vii) **Price risk management**

Following the sale of its equity investments during the year, the Group is not exposed to equity price movement risks as at December 31, 2012. However, it was exposed to such risks from its available-for-sale equity investments as at December 31, 2011. Further details of these fund investments are disclosed in Note 17.

#### *Price sensitivity*

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

In respect of available-for-sale fund investments, if the price had been 10% higher while all other variables were held constant, the Group's fair value adjustment reserve would increase by S\$343,000 (2011 : S\$1,474,000). If the quoted price had been 10% lower while all other variables are held constant, the Group's profit for the year would not be affected and the Group's fair value adjustment reserve would decrease by S\$343,000 (2011 : S\$1,474,000).

### (c) *Capital risk 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 19, 20 and 23 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, 2012, the Group's gearing ratio is 0.81 (2011: 0.38).

A direct subsidiary of the Company is required to maintain a minimum net worth level in order to comply with a covenant for a trade finance facility from a bank. The subsidiary 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. The subsidiary is in compliance with externally imposed capital requirements for the financial years ended December 31, 2012 and 2011.

The review of the Group's capital risk management policies and objectives is conducted by the Audit Committee and the Board. The Group's overall strategy remains unchanged from 2011.



# Notes to Financial Statements

December 31, 2012

## 5 RELATED COMPANY TRANSACTIONS

Some of the Company's transactions and arrangements are with the subsidiaries 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 subsidiaries are unsecured, interest-free and repayable on demand.

Transactions between the Company and its subsidiaries, which are related companies of the Company, 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 due to related parties are unsecured, interest-free and repayable on demand.

Significant transactions with related parties were as follows:

	Group	
	2012	2011
	S\$'000	S\$'000
Sales, net of returns	3,293	1,318
Purchases, net of returns	(58,403)	(31,680)
Service fees paid	(61)	(16)
Commission paid	(210)	(166)
Commission income	314	259
Lease payments under operating lease	(78)	(84)

### *Compensation of directors and key management personnel*

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

	Group	
	2012	2011
	S\$'000	S\$'000
Short-term benefits	5,145	5,829

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

# Notes to Financial Statements

December 31, 2012



## 7 INVENTORIES

	Group	
	2012	2011
	S\$'000	S\$'000
Properties held for sale	495	712
Finished goods and goods for resale	45,943	52,385
Raw materials	31	61
Work-in-progress	7	62
	46,476	53,220

The cost of inventories recognised as an expense includes a charge of S\$1,445,000 (2011 : S\$806,000) in respect of allowance for inventories to net realisable value.

Further information in relation to the properties held for sale is as follows:

Description & Location	% Owned	Gross floor area (square metres)	Stage of completion as at December 31, 2012 and 2011
Commercial units in 2-storey low-rise buildings along Jiao Tong Road South, Wujiang, Jiangsu Province, People's Republic of China	55	1,394	100%

## 8 HELD-TO-MATURITY INVESTMENT

	Group	
	2012	2011
	S\$'000	S\$'000
Unquoted finance units, at amortised cost	—	6,206

The held-to-maturity units, denominated in Australian dollars, were secured by fixed and floating charges over the assets and shares in the assets of and shares in the issuer as well as a call option over the shares in the issuer. The Group's investment was subordinated to the other investors. An indirect subsidiary of the Group also acted as the security trustee for all the investors and in this capacity held second ranking (behind the senior secured lender) fixed and floating charges over the project assets, including the interest in the property then being developed, a mortgage over the shares in the developer entity as well as guarantees from the developer's directors and shareholders.

The unquoted finance units had nominal value amounting to S\$5,310,000, with effective interest rate of 25% (2011 : 25%) per annum and matured on July 1, 2012.

# Notes to Financial Statements

December 31, 2012

## 9 TRADE RECEIVABLES

	Group	
	2012	2011
	S\$'000	S\$'000
Trade receivables from external parties	33,389	33,393
Trade receivables from related party (Note 6)	327	173
Allowances for doubtful trade receivables	(2,985)	(3,703)
	30,731	29,863

Movements in allowances for doubtful trade receivables were as follows:

	Group	
	2012	2011
	S\$'000	S\$'000
Balance at beginning of year	3,703	3,585
Translation adjustment	(158)	182
Increase in allowance recognised in profit or loss	252	2,047
Amounts written-off	(812)	(2,111)
Balance at end of year	2,985	3,703

The average credit period on sale of goods is 36 days (2011 : 30 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\$2,985,000 (2011 : S\$3,703,000). 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\$7,669,000 (2011 : S\$3,755,000) 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. The Group does not hold any collateral over these balances except for security cheques and deposits from certain customers.

	Group	
	2012	2011
	S\$'000	S\$'000
(i) Aging of receivables that are past due but not impaired		
< 3 months	6,742	3,041
3 months to 6 months	701	262
> 6 months	226	452
Total	7,669	3,755



# Notes to Financial Statements

December 31, 2012



## 9 TRADE RECEIVABLES (Cont'd)

The Group's trade receivables that are not denominated in the functional currencies of the respective entities are as follows:

	Group	
	2012	2011
	S\$'000	S\$'000
Chinese renminbi	34	—
United States dollars	6,471	6,686

## 10 OTHER RECEIVABLES AND PREPAYMENTS

	Group		Company	
	2012	2011	2012	2011
	S\$'000	S\$'000	S\$'000	S\$'000
Deposits	376	1,348	14	14
Advances to suppliers	927	1,347	—	—
VAT/Tax recoverable	3,237	1,778	3	2
Prepayments	415	325	32	33
Interest receivable	24	61	—	—
Dividends receivable	—	—	—	2,251
Others	1,233	1,975	134	5
Allowances for doubtful other receivables	(63)	(501)	—	—
	6,149	6,333	183	2,305

Movements in allowances for doubtful other receivables were as follows:

	Group	
	2012	2011
	S\$'000	S\$'000
Balance at beginning of year	501	551
Translation adjustment	17	(36)
Increase in allowance recognised in profit or loss	6	469
Amounts written-off	(461)	(483)
Balance at end of year	63	501

As at December 31, 2011, included in advances to suppliers was an amount of S\$183,000 paid to a related party for the supply of goods. The amounts advanced to suppliers are unsecured, interest-free and repayable on demand.

# Notes to Financial Statements

December 31, 2012

## 10 OTHER RECEIVABLES AND PREPAYMENTS (Cont'd)

The Company's and Group's other receivables that are not denominated in the functional currencies of the respective entities are as follows:

	Group		Company	
	2012	2011	2012	2011
	S\$'000	S\$'000	S\$'000	S\$'000
Singapore dollars	254	29	–	–
United States dollars	709	1,047	–	–
Chinese renminbi	1	1	–	–
Hong Kong dollars	–	–	–	2,251

## 11 CASH AND BANK BALANCES

	Group		Company	
	2012	2011	2012	2011
	S\$'000	S\$'000	S\$'000	S\$'000
Fixed deposits	13,117	13,745	–	–
Cash and bank balances	17,448	24,594	315	483
Current	30,565	38,339	315	483
Pledged fixed deposits	18,766	14,902	–	–
Non-current	18,766	14,902	–	–
Total	49,331	53,241	315	483
Less:				
Fixed deposits with maturities exceeding three months	(351)	(8,523)	–	–
Fixed deposits that have been placed with banks against bills payables and trust receipts	(2,897)	(750)	–	–
Fixed deposits that have been pledged to banks as security for bank loans	(18,766)	(14,902)	–	–
Bank overdrafts (Note 20)	(1,649)	–	–	–
Cash and cash equivalents	25,668	29,066	315	483

Fixed deposits bear interest at an average effective interest rate of 4.06% (2011 : 3.64%) per annum and for a weighted average tenure of approximately 685 days ( 2011 : 653 days).

# Notes to Financial Statements

December 31, 2012



## 11 CASH AND BANK BALANCES (Cont'd)

The Company's and Group's cash and bank balances that are not denominated in the functional currencies of the respective entities are as follows:

	Group		Company	
	2012	2011	2012	2011
	S\$'000	S\$'000	S\$'000	S\$'000
Singapore dollars	139	10	–	–
United States dollars	4,439	4,754	11	27
Chinese renminbi	7	5	–	–
Hong Kong dollars	17	28	11	–
Japanese yen	–	1	–	–
Malaysian ringgit	3	9	–	–
Australian dollars	4	8	–	4

## 12 PROPERTY, PLANT AND EQUIPMENT

	Leasehold	Plant and	Leasehold	Motor	Total
	land and		improvements,		
	buildings	equipment	furniture		
	S\$'000	S\$'000	and fixtures	S\$'000	S\$'000
			S\$'000		
<b>Group</b>					
Cost:					
At January 1, 2011	4,797	4,975	870	782	11,424
Translation adjustments	142	176	21	29	368
Transfer to investment properties	(2,334)	–	–	–	(2,334)
Transfer from investment properties	3,518	–	–	–	3,518
Additions	–	256	299	90	645
Disposals	–	(2,495)	(77)	(8)	(2,580)
At December 31, 2011	6,123	2,912	1,113	893	11,041
Translation adjustments	(515)	(112)	(76)	(70)	(773)
Additions	–	184	37	399	620
Disposals	–	(317)	(53)	(172)	(542)
At December 31, 2012	5,608	2,667	1,021	1,050	10,346

# Notes to Financial Statements

December 31, 2012

## 12 PROPERTY, PLANT AND EQUIPMENT (Cont'd)

	Leasehold land and buildings	Plant and equipment	Leasehold improvements, furniture and fixtures	Motor vehicles	Total
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
<b>Group</b>					
Accumulated depreciation:					
At January 1, 2011	1,260	2,982	624	420	5,286
Translation adjustments	23	131	21	21	196
Transfer to investment properties	(977)	–	–	–	(977)
Depreciation	88	215	92	71	466
Disposals	–	(1,251)	(76)	(5)	(1,332)
At December 31, 2011	394	2,077	661	507	3,639
Translation adjustments	(36)	(87)	(55)	(56)	(234)
Depreciation	116	119	128	112	475
Disposals	–	(193)	(52)	(85)	(330)
At December 31, 2012	474	1,916	682	478	3,550
Impairment:					
At January 1, 2011	340	1,666	–	–	2,006
Translation adjustments	4	37	–	(4)	37
Impairment loss recognised	–	117	–	36	153
Disposals	–	(1,247)	–	–	(1,247)
At December 31, 2011	344	573	–	32	949
Translation adjustments	(19)	(16)	–	1	(34)
Disposals	–	(124)	–	(33)	(157)
At December 31, 2012	325	433	–	–	758
Carrying amount:					
At December 31, 2012	4,809	318	339	572	6,038
At December 31, 2011	5,385	262	452	354	6,453

# Notes to Financial Statements

December 31, 2012



## 12 PROPERTY, PLANT AND EQUIPMENT (Cont'd)

The Group has pledged leasehold land and buildings having a carrying amount of approximately S\$3,202,000 (2011 : S\$3,485,000) to secure banking facilities granted to the Group.

	Plant and equipment S\$'000	Leasehold improvements, furniture and fixtures S\$'000	Total S\$'000
<b>Company</b>			
Cost:			
At January 1, 2011	1,394	101	1,495
Additions	–	1	1
Disposal	(1,392)	–	(1,392)
At December 31, 2011	2	102	104
Additions	–	3	3
At December 31, 2012	2	105	107
Accumulated depreciation:			
At January 1, 2011	582	73	655
Disposal	(580)	–	(580)
Depreciation	–	10	10
At December 31, 2011	2	83	85
Depreciation	–	10	10
At December 31, 2012	2	93	95
Impairment:			
At January 1, 2011	812	–	812
Disposal	(812)	–	(812)
At December 31, 2011 and December 31, 2012	–	–	–
Carrying amount:			
At December 31, 2012	–	12	12
At December 31, 2011	–	19	19



# Notes to Financial Statements

December 31, 2012

## 13 INVESTMENT PROPERTIES

	Group	
	2012	2011
	S\$'000	S\$'000
Freehold land and buildings:		
Australia	45,406	–
Leasehold land and buildings:		
People's Republic of China	17,718	12,930
<b>Total</b>	<b>63,124</b>	<b>12,930</b>

Movements in investment properties were as follows:

Balance at beginning of year	12,930	12,176
Valuation gains for the year recognised in income statement	5,424	474
Transfer from property, plant and equipment at fair value	–	3,468
Transfer from investment properties under development (Note 14)	45,594	–
Transfer to property, plant and equipment at fair value	–	(3,518)
Translation adjustment	(824)	330
<b>Balance at end of year</b>	<b>63,124</b>	<b>12,930</b>

The investment properties in People's Republic of China (including Hong Kong) which are stated at valuation were valued on December 31, 2012 by Colliers International (HK) Ltd. (which is an independent firm of professional valuers), on an open market desktop basis (2011 : valued on open market basis by Colliers International (HK) Ltd).

The investment properties in Australia which are stated at valuation were valued on December 31, 2012 by management, supplemented by valuation by Taylor Byrne (which is an independent firm of professional valuers) during April to July 2012 period, on an open market basis.

During the year, the Group recorded valuation gains on investment properties amounting to S\$5,424,000 (2011 : S\$474,000) in profit or loss.

The property rental income from the Group's investment properties leased out under operating leases amounted to S\$2,779,000 (2011 : S\$468,000). Direct operating expenses (including repairs and maintenance) arising from the investment properties that generated rental income during the year amounted to S\$104,000 (2011 : S\$104,000).

The Group has pledged investment properties having a carrying amount of approximately S\$16,264,000 (2011 : S\$11,438,000) to secure banking facilities granted to the Group.

# Notes to Financial Statements

December 31, 2012



## 13 INVESTMENT PROPERTIES (Cont'd)

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	33 years till January 23, 2045
Wah Tung Godown Building, Kowloon, Hong Kong, PRC	Warehouse	Leasehold	35 years till June 30, 2047
Villas in City in City Zhongshan City, Guangdong, PRC	Residential	Leasehold	55 years till January 5, 2067
Residential units in the city of Gladstone, Queensland, Australia	Residential	Freehold	N.A.

## 14 INVESTMENT PROPERTIES UNDER DEVELOPMENT

	Group	
	2012	2011
	S\$'000	S\$'000
Investment properties under development	18,680	13,367

Movements in investment properties under development were as follows:

Balance at beginning of year	13,367	–
Additions	51,489	13,367
Transfer to investment properties (Note 13)	(45,594)	–
Translation adjustment	(582)	–
Balance at end of year	18,680	13,367

The following amounts were capitalised as cost of investment properties under development during the year:

Interest expense	879	79
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Investment properties under development are being constructed by a third party.

The investment properties under development in Australia were valued on December 31, 2012 by management, supplemented by valuation by Taylor Byrne (which is an independent firm of professional valuers) during July 2012, on an open market basis. As at December 31, 2012 and 2011, the fair value of the investment properties in Australia approximated the carrying value at cost.

# Notes to Financial Statements

December 31, 2012

## 14 INVESTMENT PROPERTIES UNDER DEVELOPMENT (Cont'd)

Further information in relation to investment properties under development is as follows:

Description and location	% Owned	Gross floor area (ha)	Stage of completion as at December 31, 2012	Expected completion date
Residential units in the city of Gladstone, Queensland, Australia	100	3.17	39%	May 24, 2013

## 15 SUBSIDIARIES

	Company		
	2012	2011	January 1, 2011
	S\$'000	S\$'000	S\$'000
		(Restated)	(Restated)
Unquoted equity shares, at cost	332,740	238,394	238,381
Amount owing by subsidiaries (non-trade)	542	102,871	102,211
Less: impairment loss	(210,171)	(218,215)	(223,848)
	123,111	123,050	116,744
Amount owing by subsidiaries (non-trade)	(22,995)	(24,640)	(20,095)

Movements in impairment loss for investments in subsidiaries and allowance for loans due from subsidiaries were as follows:

	Company		
	2012	2011	January 1, 2011
	S\$'000	S\$'000	S\$'000
Balance at beginning of year	218,215	223,848	220,582
Impairment loss for investment in subsidiaries	1,156	–	–
(Reversal of) impairment loss for loans	–	(5,633)	3,266
Impairment loss written off	(9,200)	–	–
Balance at end of year	210,171	218,215	223,848

# Notes to Financial Statements

December 31, 2012



## 15 SUBSIDIARIES (Cont'd)

The principal subsidiaries of the Company and the Group are as follows:

Name of subsidiary	Country of incorporation and operation	Cost of investment held by the Company		Effective equity interest held by the Group		Principal activities
		2012	2011	2012	2011	
		S\$'000	S\$'000	%	%	
Thakral Corporation (HK) Limited <sup>(3)</sup>	Hong Kong	229,638	229,638	100	100	Trading in consumer electronics products
Thakral Brothers Limited <sup>(2)</sup>	Japan	7,543	7,543	100	100	Trading in consumer electronics products
Digital Info Technology Pte Ltd	Singapore	1,350	*	100	100	Trading in consumer electronics products
Thakral Pan Asia Property Holdings Pte Ltd	Singapore	#	#	100	100	Investment holding
Thakral China Ltd <sup>(4)</sup>	People's Republic of China	*	*	100	100	Investment holding
Thakral Electronics (Shanghai) Ltd <sup>(1)</sup>	People's Republic of China	*	*	100	100	Trading in consumer electronics products
Thakral (Chengdu) Digital Technology Development Co Ltd <sup>(5)</sup>	People's Republic of China	*	*	100	100	Development and sale of electronics products
Wu Jiang Dafa Real Estate Development Co Ltd <sup>(1)</sup>	People's Republic of China	*	*	55	55	Property development and rental management
Hanbest Limited <sup>(3)</sup>	Hong Kong	*	*	100	100	Investment holding
TCAP Australia Pty Ltd <sup>(1)</sup>	Australia	*	*	51	51	Origination, execution, and management of investment opportunities
LNG Trust <sup>(1)</sup>	Australia	*	*	100	100	Property development
LNG Trust No. 2 <sup>(1) **</sup>	Australia	*	-	100	-	Property development

# Notes to Financial Statements

December 31, 2012

## 15 SUBSIDIARIES (Cont'd)

- \* Held by subsidiaries
- \*\* The subsidiaries were incorporated during the year
- # Cost less than S\$1,000

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

- (1) Audited by other member firms of Deloitte Touche Tohmatsu Limited
- (2) Audited by Matsui C.P.A. Office, Japan
- (3) Audited by Moore Stephens, Hong Kong
- (4) Audited by Shanghai Xin Gao Xin Certified Public Accountants Co., Ltd
- (5) Audited by Sichuan Jian Ke Certified Public Accountants Co., Ltd

## 16 LOAN RECEIVABLES

	Group	
	2012	2011
	S\$'000	S\$'000
Loan receivable – non-current, at amortised cost	901	2,433
Loan receivable – current, at amortised cost	4,759	–
	5,660	2,433

The loan receivables, denominated in Australian dollars, are unsecured. The effective interest rate of the loan receivables is 42% (2011 : 15%) per annum.

The current loan receivable is extended to a third party for a development project to fund the construction of apartments in Australia. The effective interest rate comprises of internal rate of return of 15% per annum on the principal amount and variable interest determinable at completion of the project less relevant 10% withholding tax.

The non-current loan receivable is extended to another third party for a development project to fund the construction of apartments in Australia. The effective interest rate comprises of internal rate of return of 25% per annum on the principal amount.

## 17 AVAILABLE-FOR-SALE INVESTMENTS

	Group	
	2012	2011
	S\$'000	S\$'000
At fair value:		
Quoted equity shares	–	14,736
Unquoted finance fund	3,428	–
	3,428	14,736
Club debenture	325	389
Allowance for impairment in value	(317)	(353)
	8	36
Total	3,436	14,772



# Notes to Financial Statements

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## 17 AVAILABLE-FOR-SALE INVESTMENTS (Cont'd)

As at December 31, 2011, investments in quoted equity shares offered the Group the opportunity for return through dividend income and fair value gains. They had no fixed maturity or coupon rate. The fair value of these shares was based on the quoted closing market prices on the last market day of the year.

The fair value of the unquoted finance fund units was based on the Group's share of the net assets of the fund.

## 18 TRADE PAYABLES

	Group	
	2012	2011
	S\$'000	S\$'000
Outside parties	6,570	17,236
Due to related party (Note 6)	1,550	119
	8,120	17,355

The average credit period on purchases of goods is 17 days (2011 : 13 days).

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

The Group's trade payables that are not denominated in the functional currencies of the respective entities are as follows:

	Group	
	2012	2011
	S\$'000	S\$'000
United States dollars	3,625	847

## 19 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 Group's trust receipts and bills payable that are not denominated in the functional currencies of the respective entities are as follows:

	Group	
	2012	2011
	S\$'000	S\$'000
Singapore dollars	1,159	—
United States dollars	7,534	7,482

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 guarantee by the Company.

# Notes to Financial Statements

December 31, 2012

## 19 BILLS PAYABLE AND TRUST RECEIPTS (Cont'd)

The average effective interest rates paid are as follows:

	Group	
	2012	2011
	%	%
Trust receipts and bill payables	3.53	2.83

## 20 BANK OVERDRAFTS AND LOANS

	Group	
	2012	2011
	S\$'000	S\$'000
Bank loans	34,246	30,587
Bank overdrafts (Note 11)	1,649	—
	35,895	30,587

The Group's bank loans include a 10-year mortgage loan of S\$5,723,000 (2011: S\$6,336,000), which is expected to be repaid by monthly instalments and a final payment in 2020 as per the agreement with the bank but has been classified as a current liability in view of a clause in the loan agreement which provides the lender with the right to demand repayment at any time at its discretion.

The bank loans are secured by certain fixed deposits placed with the banks and certain properties in Hong Kong as well as corporate guarantee by the Company.

The bank overdrafts were secured by certain fixed deposits placed with the banks.

The Group's bank overdrafts that were not denominated in the functional currencies of the respective entities were as follows:

	Group	
	2012	2011
	S\$'000	S\$'000
United States dollars	749	—

The average effective interest rates paid are as follows:

	Group	
	2012	2011
	%	%
Bank loans	4.70	3.80
Bank overdrafts	2.90	—

# Notes to Financial Statements

December 31, 2012



## 21 OTHER PAYABLES

	Group		Company	
	2012	2011	2012	2011
	S\$'000	S\$'000	S\$'000	S\$'000
Accruals	7,095	8,054	547	402
Advances from customers	4,242	4,326	–	–
Tax payable	1,122	867	–	–
Sundry creditors	33	1,288	–	–
Others	–	14	–	–
	12,492	14,549	547	402

The Company's and Group's other payables that are not denominated in the functional currencies of the respective entities are as follows:

	Group		Company	
	2012	2011	2012	2011
	S\$'000	S\$'000	S\$'000	S\$'000
Chinese renminbi	4	–	–	–

## 22 PROVISIONS

	Employee benefits	Others	Total
	S\$'000	S\$'000	S\$'000

### Group

As at January 1, 2011	2,049	37	2,086
Additional provisions for the year	339	–	339
Translation adjustment	87	(6)	81
Utilisation	(400)	(30)	(430)
As at December 31, 2011	2,075	1	2,076
Additional provisions for the year	2,295	–	2,295
Translation adjustment	(151)	–	(151)
Utilisation	(150)	(1)	(151)
As at December 31, 2012	4,069	–	4,069

	Employee benefits
	S\$'000

### Company

As at January 1, 2011	–
Additional provision for the year	27
As at December 31, 2011 and December 31, 2012	27

## 23 LOANS FROM FINANCIAL INSTITUTIONS

	Group	
	2012	2011
	S\$'000	S\$'000
Outside parties	44,685	7,145

The loans from the financial institutions are denominated in Australian dollars. Borrowings of S\$40,425,000 (2011 : S\$3,433,000) are arranged at floating rates and the average effective interest rate of these borrowings is 7.57% (2011 : 8.46%) per annum. The remaining borrowings of S\$4,260,000 (2011: S\$3,712,000) are arranged at fixed interest rate of 18.37% (2011 : 18.37%) per annum.

Details of borrowings are as follows:

Borrowings of S\$40,425,000 (2011 : S\$3,433,000) of the Group are secured by mortgages over land and buildings, fixed and floating charges over the land owning companies and charges over the shares in the land owning entities and units in the units trusts of which the companies are trustee. In addition, for phase 1 of the residential units constructed in Australia, a Deed of Guarantee and Indemnity has been granted by the relevant entity that will lease the houses to the lessee.

The liability of the unit holder in the Group in respect of the securities granted over units in the trust which is the owner of the land and buildings is limited only to the units in the asset-holding trust and does not extend to any other assets of the Group, including the Group's portion of the mezzanine funding extended for the development.

For phase 2 of the residential units constructed in Australia, the Group's project investment holding subsidiary has granted a Deed of Guarantee and Indemnity for up to S\$3,555,000 to the lender.

The remaining borrowings of S\$4,260,000 (2011: S\$3,712,000) are secured on the same, but subordinated, basis to the above borrowings.

The liability of the Group in respect of the securities granted is limited only to the units in the asset-holding trust and does not extend to any other assets of the Group, including the Group's portion of the mezzanine funding extended for the development.

# Notes to Financial Statements

December 31, 2012



## 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 revaluation gains on investment properties:

	2012	Group	2010
	S\$'000	2011	S\$'000
		(Restated)	(Restated)
Balance as at beginning of year, previously reported	92	606	304
Effects of adoption of amendments to FRS 12	–	(540)	(540)
Balance as at beginning of year, restated	92	66	(236)
Translation adjustment	(6)	2	(49)
Charge to profit or loss for the year (Note 31)	16	24	351
Balance as at end of year	102	92	66

## 25 ISSUED CAPITAL

	Group and Company			
	2012	2011	2012	2011
	Number of ordinary shares		S\$'000	S\$'000
Issued and fully paid				
At beginning and end of year	2,612,413,668	2,612,413,668	72,531	72,531

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 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 fair value adjustment 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 subsidiaries into Singapore dollars are brought into account by entries made directly to the foreign currency translation reserve.



# Notes to Financial Statements

December 31, 2012

## 27 SHARE-BASED PAYMENTS

### Equity-settled share option scheme

The Company has a share option scheme for all employees of the Group which has expired on March 30, 2011.

Details of the share options outstanding during the year are as follows:

	Group and Company			
	2012		2011	
	Number of share options	Weighted average exercise price S\$	Number of share options	Weighted average exercise price S\$
Outstanding at beginning of the year	21,745,000	0.06	22,923,000	0.06
Lapsed or expired during the year	(2,352,500)	0.07	(1,178,000)	0.05
Outstanding at end of the year	<u>19,392,500</u>	0.06	<u>21,745,000</u>	0.06
Exercisable at end of the year	<u>19,392,500</u>	0.06	<u>21,745,000</u>	0.06

Options are exercisable at prices specified at the time of the grant. The Committee may at its discretion fix the exercise price at a discount not exceeding 20% to the above weighted average exercise price. The vesting period is 1 year. 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 2012 and 2011. The options outstanding at the end of the year have a weighted average remaining contractual life of 1.5 years (2011 : 2.3 years).

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

## 28 REVENUE

	Group	
	2012	2011
	S\$'000	S\$'000
Product sales	301,499	350,723
Sales of properties	305	4,864
Dividend income from quoted equity shares (outside parties)	—	2,688
Dividend / interest income from unquoted investments (outside parties)	2,384	2,345
Management fee and other service income	2,195	2,596
Rental income	2,875	502
	<u>309,258</u>	<u>363,718</u>

# Notes to Financial Statements

December 31, 2012



## 29 OTHER OPERATING INCOME

	Group	
	2012	2011
	S\$'000	S\$'000
Gain on disposal of available-for-sale investments	14,978	–
Gain on disposal of property, plant and equipment	33	309
Foreign currency exchange adjustment gain	1,027	–
Others	1,245	565
	17,283	874

## 30 FINANCE COSTS

	Group	
	2012	2011
	S\$'000	S\$'000
Interest expense to non-related parties	3,743	1,260

## 31 INCOME TAX EXPENSE

	Group	
	2012	2011
	S\$'000	S\$'000
Current taxation:		
Provision for taxation in respect of current year	584	2,225
Overprovision in prior years	(156)	(80)
Deferred tax:		
Amount provided for taxation in respect of deferred tax liabilities in current year, as previously reported (Note 24)	16	24
Income tax expense for the year	444	2,169

# Notes to Financial Statements

December 31, 2012

## 31 INCOME TAX EXPENSE (Cont'd)

The income tax is calculated at 17% (2011 : 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	
	2012	2011
	S\$'000	S\$'000
Profit before tax	17,206	12,087
Income tax charge at statutory rate of 17%	2,925	2,055
Tax effect of:		
Expenses that are not deductible in determining taxable profit	865	1,540
Income that is not taxable in determining taxable profit	(4,086)	(968)
Current year's tax losses not recognised	1,295	745
Different tax rates of the subsidiaries operating in other jurisdictions	179	700
Tax effect on utilisation of deferred tax benefits previously not recognised	(595)	(1,877)
Effect on deferred tax balance due to change in tax rate	17	54
Overprovision of tax in respect of prior years	(156)	(80)
<b>Total income tax expense for the year</b>	<b>444</b>	<b>2,169</b>

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

	Group	
	2012	2011
	S\$'000	S\$'000
Amount at beginning of year	202,950	224,092
Tax losses expired during the year	(16)	(5,834)
Amount in current year	7,607	4,382
Translation adjustment	(663)	(16,159)
Adjustment for prior years after finalisation	(3,204)	7,510
Amount utilised in current year	(3,513)	(11,041)
	<b>203,161</b>	<b>202,950</b>
Deferred tax benefit on above not recorded (based on applicable tax rates in various jurisdictions)	35,796	33,394

# Notes to Financial Statements

December 31, 2012



## 31 INCOME TAX EXPENSE (Cont'd)

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

	Group	
	2012	2011
	S\$'000	S\$'000
Amount at beginning of year	1,787	1,922
Amount in current year	–	192
Amount utilised in current year	(154)	(327)
	1,633	1,787
Deferred tax benefit on above not recorded	278	304

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 subsidiaries 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.

## 32 PROFIT FOR THE YEAR

	Group	
	2012	2011
	S\$'000	S\$'000
Profit for the year is arrived at after charging (crediting):		
Directors' remuneration:		
of the Company	2,674	3,729
of subsidiaries	1,987	1,437
Total directors' remuneration	4,661	5,166
Costs of inventories recognised as expense	285,761	324,157
Audit fees:		
Paid to auditors of the Company		
Current year	264	251
Paid to other auditors		
Current year	316	323
Under-provision in prior year	7	12
Non-audit fees paid to auditors:		
Auditors of the Company	80	69
Other auditors	7	78
Gain on disposal of property, plant and equipment	(33)	(309)
Allowance for inventories	1,445	806
Foreign currency exchange adjustment (gain) loss	(1,027)	604

# Notes to Financial Statements

December 31, 2012

## 32 PROFIT FOR THE YEAR (Cont'd)

	Group	
	2012	2011
	S\$'000	S\$'000
<u>Impairment loss on financial assets:</u>		
Allowance for doubtful trade receivables	252	2,119
Allowance for doubtful other receivables	6	469
Impairment loss on available-for-sale investments	24	17
<u>Total impairment loss on financial assets</u>	<u>282</u>	<u>2,605</u>
Depreciation of property, plant and equipment	475	466
Impairment loss on property, plant and equipment	–	153
<u>Employee benefits expense (including directors' remuneration):</u>		
Defined contribution plans	965	625
Other	15,308	13,505
<u>Total employee benefits expense</u>	<u>16,273</u>	<u>14,130</u>

## 33 DIVIDENDS

On March 30, 2012, a second interim dividend of 0.1 cent per share (total dividend of S\$2,612,000) was paid to shareholders in respect of the financial year ended December 31, 2011. On November 30, 2012, a tax-exempt (one-tier) dividend of 0.1 cent per share (total dividend of S\$2,612,000) was paid to shareholders in respect of the financial year ended December 31, 2012.

In respect of the current year, a second interim dividend of 0.1 cent per share will be paid to shareholders on April 15, 2013. This dividend has not been included as a liability in these financial statements. The dividend is payable to all shareholders on the Register of Members on April 1, 2013. The total estimated dividend to be paid is S\$2.6 million.

## 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:

	2012	2011
	Cent	Cent
Basic earnings per share	0.62	0.32
Diluted earnings per share	0.62	0.32

# Notes to Financial Statements

December 31, 2012



## 34 BASIC AND DILUTED EARNINGS PER SHARE (CENTS) (Cont'd)

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

	2012	2011
	S\$'000	S\$'000
Profit for the year attributable to equity holders of the Company	16,184	8,271

## 35 DISPOSAL OF SUBSIDIARIES

During the year, the Group disposed and/or cancelled the business licenses of three subsidiaries incorporated in the People's Republic of China.

Details of the disposal are as follows:

Book values of net assets over which control was lost	2012
	\$'000
<u>Current assets</u>	
Other receivables	9
Bank balances and cash	5
Total current assets	14
<u>Current liabilities</u>	
Other payables	113
Total current liabilities	113
Net liabilities derecognised	(99)
<b>Gain on disposal of subsidiaries:</b>	
Consideration received	–
Net liabilities derecognised	99
Gain on disposal	99

The gain on disposal of subsidiaries is recorded as part of profit for the year in the income statement.

<b>Net cash inflow arising on disposal:</b>	
Cash consideration received	*
Cash and cash equivalents disposed of	(5)
	(5)

\* less than \$1,000



## 36 SEGMENT INFORMATION

The Group, which operates in two geographical segments being the People's Republic of China (including Hong Kong) and others (Japan, Singapore, India and Australia), 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) Distribution ("DIST")

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

(b) Investments ("INV")

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

(c) Others ("OTH")

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

**Segment revenue and expense:** Segment revenue and expense are the operating revenue and expense reported in the Group's income statement 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 and provisions. 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, 2012



## 36 SEGMENT INFORMATION (Cont'd)

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

### Group's reportable segments Year ended December 31, 2012

	DIST	INV	OTH	TOTAL
	S\$'000	S\$'000	S\$'000	S\$'000
<b>Revenue</b>				
External sales from continuing operations	301,499	7,759	–	309,258
<b>Result</b>				
Segment result from continuing operations	(842)	3,890	(2,559)	489
Unallocated corporate expenses				(2,298)
Gain on disposal of available-for-sale investments				14,978
Gain on disposal of subsidiaries				99
Valuation gains on investment properties				5,424
Finance income				1,230
Finance costs				(3,743)
Foreign exchange gain				1,027
Profit before income tax				17,206
Income tax expense				(444)
Profit for the year				16,762
<b>Other information</b>				
Capital expenditure:				
Property, plant and equipment	579	39	2	620
Depreciation expense	353	112	10	475
<b>Assets</b>				
Segment assets	109,055	120,058	512	229,625
Total assets				229,625
<b>Liabilities</b>				
Segment liabilities	57,666	57,558	570	115,794
Income tax payable				676
Deferred tax liability				102
Total liabilities				116,572

# Notes to Financial Statements

December 31, 2012

## 36 SEGMENT INFORMATION (Cont'd)

Group's reportable segments  
Year ended December 31, 2011

	DIST	INV	OTH	TOTAL
	S\$'000	S\$'000	S\$'000	S\$'000
<b>Revenue</b>				
External sales from continuing operations	350,723	10,307	2,688	363,718
<b>Result</b>				
Segment result from continuing operations	8,662	5,969	253	14,884
Unallocated corporate expenses				(2,283)
Valuation gains on investment properties				474
Finance income				876
Finance costs				(1,260)
Foreign exchange loss				(604)
Profit before income tax				12,087
Income tax expense				(2,169)
Profit for the year				9,918
<b>Other information</b>				
Capital expenditure:				
Property, plant and equipment	629	15	1	645
Depreciation expense	380	76	10	466
<b>Assets</b>				
Segment assets	115,151	68,371	15,296	198,818
Total assets				198,818
<b>Liabilities</b>				
Segment liabilities	51,622	27,160	412	79,194
Income tax payable				1,506
Deferred tax liability				92
Total liabilities				80,792

# Notes to Financial Statements

December 31, 2012



## 36 SEGMENT INFORMATION (Cont'd)

### Geographical information

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

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*	
	2012	2011	2012	2011	2012	2011
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
People's Republic of China (including Hong Kong)	297,457	355,312	401	546	22,221	17,755
Others	11,801	8,406	219	99	65,621	14,995
	309,258	363,718	620	645	87,842	32,750

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

### Information about major customers

Included in revenues of S\$301,499,000 (2011 : S\$350,723,000) arising from the Distribution segment are revenues of approximately S\$35,502,000 (2011 : S\$31,293,000) which arose from sales to the Group's largest customer.

## 37 CONTINGENT LIABILITIES

	Group		Company	
	2012	2011	2012	2011
	S\$'000	S\$'000	S\$'000	S\$'000
Guarantees given to banks in respect of bank facilities utilised by subsidiaries in the Group	–	–	16,256	13,818

# Notes to Financial Statements

December 31, 2012

## 38 OPERATING LEASE ARRANGEMENTS

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

	Group		Company	
	2012	2011	2012	2011
	S\$'000	S\$'000	S\$'000	S\$'000
Within 1 year	1,466	1,172	84	35
In the second to fifth years inclusive	1,596	1,119	35	–
	3,062	2,291	119	35

Operating lease expense during the year amounted to S\$1,984,000 (2011 : S\$1,796,000) which included amounts offset against the corresponding rental income for certain premises.

The Group rents out certain investment properties in the People's Republic of China under operating leases. At the end of the reporting period, the Group has contracted with tenants for the following future minimum lease payments:

	Group	
	2012	2011
	S\$'000	S\$'000
Within 1 year	4,113	677
In the second to fifth years inclusive	12,639	1,188
	16,752	1,865

Property rental income earned during the year was S\$2,875,000 (2011 : S\$502,000).

## 39 RECLASSIFICATIONS AND COMPARATIVE FIGURES

- (a) Certain reclassification has been made to the prior year's financial statement to enhance comparability with the current year's financial statement. As a result, certain line items have been amended on the statement of financial position and related notes to the financial statements.

The items were reclassified as follows:

	As previously reported	After reclassification
	S\$'000	S\$'000
<u>2011 Statement of Financial Position</u>		
Subsidiaries	98,410	123,050
Amount owing to subsidiaries	–	24,640
<u>2010 Statement of Financial Position</u>		
Subsidiaries	96,649	116,744
Amount owing to subsidiaries	–	20,095

# Notes to Financial Statements

December 31, 2012



## 39 RECLASSIFICATION AND COMPARATIVE FIGURES (Cont'd)

- (b) Certain adjustments have been made to the prior year's financial statements to enhance comparability with the current year's financial statements due to the amendments to FRS 12 *Income Taxes – Deferred Taxes: Recovery of Underlying Assets*. As a result, certain line items have been amended in the statement of financial position, statement of changes in equity and the related notes to the financial statements. Comparative figures have been adjusted to conform to the current year's presentation.

The items were adjusted as follows:

	As previously reported	Amendments to FRS 12	As restated
	S\$'000	S\$'000	S\$'000
<u>2010 Consolidated Statement of Financial Position</u>			
Deferred tax liability	606	(540)	66
Reserves	27,453	540	27,993
Equity attributable to equity holders of the Company	99,984	540	100,524
<b>Total equity</b>	<b>103,582</b>	<b>540</b>	<b>104,122</b>
<u>2011 Consolidated Statement of Financial Position</u>			
Deferred tax liability	638	(546)	92
Reserves	39,395	546	39,941
Equity attributable to equity holders of the Company	111,926	546	112,472
<b>Total equity</b>	<b>117,480</b>	<b>546</b>	<b>118,026</b>
<u>2011 Consolidated Statement of Comprehensive Income</u>			
Translation gain arising on consolidation	4,227	6	4,233
Other comprehensive income	6,543	6	6,549
Total comprehensive income attributable to equity holders of the Company	14,554	6	14,560
<b>Total comprehensive income</b>	<b>16,461</b>	<b>6</b>	<b>16,467</b>



# Shareholder's Information

As at March 20, 2013

Issued and fully paid-up capital	:	S\$72,474,024.21
Number of issued shares	:	2,614,743,668
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- 999	544	6.63	111,000	0.00
1,000 - 10,000	4,188	51.02	16,331,757	0.62
10,001 - 1,000,000	3,362	40.96	457,468,424	17.50
1,000,001 and above	114	1.39	2,140,832,487	81.88
<b>Total</b>	<b>8,208</b>	<b>100.00</b>	<b>2,614,743,668</b>	<b>100.00</b>

Name of Shareholder	Direct Interest (No. of Shares)	%	Deemed Interest (No. of Shares)	%
Kartar Singh Thakral	–	–	781,473,230 <sup>(1)</sup>	29.89
Inderbethal Singh Thakral	–	–	781,473,230 <sup>(1)</sup>	29.89
Manbeen Kaur Thakral	–	–	781,463,368 <sup>(2)</sup>	29.89
Thakral Investments Limited	194,412,792	7.44	587,050,576 <sup>(3)</sup>	22.45
Preview Investments Limited	137,525,000	5.26	449,525,576 <sup>(4)</sup>	17.19
Bikramjit Singh Thakral	178,000	0.01	384,525,576 <sup>(5)</sup>	14.71
Prime Trade Enterprises Limited	384,525,576	14.71	–	–
Venture Delta Limited	202,453,352	7.74	–	–
Constellation Star Holdings Limited	–	–	202,453,352 <sup>(6)</sup>	7.74
China Yuchai International Limited	–	–	202,453,352 <sup>(6)</sup>	7.74
HL Technology Systems Pte Ltd	–	–	202,453,352 <sup>(6)</sup>	7.74
Hong Leong (China) Limited	–	–	202,453,352 <sup>(6)</sup>	7.74
Hong Leong Asia Ltd.	–	–	202,453,352 <sup>(6)</sup>	7.74
Hong Leong Corporation Holdings Pte Ltd	–	–	202,453,352 <sup>(6)</sup>	7.74
Hong Leong Enterprises Pte. Ltd.	–	–	202,453,352 <sup>(6)</sup>	7.74
Hong Leong Investment Holdings Pte. Ltd.	–	–	202,453,352 <sup>(6)</sup>	7.74
Davos Investment Holdings Private Limited	–	–	202,453,352 <sup>(6)</sup>	7.74
Kwek Holdings Pte Ltd	–	–	202,453,352 <sup>(6)</sup>	7.74

### Notes:

- (1) Held through Thakral Investments Limited, TPL Investments Pte Ltd<sup>(7)</sup>, Preview Investments Limited, Prime Trade Enterprises Limited and Market Watch Ltd<sup>(8)</sup>.
- (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 9,862 shares in the Company which amounts to an interest of 0.0004% in the Company.
- (8) Market Watch Ltd holds 65 million shares in the Company which amounts to an interest of 2.49% in the Company.

# Shareholder's Information

As at March 20, 2013



## TWENTY LARGEST SHAREHOLDERS

No.	Name of Shareholders	Number of Shares	%
1.	Citibank Nominees Singapore Pte Ltd	428,245,731	16.38
2.	Prime Trade Enterprises Limited	384,525,576	14.71
3.	United Overseas Bank Nominees (Pte) Ltd	203,844,898	7.80
4.	Venture Delta Limited	202,453,352	7.74
5.	CIMB Securities (Singapore) Pte Ltd	92,443,000	3.54
6.	Morgan Stanley Asia (Singapore) Securities Pte Ltd	84,225,645	3.22
7.	Kanwaljeet Singh Dhillon	80,660,000	3.08
8.	OCBC Securities Private Ltd	70,063,298	2.68
9.	Market Watch Ltd	65,000,000	2.49
10.	Thakral Investments Limited	62,805,656	2.40
11.	Raffles Nominees (Pte) Ltd	55,330,865	2.12
12.	Asia Richer Investment Services Limited	41,895,000	1.60
13.	DBS Nominees Pte Ltd	33,701,397	1.29
14.	Bank of East Asia Nominees Pte Ltd	22,458,000	0.86
15.	Phillip Securities Pte Ltd	21,622,133	0.83
16.	Maybank Kim Eng Securities Pte Ltd	15,324,000	0.59
17.	Atma Singh s/o Lal Singh	13,235,000	0.51
18.	OCBC Nominees Singapore Pte Ltd	11,438,914	0.44
19.	UOB Kay Hian Pte Ltd	11,365,416	0.43
20.	Amarjit Kaur	8,347,000	0.32
<b>Total</b>		<b>1,908,984,881</b>	<b>73.03</b>

## PERCENTAGE OF SHAREHOLDING IN PUBLIC'S HANDS

Based on information available to the Company as at March 20, 2013, approximately 56.09% 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 20, 2013.



# Appendix to Annual Report 2012

10 APRIL 2013

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 2012 (“**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 25 April 2013 at 11:30 am 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 2012**

in relation to

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



## DEFINITIONS

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

“AGM”	The Annual General Meeting of the Company to be held on 25 April 2013.
“Appendix”	This appendix to the Company’s Annual Report 2012 dated 10 April 2013.
“associate”	: In the case of a company, <ul style="list-style-type: none"><li>(a) in relation to any director, chief executive officer, substantial shareholder or controlling shareholder (being an individual) means:-<ul style="list-style-type: none"><li>(i) his immediate family;</li><li>(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</li><li>(iii) any company in which he and his immediate family together (directly or indirectly) have an interest of 30% or more; and</li></ul></li><li>(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.</li></ul>
“Audit Committee”	: The audit committee of the Company comprising Natarajan Subramaniam, Lee Ying Cheun and Pratap Chinnan Nambiar.
“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.
“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.

# Appendix to Annual Report 2012



- “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 an associate of a Thakral Family Director.
- “Thakral Family Directors” : Mr. Kartar Singh Thakral, Mr. Jasvinder Singh Thakral and/or Mr. Inderbethal 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 in Section 130A of the Companies Act 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.



## 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 2012, the NTA of the Group was S\$108,496,000. 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\$5,424,800.
- 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;



- (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 renewed at the Company’s annual general meeting held on 26 April 2012 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 25 April 2013 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.

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.

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. Jasvinder Singh Thakral and Mr. Inderbethyl 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 FY2012 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
- (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\$250,000.00;
  - (ii) a Category 2 transaction is one in which the transaction value exceeds S\$250,000.00, but is less than or is equal to S\$500,000.00; and
  - (iii) a Category 3 transaction is one where the transaction value exceeds S\$500,000.00.

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 interests 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 interests by any Thakral Family Director, the Audit Committee will evaluate whether it considers a conflict of interests 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 purposes 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.
- 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' Report 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 FY2012 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.

## 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, Jaginder Singh Pasricha, Lee Ying Cheun, Pratap Chinnan Nambiar and Ting Sii Tien @ Yao Sik Tien (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.

# Appendix to Annual Report 2012



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 Memorandum and Articles of Association of the Company; and
- (ii) the Annual Report of the Company for FY2012.



# Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Twentieth Annual General Meeting of Thakral Corporation Ltd (the "Company") will be held on Thursday, 25 April 2013 at 11.30 a.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' Report and the Audited Accounts of the Company for the year ended 31 December 2012 together with the Auditors' Report thereon. **(Resolution 1)**
2. To re-elect the following Directors retiring pursuant to Article 94(2) of the Company's Articles of Association:-  
  
Mr. Inderbethal Singh Thakral **(Resolution 2)**  
  
Mr. Pratap Chinnan Nambiar **(Resolution 3)**  
  
Mr. Nambiar will, upon re-election as Director of the Company, remain as a member of the Audit 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 pass the following Ordinary Resolutions pursuant to Section 153(6) of the Companies Act, Cap. 50:-  
  
"That pursuant to Section 153(6) of the Companies Act, Cap. 50, Mr. Natarajan Subramaniam be re-appointed a Director of the Company to hold office until the next Annual General Meeting."  
[see Explanatory Note (i)] **(Resolution 4)**  
  
"That pursuant to Section 153(6) of the Companies Act, Cap. 50, Mr. Kartar Singh Thakral be re-appointed a Director of the Company to hold office until the next Annual General Meeting."  
[see Explanatory Note (i)] **(Resolution 5)**  
  
"That pursuant to Section 153(6) of the Companies Act, Cap. 50, Mr. Lee Ying Cheun be re-appointed a Director of the Company to hold office until the next Annual General Meeting."  
[see Explanatory Note (i)] **(Resolution 6)**  
  
Mr. Subramaniam will, upon re-appointment as Director of the Company, remain as the Chairman of the Audit Committee and will be considered independent for the purposes of Rule 704(8) of Listing Manual of the Singapore Exchange Securities Trading Limited.  
  
Mr. Lee will, upon re-appointment as Director of the Company, remain as a member of the Audit Committee and will be considered independent for the purposes of Rule 704(8) of Listing Manual of the Singapore Exchange Securities Trading Limited.
4. To approve the payment of Directors' fees of S\$485,500 for the year ending 31 December 2013, to be paid quarterly in arrears. (31 December 2012: S\$485,500) **(Resolution 7)**
5. To re-appoint Deloitte & Touche LLP as the Company's Auditors and to authorise the Directors to fix their remuneration. **(Resolution 8)**
6. To transact any other ordinary business which may properly be transacted at an Annual General Meeting.

# Notice of 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:

### 7. 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 (ii)] **(Resolution 9)**

### 8. 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 2012 dated 10 April 2013 (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



# Notice of Annual General Meeting

- (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 (iii)] **(Resolution 10)**

By Order of the Board

Chan Lai Yin  
Company Secretary  
Singapore  
Date: 10 April 2013

## Explanatory Notes

- (i) The effect of the Ordinary Resolutions 4 to 6 proposed in item 3 above, is to re-appoint Directors who are over 70 years of age.
- (ii) The Ordinary Resolution 9 proposed in item 7 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.

- (iii) The Ordinary Resolution 10 proposed in item 8 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.

## Notes

1. A Member 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. 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.

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# THAKRAL CORPORATION LTD

(Company Registration No. 199306606E)  
(Incorporated in the Republic of Singapore with Limited Liability)

## IMPORTANT:

1. For investors who have used their CPF monies to buy Thakral Corporation Ltd's shares, this Annual Report is forwarded to them at the request of the CPF Approved Nominees and is sent solely FOR INFORMATION ONLY.
2. This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.
3. CPF investors who wish to attend the Meeting as an observer must submit their requests through their CPF Approved Nominees within the time frame specified. If they also wish to vote, they must submit their voting instructions to the CPF Approved Nominees within the time frame specified to enable them to vote on their behalf.

## 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			

or failing \*him/her, the Chairman of the Meeting as \*my/our \*proxy/proxies to vote for \*me/us on \*my/our behalf at the Annual General Meeting (the "Meeting") of the Company to be held on 25 April 2013 at 11.30 a.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' Report and Audited Accounts for the year ended 31 December 2012		
2	Re-election of Mr. Inderbethal Singh Thakral as a Director		
3	Re-election of Mr. Pratap Chinnan Nambiar as a Director		
4	Re-appointment of Mr. Natarajan Subramaniam as a Director		
5	Re-appointment of Mr. Kartar Singh Thakral as a Director		
6	Re-appointment of Mr. Lee Ying Cheun as a Director		
7	Approval of Directors' fees amounting to S\$485,500 for the year ending 31 December 2013, to be paid quarterly in arrears		
8	Re-appointment of Deloitte & Touche LLP as Auditors		
9	Authority to allot and issue shares		
10	Renewal of Shareholders' Mandate for Interested Person Transactions		

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2013

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

**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 130A of the Companies Act, Chapter 50 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 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 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. 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.
5. 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.
6. 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.

**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 48 hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.

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## PROXY FORM

Affix  
Postage  
Stamp

The Company Secretary  
**THAKRAL CORPORATION LTD**  
20 Upper Circular Road  
#03-06 The Riverwalk  
Singapore 058416

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3rd fold here and seal

# Group Offices

## SINGAPORE

THAKRAL CORPORATION LTD  
TCAP PTE LTD

20 Upper Circular Road  
#03-06 The Riverwalk  
Singapore 058416

Tel (65) 63368966  
Fax (65) 63367225  
www.thakralcorp.com  
www.tcap.com.sg

## DIGITAL INFO TECHNOLOGY PTE LTD

20 Upper Circular Road  
#03-06A The Riverwalk  
Singapore 058416

Tel (65) 65330315  
Fax (65) 65355830

## AUSTRALIA

TCAP AUSTRALIA PTY LTD  
TCL PROPERTIES PTY LTD

MELBOURNE  
2/4 Tahara Road  
Toorak, Victoria 3142  
Australia

Tel (61-3) 98271145  
Fax (61-3) 98279180

SYDNEY  
Level 3, 20 Bond Street  
Sydney, NSW 2000  
Australia

Tel (61-2) 80737888  
Fax (61-2) 80737889

## HONG KONG

THAKRAL CORPORATION  
(HK) LIMITED

Suites 303-305  
3/F Inter-continental Plaza  
94 Granville Road  
TST East, Kowloon  
Hong Kong

Tel (852) 27227752  
Fax (852) 27245039  
(852) 27394336

## JAPAN

THAKRAL BROTHERS LIMITED  
Thakral Building  
No. 4-1, 2-Chome  
Minamihonmachi Chuo-ku  
Osaka 541-0054, Japan

Tel (81-6) 62646226  
Fax (81-6) 62660290

## CHINA

THAKRAL CHINA LTD

SHANGHAI  
Suite 310-315  
Huana Hotel Office Tower  
1733 Lianhua Road  
Shanghai 201103, PRC

Tel (86-21) 61917722  
Fax (86-21) 61917711

BEIJING  
A912-913  
Horizon International Tower  
No. 6, Zhi Chun Road  
Hai Dian District  
Beijing 100088, PRC

Tel (86-10) 82800501  
Fax (86-10) 82800502

GUANGZHOU  
Room 906-907  
Dongshan Plaza  
No. 69, Xian Lie Road Central  
Guangzhou 510095, PRC

Tel (86-20) 87321188  
Fax (86-20) 87321608

## CHINA (CONT'D)

WUJIANG DAFA REAL ESTATE  
DEVELOPMENT CO LTD  
2nd Floor, C2/Building 15  
No. 2351  
Jiao Tong South Road  
215200 Wujiang, PRC

Tel (86-512) 63483700  
Fax (86-512) 63486715

## INDIA

SINGAPORE SOURCING &  
TECHNOLOGY PVT LTD

A-105, Sector 63, Noida  
Uttar Pradesh, 201301  
India

Tel (91-120) 4554164/5/6/7  
Fax (91-120) 4262868  
www.sstpl.com



