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Issuer: Thakral Corporation Ltd

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Meeting details:

Date: 30 April 2019

Time: 11.00 a.m.

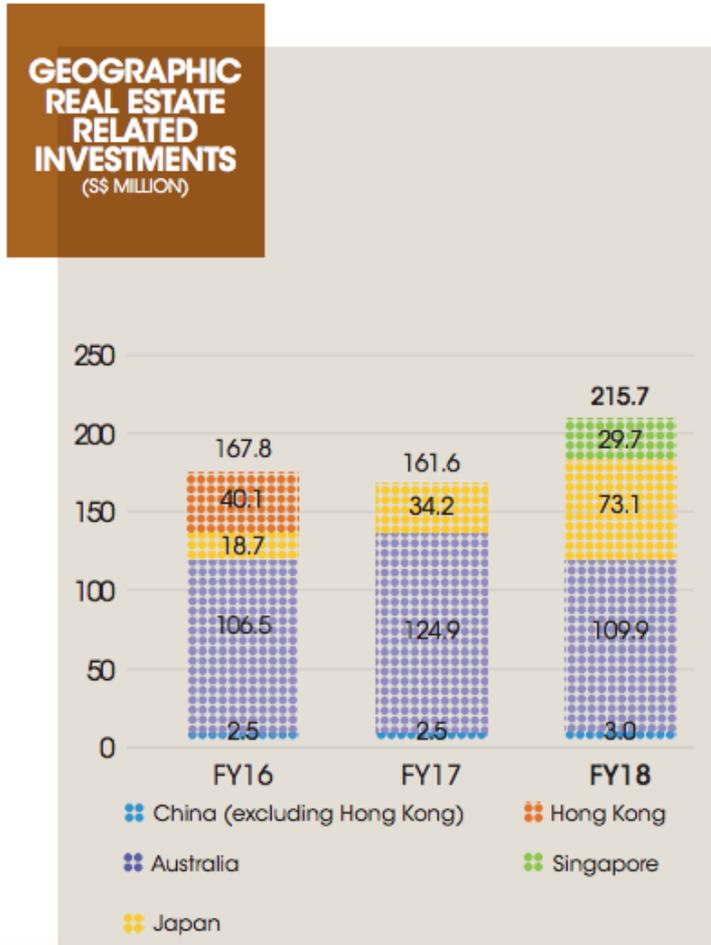
Venue: Cinnamon Room, Level 5, Novotel Singapore Clarke Quay, 177A River Valley Road, Singapore 179031

Company Description

Thakral Corporation Ltd is a Singapore-based company, which is engaged in investment holding. The Company operates through three segments: Investments (INV), Lifestyle (LIFE) and Others (OTH). It operates through three geographical segments: Australia, the People's Republic of China (including Hong Kong) and others (India, Japan and Singapore). The INV segment includes real estate and property investments in Australia, People's Republic of China and Japan. The LIFE segment includes distribution of lifestyle products and accessories in India, Japan, People's Republic of China, Singapore and in other export markets. The OTH includes other activities, which don't fall under INV and LIFE categories. The Company invests directly or with co-investors in real estate and other investment opportunities, including property-backed financial instruments. It is also engaged in originating, packaging and managing of such projects.

(Source: http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=AWI)

Q1. In the year, the group made a push into real estate investments with the purchase of four more properties in Osaka, Japan and the acquisition of The Riverwalk office property.



(Source: Company annual report)

With the disposal of the Hong Kong warehouse, the capital allocation looks much different from that of two years ago (as shown above). The asset base in Japan is fast catching up with the investments made in Australia (which are more development in nature).

- (i) **Does the board have a capital allocation strategy as it builds up its recurring income base? As a percentage of the portfolio, how much more will be invested in Japan, in Singapore and other markets for recurring income?**
- (ii) **What level of diversification is desired? Would the group be considering investment properties in Europe, China and USA?**
- (iii) **Other than development in Australia (which has been a key market for the group), does the group have the ambitions and the competitive advantage to carry out property development in other key markets?**

Q2. The lifestyle division maintained its revenue of \$115-116 million even as consumer sentiment is affected. However, the group recognised a larger loss of \$(5.7) million, up from \$(1.3) million in the last financial year.

In the message from the CEO, he had said the following:

The Lifestyle Division strengthened its product portfolio and enhanced its brand-building efforts through participation in a number of beauty and wellness trade shows and online marketing campaigns also expanding sales channels, and setting up brand stores on behalf of the brands.

Distribution expenses increased to S\$8.4 million (from S\$6.5 million) as the division increased its market outreach.

(i) Can management clearly articulate the business model for the Lifestyle division?

The losses have been \$(5.7) million in 2018, \$(1.3) million in 2017, \$(6.6) million in 2016, \$(10.0) million in 2015, \$(8.5) million in 2014 and \$(4.1) million in 2013.

(ii) What are the key value drivers in the business and how will the group be able to capture its fair share of value?

(iii) How can the group build up a sustainable and profitable Lifestyle division?

Q3. As noted in the director's profile (page 31), Mr Bikramjit Singh Thakral ("Bikram") is the alternate director to executive director, Mr Kartar Singh Thakral. Bikram was first appointed on 5 July 2013.

The board currently consists of five directors of whom two are executive and three are independent. The attendance of directors at board and board committee meetings is shown in the table below:

Details of the directors' attendance at each Board and Committee and general meetings during FY2018 are as follows:

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

(Source: Company annual report)

On page 47, the company has stated that Mr Bikramjit Singh Thakral, as an alternate director, bears all the duties and responsibilities of a director of the board as well as of the various board committees in which Mr Kartar Singh Thakral is a member.

- (i) Does the alternate director attend board and board committee meetings together with the principal director? If so, does the alternate director actively participate in board discussion and vote in the board meetings?**

Guideline 4.5 of the 2012 Code of Corporate Governance (CG Code) states that boards should generally avoid approving the appointment of alternate directors. Alternate directors should only be appointed for limited periods in exceptional cases such as when a director has a medical emergency. The CG Code further recommends that alternate directors be appointed for limited periods only.

The company has explained that Mr Bikramjit Singh Thakral's appointment as alternate director enables him to be groomed to be a full director of the board at a future date.

- (ii) Since his appointment to the board as alternate director in July 2013, when does the board think that Mr Bikramjit Singh Thakral will be ready as a full director?**
- (iii) In addition, has the nomination committee reviewed its succession plans for directors, in particular the appointment and/or replacement of the chairman, and key management personnel?** In August 2018, the Monetary Authority of Singapore issued a revised Code of Corporate Governance ("2018 CG Code"). As a consequence of the revised 2018 CG Code, the Singapore Exchange has made amendments to its Listing Rules which came into effect on 1 January 2019, except for the rules on the 9-year tenure for independent



directors and the requirement for independent directors to comprise one-third of the board which come into effect on 1 January 2022. Under the revised Listing Rules, the term of an independent director will be limited to nine years after which the long tenured directors will be subject to a two-tier vote by shareholders.

A copy of the questions for the Annual Report for the financial year 31 December 2016 could be found here:

<https://sias.org.sg/qa-on-annual-reports/?company=Thakral%20Corporation%20Ltd&cid=6702,4300>

The company's response could be found here:

https://sias.org.sg/media/qareport/1493343480_ThakralCorp_Annmt_SIAS_Queries_AR2016_20170427.pdf