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

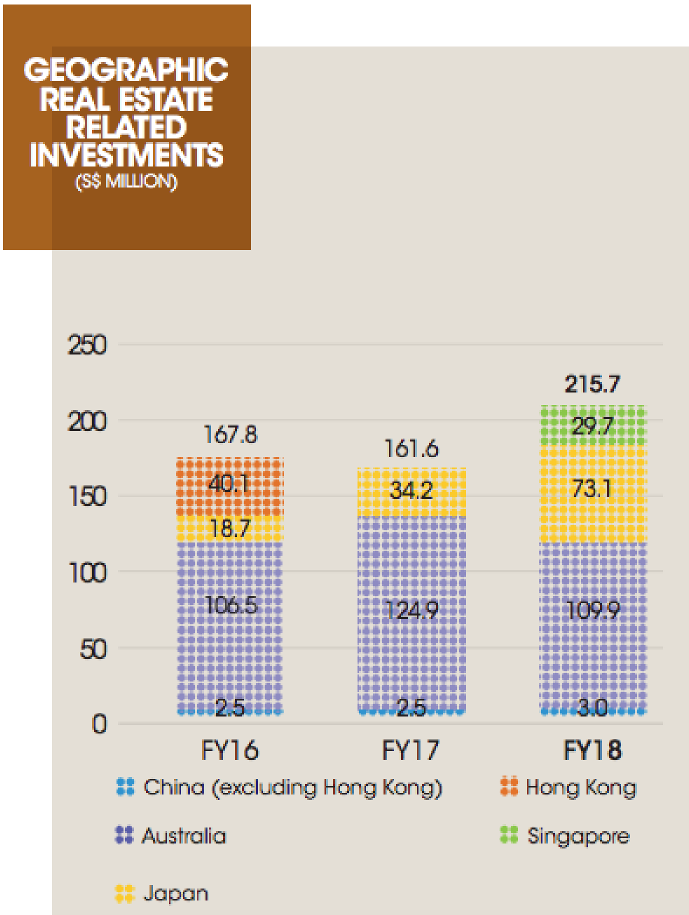
ANNOUNCEMENT

RESPONSE TO QUESTIONS FROM SECURITIES INVESTOR ASSOCIATION (SINGAPORE) ("SIAS") ON ANNUAL REPORT 2018

The Board of Directors (the "**Board**") of Thakral Corporation Ltd (the "**Company**", and together with its subsidiaries, the "**Group**") refers the questions raised by SIAS in relation to the Group's Annual Report for the financial year ended 31 December 2018 (the "**Annual Report**") and appends its response in blue as follows:

SIAS Question 1

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?**

Company's Reply

The board has a 3-5 year strategy in respect of the Group's long-term investments, particularly in Australia and Japan. For the present, the focus of the Board will be on Australia and Japan. In the long term, the principal source of income for the Group will be from our investments in GemLife retirement resorts in Australia and Japan. The Board expects investments from these to provide strong recurring income. Allocation of resources between Australia and Japan depends on the performance of these two economies, investment opportunities such as development sites being available for building additional resorts and buying opportunities being available. Location, price and recurring income will be prime considerations. In the long term, we expect the investment in the two countries to be about equal. The Board while not focusing on investing in Singapore will, however, do so if a suitable investment is identified.

(ii) **What level of diversification is desired? Would the group be considering investment properties in Europe, China and USA?**

Company's Reply

Australian residential real estate market appears to be sluggish and our strategy will be to concentrate on completing our programme of building retirement resorts where the market continues to be active. We will consider niche residential development projects, with limited exposure, if they are found to be viable.

The Group has no plans to invest in Europe and USA. The Group plans to dispose of its real estate investments in China (when targeted price levels are achieved) and proceeds of sale are likely to be invested in Japan.

(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?**

Company's Reply

Given the Group's limited resources, the Group is not likely to invest in the foreseeable future outside Australia, Japan and possibly Singapore.

SIAS Question 2

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.

Company's Reply

In 2013, the Group took the decision to exit consumer electronics and IT businesses and move into distribution of prestige beauty and wellness brands, as it believed it had a more secure future, and branded the division as being in the lifestyle business.

Losses from 2013 to 2016 related to the clearance of old inventory which took longer than anticipated. The beauty and wellness categories were new to the Group and though we recruited staff with relevant experience, there was a considerable learning curve, which was unavoidable. In 2016, 2017 and 2018 the Group continued to expand the number of brands for distribution in its core beauty and wellness categories, viz. prestige beauty devices, skin & hair care, and most recently, fragrances.

Our business model is based on the following:

- *Enable our brand partners' expansion in China (and Hong Kong), by buying inventory and selling to retailers or directly to consumers under a multi-year distribution agreement. We select prestige beauty and wellness brands that we believe have growth potential among China's middle class consumers*.

- *In respect of certain selective brands, manage their retail points of sale, such as flagship stores in shopping malls or counters in department stores, under a fee-for-services model.*

- *Leverage the scale and expertise built while working with major channel partners, and helping them source and then in turn manage brands in their network of stores, under both a wholesale or a fee-for-services model. which we are expanding with Sephora, the LVMH owned global multi-brand beauty retailer with currently 230 plus stores in China.*

- *Build and own our direct-to-consumer retail platform in product categories, leveraging the expertise of partners to accelerate growth and de-risk exposure. Participate in joint ventures with global leaders in online retailing.*

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

Company's Reply

The "key value drivers" of the Lifestyle Division is the ownership of rights to distribute or 'manage' a portfolio of prestige beauty and wellness brands, collaborating closely with relevant retail and sub-distribution partners, including in traditional brick and mortar retail as well as e-commerce.

The Group is of the view that, underlying growth drivers remain strong. The current annual spending level of women in China between the ages of 15-65 on prestige beauty is ten times lower than in the USA and South Korea. Share of prestige brands in the USA, Japan and South Korea is 40% of total beauty market, compared to 26% in China. These are firm indicators of the growth potential in China.

Having the relevant marketing and distribution expertise to create and maintain consumer awareness of brands in our portfolio should ensure commercial success. The Group has invested heavily in this area. For example, we have expanded the brands we manage in Sephora several-fold in the past four years.

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

Company's Reply

The successful ingredients for the Lifestyle Division to be sustainable and profitable are (i) distribution rights for a portfolio of prestige beauty and wellness brands with strong demand in China, (ii) close relationships with relevant brick and mortar retail and e-commerce distribution channels and (iii) expertise in marketing the brands in our portfolio. During the past four years, the Lifestyle Division has created a solid foundation based on these ingredients.

However, while we select brands based on their potential in China, developing them requires investment, which can be higher than anticipated. A critical step in our development therefore will be to selectively continue to add to our portfolio, brands with the ability to provide stronger financial support.

Building a new brand in China also involves a learning curve, in terms of product or channel partner selection and making the right marketing investments. As we continue to focus on brands in the same categories, our team is gaining experience and the learning curve is becoming both flatter and shorter.

Management is of the view that the challenges we are facing can be overcome and is working towards this.

SIAS Question 3

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.

Company's Reply

Mr. Bikramjit Singh Thakral attends all Board Meetings when he is in Singapore and participates actively in discussions of matters discussed by the Board.

Mr. Bikramjit Singh Thakral usually does not attend Committee meetings when the Principal Director is present but represents him when the Principal Director is unable to be present. At Committee meetings where he is present, he participates actively in the discussions.

(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?

Company's Reply

The Nomination Committee and the Board are of the view that the number of members of the current Board is sufficient and effective to conduct the affairs of the Company and the Group and does not wish to increase the numbers at present by appointing Mr. Bikramjit Singh Thakral as a full member. In the view of the Nomination Committee and the Board, he is ready to be a full member. However, the Board will appoint a full director when there is a vacancy.

(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

Company's Reply

The Board as well as the Nomination Committee is fully aware of the revisions to the Code of Corporate Governance ("2018 CG Code") as well as the amendments to the Listing Rules with regard to independent directors who have served beyond nine years on the Board. The Nomination Committee regularly discusses succession planning at its meetings, not only of the Chairman and Independent Directors who have served beyond nine years but also that of Senior Management positions in the Group such as the CEO, the COO and CFO. The Nomination Committee is in constant discussion on this matter with the principal shareholder who is represented on the Board. The Board is also aware of the requirement to be in full compliance with the Corporate Governance Code as well as the Listing Rules at all times.

On behalf of the Board

Natarajan Subramaniam
Independent Non-Executive Chairman and Lead Independent Director

Singapore, 28 April 2019