



**RESPONSE TO SGX'S QUERIES ON THE COMPANY'S UNAUDITED FULL YEAR FINANCIAL STATEMENTS
ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2016 ("FY2016")**

The Board of Directors ("**Board**" or "**Directors**") of Auric Pacific Group Limited (the "**Company**" and together with its subsidiaries, the "**Group**") wishes to provide the following responses to queries received from the Singapore Exchange Securities Trading Limited ("**SGX**") in respect of the Company's unaudited full year financial statement announcement released via SGXNet on 20 February 2017 ("**FY2016 Financial Statements**").

SGX's Queries

It was disclosed in the FY2016 Financial Statements that during FY2016, the Group provided allowance for:- (i) impairment on intangible assets of S\$2.13 million, (ii) impairment on unquoted investment funds of S\$5.56 million, (iii) impairment on property, plant and equipment of S\$4.02 million, as well as a stock written down of S\$4.68 million (collectively, the "**Impairments**").

- (i) please disclose how the amounts of the Impairments were determined;
- (ii) please provide the Board's confirmation as to whether it was satisfied with the reasonableness of the methodologies used to determine amount of Impairments; and
- (iii) please confirm as to whether the Company had sought any independent professional advice on the providing of the Impairments.

Response to Query (i)

Impairment on intangible assets of S\$2.13 million

The intangible assets of S\$2.13 million which were impaired mainly related to customer relationships under the Group's Food Court business.

Following the change in the business strategy in tenants' profile and variety mix for differentiation against own and competitors' food courts in 2016, a detailed review of the tenancy mix for food court was carried out whereby the prior year assumption on continual contribution from the pool of tenants since inception were re-assessed against the carrying value of the intangible assets for customer relationships. This strategy review of the Food Court business resulted in recognition of a S\$2.0 million impairment loss.

Impairment on unquoted investment funds of S\$5.56 million

The assessment for the impairment of the unquoted investment funds was made based on investment reports on the funds' outlook and updates on the progress of certain developments (mentioned in (a) and (b) below) provided by the managers of the respective funds. The impairment was made in view of uncertainty of recovery of the carrying values of the following:- (a) an investment fund of S\$4.6 million with interest in a copper mining concession which was undergoing

bankruptcy proceedings in 2016 and (b) the divestment plan of an investment fund which had not materialized and deferment in capital distribution from the initial target of 2016 to 2018. Impairment losses of S\$4.6 million and S\$0.8 million were recognised to write off the carrying values of the investment funds in light of (a) and (b) respectively based on management's assessment of the recoverable amounts of these unquoted investment funds.

Impairment on property, plant and equipment of S\$4.02 million, as well as a stock write down of S\$4.68 million

Property, plant and equipment

The impairment on property, plant and equipment was due mainly to the impairment of leasehold improvement and equipment of a factory for the operations of Food Retail segment in Singapore which amounted to S\$2.66 million, arising from the Group's rationalization review. The recoverable amount was assessed based on the discounted cash flow analysis and the values in use of the leasehold improvement and equipment of the factory were assessed to be negligible as the Food Retail business in Singapore remains challenging.

An impairment loss of S\$1.2 million was recorded for non-moveable fixed assets of the non-performing or loss-making food courts in both Singapore and Malaysia based on an assessment of the value in use using the discounted cash flow analysis on the 5-year projection of performance of each food court.

Stock write down

The stock write down of S\$4.68 million included S\$1.2 million of stocks on wines and spirits which were of deteriorated quality resulting from poor storage conditions and slow moving stocks, where several distributorships were terminated post-rationalization due to low profitability. The write off of other stocks relates mainly to fast moving consumer goods from the Wholesale and Distribution segment which were close to expiration dates. These stocks were written down to their estimated realisable values taking into consideration their consumption pattern and saleability.

Response to Query (ii)

The Board is satisfied with the reasonableness of the methodologies used to determine the Impairments of assets and the assessment conducted by the management.

Response to Query (iii)

The Impairments were assessed based on impairment methodologies considered appropriate by the Company's management and the Board. Though no independent professional advice was sought, the bases and computation were discussed with the Company's auditors, who issued a clean opinion on the consolidated financial statements.

BY ORDER OF THE BOARD

Adrian Chan Pengee
Company Secretary
7 April 2017