THAKRAL CORPORATION LTD

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

PRESS RELEASE

Thakral reports net profit of S$26.6 million as revenue rose 26% y-o-y to S$160.4 million in FY2022

- **All core businesses reported higher revenue compared to FY2021**
- **Group Net Asset Value per share grew to 118.43 cents in FY2022 from 117.91 cents in FY2021**
- **Group Earnings Per Share eased to 14.23 cents from 14.68 cents in FY2021**
- **Second interim dividend of 2 cents and special interim dividend of 0.5 cent declared**

Singapore, 28 February 2023

SGX Mainboard-listed Thakral Corporation Ltd ("Thakral" or the "Group") delivered another profitable set of results on stronger top-line performance in FY2022.

For the financial year ended 31 December 2022 (FY2022), the Group's revenue rose 26% to S$160.4 million from S$127.8 million in FY2021. Net profit was 13% lower at S$26.6 million while net profit attributable to shareholders of S$18.6 million for the year (vs S$19.2 million in FY2021) was 3% lower due to higher aggregate overheads (31%). Our associates and joint ventures continued their stellar performance contributing a share of profits of S$31 million, although 16% lower than the previous year. The Group incurred a higher foreign exchange loss of S$0.6 million due to currency volatility during the year under review.

For the six months ended 31 December 2022 (2HFY2022), the Group's net profit increased 40% to S$21.9 million from S$15.6 million registered in the corresponding period last year. Group revenue in the second half of FY2022 also jumped 45% to S$96 million from S$66 million in 2HFY2021.

Both its core business segments reported strong profitable performances on improved revenue. Income from its Real Estate Investment business was up almost 50% to S$22.6 million in FY2022 from S$15.1 million in FY2021 while its Lifestyle business registered a jump of 22.3% in sales to S$137.8 million from S$112.7 million during the same period.

The Group continued to see steady demand for GemLife homes in Australia while its Lifestyle business enjoyed a sales boost from its DJI and fragrance products.

GemLife home sales are well ahead of targets with over 394 unconditional, 234 conditional and 48 deposits on hand while actual settlements are tracking forecasts with 1,088 homes occupied as of 31 December 2022.

The Group's Lifestyle business segment powered ahead with its strong growth trajectory – as profit continued to rise to S$6.5 million in FY2022 compared to S$2.0 million in FY2021. This included the contribution from improved performance of its CurrentBody-Thakral joint venture and a gain from Ascential's acquisition of the Group's stake in Intrepid in 1HFY2022.

In view of the Group's commendable performance, the Board of Directors has declared a second interim dividend of 2 cents and a special interim dividend of 0.5 cent per share, bringing the total dividend to 4.5 cents for FY2022, to reward shareholders.

Net Asset Value Per Share and Earnings Per Share

Net Asset Value per share increased to 118.43 cents as at 31 December 2022 compared to 117.91 cents as at 31 December 2021.

The Group's Earnings Per Share in FY2022 eased to 14.23 cents from 14.68 cents in FY2021.

Working Capital

The Group saw a net cash outflow from operating activities of S$10.8 million for the current year compared to a net outflow of S$14.0 million in the previous year, mainly from the net changes in working capital components.

Cash balances as at 31 December 2022 grew to S$20.1 million from S$9.7 million as at 31 December 2021, mainly from the repayment to the Group by GemLife of debt instruments upon completion of refinancing, recoupment of the investment from the Oxford Bondi project, net proceeds from the sales of the GLNG houses as well as the capital reduction from a Japanese property investment entity.

Inventories increased to S$17.8 million as at 31 December 2022 from S$14.7 million as at 31 December 2021, mainly due to the overall higher turnover of DJI and fragrance products to cater to the larger market and customer base.

Segmental Performance of Core Businesses

The Group's core business segments showed notable improvement in FY2022.

Investments

Including the share of profit of associates and valuation gains on investment properties in both years, the Group's Investment business achieved an almost 50% growth in revenue and a segment result of S$37.2 million in the current year compared to the restated S$45.0 million in the previous year.

Australia

<u>GemLife Joint Venture</u>

The Group remains focused on growing the GemLife business as it continues to deliver excellent results.

GemLife has a pipeline that will lead to about 7,000 homes. This puts GemLife as one of the leading players in the over-50's resort style living segment in Australia. Its Bribie Island resort was completed two years ahead of schedule and Highfields, Woodend, Maroochy Quays and Pacific Paradise are now settling homes in the final stages.

Settlement in Palmwoods commenced in May 2022 with 61 homes delivered in the first eight months. Rainbow Beach had its first settlement in Dec 2022, and GemLife now has seven resorts with occupied homes. The community facilities are well underway at Palmwoods and Rainbow Beach which will be completed in 2023. Civil works at Tweed Waters have been completed. Civil construction has also commenced at Gold Coast. Sales across Australia have been very strong. Despite industry-wide supply chain disruptions, construction remains on course as GemLife has its own integrated homebuilding capabilities and is expected to continue meeting its internal targets.

<u>Other residential properties</u>

All apartments have been sold in the Thornton St project in Brisbane's inner-city suburb of Kangaroo Point and construction is progressing well with practical completion forecast towards the end of 2023. The Parkridge Noosa project has been very successful with only one dwelling remaining to be settled.

The Group divested five more Gladstone houses, with a balance of 18 houses remaining in the portfolio. All bank borrowings against these houses have been fully settled and the remaining houses are expected to be disposed in FY2023.

The Group will remain selective in undertaking new potential projects in residential and other real estate segments to minimise market risks.

Japan

Japan's economy is showing signs of cautious recovery as the reopening of the country's borders commenced. All-Grade and Grade B vacancy rates remained unchanged in Q4 2022 at 3.5% and 3.2% respectively. The Group's office properties saw 100% occupancy in three of the six properties, over 92% in another two and more than 80% in its latest acquisition, Umeda Pacific Building. Overall rentals have held up well and are still catching up to the general market rental levels and should remain competitive.

The reopening of Japan's borders coupled with the weaker Japanese Yen should give a boost to tourism growth.

Sales of hospitality assets could also improve as many hotel owners who held back selling their hotels during the pandemic may be looking to sell at better prices with the recovery in tourist numbers. The Group will remain on the lookout for good opportunities to divest its remaining two hotels in Osaka at the right price.

Lifestyle mainly in China including Hong Kong

The Lifestyle business has accelerated its strong growth track record as segment profit leapt to S$6.5 million in FY2022 from S$2.0 million last year on the back of a 22% revenue rise to S$137.8 million for the year from S$112.7 million achieved in the previous year.

The better bottom line was boosted by higher sales of its drone and fragrance products, a contribution of about S$1.8 million from the CurrentBody-Thakral joint venture as well as a gain of S$2.2 million from Ascential's acquisition of the Group's stake in Intrepid.

The Group saw strong demand for its DJI products during the year under review – making South Asia the Group's largest geographical market in terms of revenue. South Asia sales shot up 81% to S$81.3 million in FY2022 from S$44.9 million in FY2021.

The overall better results were achieved despite disruptions in shipping and logistics as a consequence of the lockdowns in China and border restrictions in Hong Kong during the COVID-19 surge earlier in FY2022. Sales to/in China (including Hong Kong) declined 36.4% to S$21.9 million in FY2022 from S$34.5 million in FY2021.

The Group continues to work with other brand-owners to beef up its portfolio of premium fragrance, beauty and lifestyle brands and drive scale.

Going Forward

Mr. Natarajan Subramaniam, Independent Non-Executive Chairman and Lead Independent Director of Thakral, said, "The Group has remained resilient and done well in an extremely difficult global landscape. Despite inflationary pressures, intensifying geopolitical tensions and rising interest rates, we have delivered another profitable performance as we continue to improve sales in all our core business segments and reward our shareholders with positive returns. Our total dividend payout to shareholders for the year amounts to 4.5 cents per share generating a yield of about 8% based on closing share price as of 28 February 2023 – which is among the highest paid by SGX-listed peers[1].

Not only have both our key businesses stayed profitable, we have also strengthened our financial position as our cash balances more than doubled to S$20.1 million in FY2022."

[1] Dividends Ranking, 31 January 2023, http://www.dividendsranking.com/Singapore-dividend-stocks.html

He added, “Our Lifestyle business recorded an admirable performance – reflecting the success of our strategic pivot to focus on higher margin growth businesses. This segment benefitted from rising sales of top-selling fragrance brands as well as our distribution of innovative technologies such as drone and camera products in big markets such as South Asia. We also gained from our investments in new technology sectors as evidenced by the divestment of our stake in e-commerce platform, Intrepid.”

The Group continues to pursue new growth trajectories in technology as well as impact investments. At the end of FY2022, it became a cornerstone investor in BillionBricks, a climate-tech venture that combines clean energy and large-scale affordable housing to create carbon-negative communities to combat climate change.

The Group had also previously invested in the seed round of a fintech start-up - Fraction, a Hong Kong-based one-stop, full-service fractional ownership blockchain platform that enables trading, investment and secure ownership of security tokens/fractions of any real-world asset, with an initial focus on real estate. Fraction recently received the best FinTech 2023 startup award in Thailand. A small series A investment was also made in InvestaX, a Singapore-based start-up investment platform for digital securities and security tokens of global private markets deals, including venture, private equity, real estate and digital SPACs.

Commenting on the Group’s outlook for real estate investments, Mr. Subramaniam said, “Our investments in Australia will stay focused on GemLife which targets quality lifestyle resort homes for the over-50s. It has continued to perform well in the face of challenging property market conditions and rising interest rates.

In Japan, we are hopeful of a gradual recovery as border controls were lifted in 2022. Demand for office and commercial property is seeing some pick up as office vacancy rates in key markets such as Tokyo continued to slide.[2]

The hospitality sector in Japan too is set for a long-awaited recovery as tourist numbers are expected to grow with the easing of travel curbs. Indeed, according to reports, the country hopes to pick up where it left off three years ago when it had aimed to surpass the pre-pandemic high of 31 million arrivals in 2019.[3]

So, while the slowdown in the global markets may be dragging on economic recovery, Asia is forecast to grow faster than any other region in the world.

Looking ahead, the Group will continue to pursue new growth opportunities with prudence and manage market risks to achieve our goals of long-term sustainable growth with a view to delivering positive shareholder value.”

[2] Source: Office Rents, Vacancies Continued to Decline Across Tokyo in Late 2022
https://www.worldpropertyjournal.com/real-estate-news/japan/tokyo-real-estate-news/japan-real-estate-news-tokyo-office-leasing-data-for-2022-cbre-japan-office-market-reports-for-2022-tokyo-office-rent-data-for-2022-13512.php

[3] Source: Japan aims to smash tourism record in 2025, as more travellers eye ‘dream holiday’
https://www.scmp.com/week-asia/economics/article/3210030/japan-aims-smash-tourism-record-2025-more-travellers-eye-dream-holiday

In view of uncertainties in the world's leading economies, the Group maintains a cautious outlook for FY2023.

About Thakral

Thakral Corporation Ltd is listed on the SGX Mainboard since December 1995. The Group's core business today comprises a growing real estate investment portfolio in Australia, Japan and Singapore. Its investments in Australia include the development and management of over-50s lifestyle resorts under the GemLife brand, a joint venture with the Puljich family. Its Japanese investment portfolio comprises landmark commercial buildings and business hotels in Osaka, the country's second largest city. The Group also makes strategic investments in new economy ventures.

The Group's other investments include the management and marketing of leading beauty, fragrance and lifestyle brands in Asia. It also operates an e-commerce retail platform for at-home beauty devices in China under a joint venture with UK-based CurrentBody.com Limited, the leading global at-home beauty device retailer.

Release issued on behalf of Thakral Corporation Ltd
by Stratagem Consultants Pte Ltd

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