



THAKRAL CORPORATION LTD

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

PRESS RELEASE

Thakral to pay a second interim dividend of 2 cents per share as Group reports S\$7.2 million net profit for the nine months ended 30 September 2018

Singapore, 8 November 2018 – SGX mainboard-listed Thakral Corporation Ltd (“Thakral” or the “Group”) has proposed to pay a second interim dividend of 2 cents per share to be paid out on 30 November 2018 after posting a net profit of S\$7.2 million for the nine months ended 30 September 2018. The first interim dividend of S\$0.02 was paid to shareholders in May 2018.

The Group’s net profit of S\$7.2 million for the nine months ended 30 September 2018 rose about 11% compared to S\$6.5 million recorded in the previous corresponding period after excluding the gain and related costs from the sale of the warehouse properties in Hong Kong.

The Group’s consolidated revenue for the first three quarters rose by 10% to S\$122.4 million. This includes the fair value gain of S\$1.3 million taken up as revenue upon the adoption of SFRS (I) 9 accounting standard from 1 January 2018. Both the Group’s Investment and Lifestyle divisions saw improved revenue with the Investment Division posting a 17% rise while the Lifestyle Division’s sales rose by 9%.

Compared to the nine months ended 30 September 2017, the Group’s gross profit increased by 15%, rising to S\$37.2 million from S\$32.3 million and operational profit increased by 33%, registering S\$16.5 million from S\$12.4 million previously.

While Group revenue for the quarter ended 30 September 2018 remained comparable to the S\$39.6 million reported in the quarter ended 30 September 2017, net profit for the quarter ended 30 September 2018 decreased to S\$0.9 million from a net profit of S\$2.8 million (after excluding the one off valuation gain and related costs) in the quarter ended 30 September 2017 in view of the lower gross profit and higher marketing expenses recorded in the latest quarter.

Net Asset Value per Share and Earnings per Share

Net Asset Value per share as of 30 September 2018 after the interim dividend paid earlier in the year eased to 99.6 cents, compared to 100.8 cents as at 31 December 2017 while earnings per share of 3.24 cents for the current period were broadly in line with the nine months ended 30 September 2017 after excluding the one-off items booked in that period.

Working Capital and Cash flow

Cash and bank balances for the Group reduced to S\$17.0 million compared to S\$46.2 million as at 31 December 2017. This is broadly due to investments in Japan and Singapore, repayment of loans and the dividend payment.

Aggregate bank and other borrowings saw a slight reduction to S\$56.5 million as at 30 September 2018 from S\$58.0 million as at 31 December 2017 due to loans repaid net of the additional bank loan for the acquisition of the Riverwalk property in Singapore.

Segmental Performance

Investment Division

The Investment Division achieved a 17% rise in revenue of S\$26.9 million for the current period, compared to S\$23.0 million the previous corresponding period.

Segment operating profit saw an increase of more than 20% to S\$20.4 million from S\$17.0 million (after excluding the cost for the one-time item) in the nine months ended 30 September 2017.

This division has started recouping its investments in the Newstead project, with the Grange Residences project fully sold and seeing settlements take place. First settlements for the Parkridge Noosa project are scheduled for second quarter of 2019. Construction of the Oxford Residences project in Sydney's Bondi Junction is underway with practical completion likely to be in June 2020.

For the GemLife retirement living housing, community facilities at both the Bribie and the Highfields projects are expected to be completed by the end of first quarter of 2019. Construction of the display village and first homes at the GemLife Woodend project are nearing completion with first residents expected to move in during fourth quarter of 2018, while sales for the GemLife Maroochydore project have started during the third quarter of 2018.

Lifestyle Division

The Lifestyle Division incurred a segment loss of S\$1.7 million for the period on the back of higher promotion and marketing expenses in the current period and inventory clearance and provisions in the current and preceding quarters. Turnover rose by about 9% to S\$95.5 million for the current period compared to S\$88.0 million in the previous corresponding period.

This division will continue building its beauty brand portfolio and target China's millennial generation to drive sales growth and return to profitability.

Looking Ahead

Mr. Natarajan Subramaniam, Independent Non-Executive Chairman of Thakral, said: “The Group’s performance in the 9 months of FY2018 is commendable as we stayed profitable overall and both our core divisions achieved revenue growth despite rising headwinds in both our key markets. To share the fruits of our positive performance and to show appreciation to shareholders for their loyalty and support, we have proposed a second interim dividend of 2 cents – giving shareholders a total dividend payment of 4 cents for this year.

While we have done well over the past nine months, we maintain a more cautious outlook for the Group in the coming months.”

The Group’s largest market – China – saw its economy in the third quarter 2018 grow at 6.5%, its slowest pace in a decade as it battles a sagging real estate market and weak domestic demand and industrial production. China’s growth in the coming months will continue to be under pressure from the ongoing trade dispute with the United States.¹

This could impact consumer spending, cool business sentiment and reduce capital outlay. However, the measures the government is taking to further increase the pace of local consumption may reduce the impact.

Australia is also facing challenges from a slowing real estate market and softening currency. The real estate industry continues to face pressure from regulatory restrictions on foreign ownership and credit constraints. Across Australia, housing prices have fallen for 11 months in a row.² In Sydney, they are down 5.6% over the year and in Melbourne, they are down 2% in the past three months – the worst drop since 2011.³ The market is expected to stay soft in the months ahead.

Added Mr. Subramaniam, “While the Group will stand to enjoy returns from our steady pipeline of projects from our retirement resorts and project completion, we will be taking a cautious and prudent approach in the coming months. We will continue to reduce our exposure to the Australian housing market and focus on the retirement resorts business which we believe will bring us better long-term prospects. We will also be selective in our investments in Japanese commercial properties and do our best to achieve a turnaround of our Lifestyle Division.”

Barring any unforeseen circumstances, the Group remains optimistic of a profitable FY2018.

¹ Source: *New York Times - China’s Growth Hits Slowest Pace in a Decade*, 18 Oct 2018, <https://www.nytimes.com/2018/10/18/business/china-economy-third-quarter.html>

² Source: *The Australian – Melbourne suffers worst property pain in six years*, 3 September 2018, <https://www.theaustralian.com.au/business/property/melbourne-suffers-worst-property-pain-in-six-years-national-prices-fall-further/news-story/c8bccb38d4320518ff33d64394b759be>

³ Source: *The Guardian* – Buyers wait for bargains as Australia's housing market hits long slide, 8 September 2018, <https://www.theguardian.com/australia-news/2018/sep/08/buyers-wait-for-bargains-as-australias-housing-market-hits-long-slide>

About Thakral

Listed on the SGX Mainboard since December 1995, Thakral Corporation Ltd has two divisions – Lifestyle Division and Investment Division.

The Group's Investment Division invests directly or with co-investors in real estate and other investment opportunities including property-backed financial instruments. The Group also earns income from the services rendered from the originating, packaging and managing the projects. The Investment Division, through a joint venture, has expanded its businesses into development and management of retirement living resorts in Australia under the GemLife brand. Taking advantage of the upward trend in the Japanese property sector and the country's low interest rate, the Group has also expanded its investment footprint to Japan. With the completion of the acquisition of The Riverwalk office property, the Group has extended its property investments to Singapore.

The Group's Lifestyle Division is focused on marketing and distributing brands in the beauty, wellness and lifestyle categories, working with leading ecommerce platforms as well as traditional retailers. The brands distributed by the Lifestyle Division include at-home beauty device brands MTG Refa, ikoo, Panasonic, PMD, DermaWand, Philips, TriPollar and T3, skin and hair care brands Canvas, Codage, Institut Karite Paris, John Masters Organics and Botanist, wellness brands MTG SIXPAD, Style Seat and Slendertone as well as lifestyle brands Apple and DJI.

Greater China including Hong Kong, Southeast Asia and India are key markets for the Lifestyle Division and Australia and Japan for the Investment Division.

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