



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\$4.7 million on sales of S\$50.4 million in 1HFY2019 and declares interim dividend of 2 cents per share

Singapore, 6 August 2019 – SGX Mainboard-listed Thakral Corporation Ltd (“Thakral” or the “Group”) reported net profit of S\$4.7 million for 1HFY2019, 25% lower than previous year as sales eased to S\$50.4 million from S\$84.1 million for the corresponding period last year.

The Group’s net profit for 2QFY2019 remained stable at S\$2.8 million – despite a 44% fall in revenue to S\$24.5 million from S\$43.7 million for 2QFY2018. Valuation gain based on the net realisable value of its office building in Osaka as well as its share of profits from its Japanese TMK property investments and its GemLife joint venture which develops and manages retirement resorts in Australia were the principal contributors to the quarter’s net profit.

The Group declared an interim dividend of 2 cents per share to be paid out on 30 August 2019.

Earnings per Share and Net Asset Value per Share

Earnings per share (EPS) rose to 1.38 cents for 2QFY2019 from 1.29 cents for the corresponding quarter a year ago; while net asset value per share also rose to 102.67 cents compared to 100.98 cents as of 31 December 2018.

On a half yearly basis, EPS dipped to 2.1 cents in 1HFY2019 from 3.1 cents in the same period last year.

Working Capital and Cash Flow

Trade receivables stood at S\$10.0 million as of 30 June 2019 – similar to the level recorded at 31 December 2018; while inventories declined to S\$16.3 million from S\$24.2 million as ageing inventories were cleared.

The Group recorded a reduced net cash outflow as a result of investment in the Japanese properties as well as from operating activities of S\$3.1 million in the latest quarter – due mainly to movement in working capital components and net settlement of accrued interest.

Total borrowings rose to S\$60.7 million as of 30 June 2019 against S\$55.3 million as of 31 December 2018, with additional funding obtained for the Group’s investment activities.

Overall, the Group's cash balances stood at S\$6.7 million at end-June 2019.

Financial assets measured at fair value was lower at S\$40.7 million as at 30 June 2019 from S\$44.7 million as of 31 December 2018, reflecting the sale of one of the properties to the Group's TMK holding structure.

Segmental Performance

Investment Division

This division achieved a segment result of S\$9.8 million on revenues of S\$12.9 million for the first half of 2019 compared to S\$19.1 million in the same period in 2018.

Australia

The Group continues to see a steady pace of settlements of the remaining Newstead project units; while the remaining returns from the Grange Residences project is expected to be received by the fourth quarter.

Construction on the Parkridge Noosa project is progressing well, with the first settlements expected in the next quarter. The strong demand for this project has led to earlier commencement of the second phase. Meanwhile, building of The Oxford Residences project in Sydney's Bondi Junction continues apace with completion expected in June 2020.

The Group's Joint Venture – GemLife continues to perform well. Its retirement living operations, sales and settlements at the Bribie Island, Highfields and Woodend projects are making good progress.

Community facilities at its Bribie Island and Highfields projects have been completed and the clubhouse at Highfields was officially opened earlier this year. GemLife Bribie Island and GemLife Highfields were both recently crowned Master Builders (Queensland) regional winners for their respective clubhouses and associated facilities. Both projects will be vying for the Master Builders (Queensland) State Awards.

Construction of the community facilities at the GemLife Woodend project is underway and sales and settlements are doing well. Over 200 houses have now been occupied at these three projects while the GemLife Lennox Head project is pending development approval.

GemLife is looking for more land sites to acquire. It is now a leading brand in retirement living in Australia.

Japan

The Group's Japanese investments continue to improve. It acquired the Nikke Yotsubashi Building as well as witnessed the opening of a store by the sole tenant of

the Nambanaka Thakral Building in Osaka during the quarter. Renovations continue at various properties with a view to improve rental returns upon lease renewals. With very little new supply of commercial space expected in Osaka in 2019, rents are likely to go up.

The Group stands to benefit from Osaka's booming tourism and real estate industries in view of the extensive infrastructure, commercial as well as leisure developments in the city such as the massive Umekita urban redevelopment project, a potential integrated resort development and the World Expo 2025.

Lifestyle Division

Sales declined to S\$37.6 million for the current period from S\$65.0 million in the previous corresponding period in view of difficult market conditions including weaker consumer demand in China. With the revenue decline, operating loss widened to S\$3.9 million from S\$0.8 million. The sale of the division's Thakral Building in Osaka was completed in late July 2019; the building was revalued and the excess of S\$3.5 million between book value and net realisable value reflected in the income statement. Including this gain, the net segment loss is about S\$0.5 million.

Looking Ahead

Mr. Natarajan Subramaniam, Independent Non-Executive Chairman and Lead Independent Director of Thakral, said: "The Group has continued to deliver a profitable performance for both the 1HFY2019 as well as 2QFY2019. This is commendable as both our core businesses faced tough market conditions caused by ongoing global trade tensions and operational challenges in their key markets.

Our strong portfolio of investments especially in Japan and Australia, which helped mitigate the impact of severe headwinds over the past months, will remain a strong contributor for the Group in the coming months."

While the global outlook is still uncertain, there are some sparks of optimism.

On the property front, home prices in Australia are showing early signs of bottoming out in June with values in the biggest markets of Sydney and Melbourne inching up for the first time since 2017. The Group's Investment Division continues its focus on growing its GemLife retirement living business while making progress with its other housing projects.

Over in Japan, CBRE has reported that rents are likely to go up as the All-Grade office vacancy rate in Osaka where most of the Investment Division's real estate portfolio is concentrated had fallen to a record low of 1.2% in Q2 2019 – with limited new supply of office space.

The IMF has forecast that China's economy will grow at a slower 6.2 per cent in 2019 and 6.0 per cent in 2020.¹

In view of this, Beijing is expected to unveil more stimulus measures to stabilize growth, including boosting infrastructure spending and possible interest rate cuts by the country's central bank, the People's Bank of China.²

Mr. Subramaniam added, "We continue to invest in our Lifestyle Division to sign on more brands and strengthen its capability. This division will also be accelerating its e-commerce initiatives via its joint venture company, CBT At-Home Beauty Holdings Pte. Ltd. to capitalise on the surging popularity of online sales in China. We will continue to scout for good market opportunities to drive growth while remaining prudent in managing business risks amid volatile global economic conditions."

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 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 e-commerce platforms as well as traditional retailers. The brands distributed by the Lifestyle Division include at-home beauty and wellness device brands MTG Refa, ikoo, Panasonic, PMD, DermaWand, Philips, TriPollar, T3, MTG SIXPAD, Style Seat and Slendertone, skin and hair care brands John Masters Organics, Codage and Institut Karite Paris as well as lifestyle brands such as DJI. The Lifestyle Division is also creating an e-commerce retail platform for at-home beauty devices in China, in a joint venture with UK-based CurrentBody.com Limited, a leader in this space.

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

¹ The Business Times, "IMF lowers global growth forecasts as trade, Brexit uncertainties persist", 24 July 2019: <https://www.businesstimes.com.sg/government-economy/imf-lowers-global-growth-forecasts-as-trade-brexite-uncertainties-persist-0>

² CNN Business, "China's economic growth slumps to lowest in 27 years as the trade war hits", 15 July 2019: <https://edition.cnn.com/2019/07/15/economy/china-gdp-growth/index.html>

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