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

PRESS RELEASE

Thakral Group proposes interim dividend of 2 cents per share as 1QFY2018 net profit rose 71% to S$3.4 million on higher revenue

Singapore, 26 April 2018 – SGX Mainboard-listed Thakral Corporation Ltd ("Thakral" or the "Group") has achieved a profitable start to the year as it reported a 71% jump in net profit of S$3.4 million – on the back of a 9% rise in group revenue to S$40.3 million for the first quarter ended 31 March 2018.

In view of the improved performance of the Group, an interim dividend of 2 cents per share is being proposed to reward shareholders.

The Group's robust performance comes with improvements from both its core business divisions.

The Investment Division of the Group posted a growth of about 32% in revenues to S$9.5 million compared to S$7.2 million for the same year-ago period; while its Lifestyle Division saw a 4% rise year-on-year.

Operating profit rose by 46% to S$6.5 million with the Group's consolidated margin rising to 31.9% from 28.6% previously. Gross profit also went up 22% to S$12.9 million. This takes into consideration the impact from a change in accounting standards that has resulted in fair value gains of S$0.6 million on the investment in the Japanese property vehicle to be taken up as revenue instead of in reserves from 1 January 2018.

The better bottom line was achieved despite a foreign exchange loss of S$0.3 million compared with a foreign exchange gain of S$0.3 million in the corresponding period last year.

Earnings Per Share and Net Asset Value Per Share

Earnings per share increased to 1.78 cents for 1QFY2018 compared to 1.15 cents for the corresponding quarter a year ago; while Net Asset Value per share was 101.1 cents compared to 100.8 cents as at 31 December 2017.

Working Capital and Cash Flow

The Group's financial position continues to remain healthy with cash balances amounting to S$41.5 million compared to S$46.2 million as at 31 December 2017.

The Group pared down its debts and its bank loans and borrowings declined to S$52 million as at 31 March 2018 from S$58 million as at 31 December 2017.

Inventory dipped slightly to S$23.9 million for the quarter compared to S$24.1 million as at 31 December 2017.

Trade receivables were lower at S$10.6 million compared to S$11.8 million as at 31 December 2017 as collection improved in the quarter under review. The trade receivables turnover period for the current quarter was 25 days against 28 days for the previous corresponding quarter.

Segmental Performance

Investment Division

The Investment Division continued to do well with a 32% increase in revenues to S$9.5 million compared to S$7.2 million for 1QFY2017. Segment operating result before valuation loss and share of losses from joint ventures was S$7.1 million in comparison to S$5.0 million in the corresponding quarter a year ago.

The Group received the bulk of the settlements from the Fortitude Valley project in Brisbane, Australia during the quarter. Further settlements are expected this month and the remainder during the year. The funds received will be deployed mainly for GemLife retirement housing projects.

The GemLife joint venture has started recognizing revenue from the Bribie Island retirement homes project in 4QFY2017 as buyers commenced moving into their properties. Stages 1 & 2 civil works are 100% completed with over 110 units sold, including 39 residents who have moved in to the resort. Meanwhile, Stage 1 civil works at Highfields was 100% completed with 24 out of 50 Stage 1 homes sold.

Marketing campaigns at the two newly acquired sites at Woodend and Lennox Head also received strong sales enquiries and a significant number of holding deposits. Woodend civil works has progressed well, with over 25 sales in place. Lennox Head has not yet received its Development Approval but now has over 70 deposits in place.

Lifestyle Division

The Lifestyle Division registered higher sales of S$30.9 million for the latest quarter, compared to S$29.7 million in the year-ago corresponding quarter.

The division cut its losses to S$0.1 million and is active in improving sales in its on-line as well as traditional channels and at the same time in discussion with suppliers to add new brands to strengthen the product portfolio, in China and Hong Kong. The team is very focused on growing the business and returning to profitability.

Looking Ahead

Mr. Natarajan Subramaniam, Independent Non-Executive Chairman of Thakral, said: "The Group has started the year on a positive note. We have stayed profitable with higher revenue and earnings as both our core businesses performed better. We are therefore pleased to propose an interim dividend for our shareholders as a reward for their support and loyalty.

The outlook for the Group's key markets remains sound although prospects could be clouded by challenges posed by the looming trade dispute between the US and China, the world's two largest economies."

Conditions in Australia's established housing market have cooled in recent months. Housing prices in Sydney have declined slightly. Conditions in Melbourne have eased following several years of strong price growth and conditions in most other capital cities remain subdued.[1]

While this trend could dampen real estate demand in Australia, Mr. Subramaniam highlighted growth opportunities for the Group. He said: "As home prices have begun to dip in all major Australian cities, including Sydney, banks are exercising caution on extending loans to developers. While this has impacted the number of buildings approved across the country, the tighter credit conditions provide additional opportunities for the Group's Investment Division to fund projects on possibly better terms."

Aside from Australia, the Group's other key markets such as China and Japan are forecast to continue positive growth trajectories.

China's economy remains healthy with an expected GDP growth of 6.5% in 2018[2] while the Organization for Economic Cooperation and Development (OECD) has raised its forecast for the Japanese economy for 2018 and 2019 – citing robust exports to Asia and the effect of a supplementary budget for fiscal 2017 which will help support Japan's economic growth. [3]

"The Group's Lifestyle business stands to benefit from the positive Chinese economic growth although we remain cautious of the impact of the ongoing trade differences between US and China on business and consumer sentiment," commented Mr. Subramaniam. "The improving Japanese economy should also continue to be favourable as real estate values are expected to improve – especially in Osaka where we have invested." [4]

Barring any unforeseen circumstances, the Group is optimistic of its outlook for 2018.

[1] *Source: Reserve Bank of Australia (RBA) – Statement on Monetary Policy, February 2018*
[2] *Source: Xinhua News – China sets 2018 GDP growth target at around 6.5 pct, 5 March 2018*
[3] *Source: Japan Times – OECD upgrades global and Japan growth outlooks for 2018 and 2019, 13 March 2018*

[4] *Source: Property Guru – Investors Looking Beyond Tokyo, 23 November 2017*

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 of such 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.

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, 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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