



## **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\$20.2 million on revenue of S\$157.1 million for FY2018**

- **Operating Profit rose 18% with improved contributions from its Investment Division and lower expenses**

*Singapore, 28 February 2019*

SGX Mainboard-listed Thakral Corporation Ltd (“Thakral” or the “Group”) remained profitable for FY2018 – reporting a net profit of S\$20.2 million for the financial year ended 31 December 2018 (FY2018), a 49% dip from S\$39.7 million in FY2017.

The previous year had included the extraordinary gain of S\$33.9 million from the disposal of the warehouse properties in Hong Kong. Excluding this one-off gain and related costs, the Group’s net profit for FY2018 was S\$20.2 million compared to S\$8.2 million in the previous year – an increase of some 146%.

Compared to the previous corresponding quarter in 2017, the Group’s net profit increased from S\$1.3 million to S\$13.0 million in the fourth quarter ended 31 December 2018 - due mainly to the share of profits (primarily valuation gain) from its associate and joint ventures in Japan and Australia.

Revenue for the full year edged up 3% to S\$157.1 million, from S\$153.2 million though it fell by 18% for the fourth quarter ended 31 December 2018 to S\$34.7 million from S\$42.2 million for the corresponding quarter a year ago mainly due to the impact of weakened consumer demand in China which is the primary market for the Group’s Lifestyle Division.

The Group’s gross profit for the full financial year rose by 4% to S\$51.7 million from S\$49.5 million a year ago. This was boosted by unrealised fair value gains of S\$5.3 million for property investments held under its subsidiary – Thakral Japan Properties Pte Ltd taken up as revenue upon adoption of SFRS (I) 9 accounting standard from 1 January 2018.

Consolidated gross profit for the final quarter ended 31 December 2018 came in at S\$14.5 million against the S\$17.2 million achieved in the previous corresponding quarter.

Profit from operations went up to S\$25.5 million for FY2018 from S\$21.6 million for the previous financial year which included the unrealised fair value gains mentioned above.

A valuation loss of S\$7.1 million was recognised on the GLNG houses in Gladstone, Australia for the year net of the gains recognised for investment properties in Singapore and China.

In view of the slower movement of goods, the Group made provisions for inventory impairment amounting to S\$1.5 million in the final quarter.

Higher marketing expenses from participation in beauty and wellness products trade shows in China, combined with higher staff costs from increased headcount and the salary increments granted during the year, resulted in increased distribution expenses for the year at S\$8.4 million as compared to S\$6.5 million in the previous year.

### **Earnings per Share and Net Asset Value per Share**

Net Asset Value per share as of 31 December 2018 remained steady at 100.98 cents compared to 100.8 cents as at 31 December 2017.

The Group's FY2018 earnings per share (EPS) weighed in at 7.1 cents, versus 28.85 cents in the previous year principally due to the one-off gain on disposal of the warehouse properties in Hong Kong. For the fourth quarter ended 31 December 2018, the Group's EPS increased to 3.86 cents from 1.17 cents in the previous corresponding quarter.

### **Working Capital and Cash flow**

Cash balances reduced by S\$34.7 million to S\$11.5 million as at 31 December 2018. The Group recorded a net cash outflow of S\$9.4 million from operating activities for the year compared to an outflow of S\$9.6 million in the previous year.

The net cash outflow from operating activities for the year was mainly from the movement in working capital components and net settlements of accrued interest on the repayment of certain loans.

### **Segmental Performance**

#### **Investment Division**

Revenue grew to S\$41.4 million for the year, up about 10% from S\$37.7 million in FY2017. Segment operating result, excluding valuation gains and losses in both years, went up to S\$34.0 million versus S\$25.6 million in the previous financial year.

#### **Australia**

The Grange project was completed in October and the Group recouped the principal and a part of the returns from this project with the remaining return expected to be

received by second quarter of 2019; while the Newstead project was completed in June 2018 and the Group continues to recoup its investment from settlements of the remaining units.

Construction on the Noosa Parkridge project is progressing well and the first settlements are expected in second quarter of 2019 while that of the Oxford Residences project in Sydney's Bondi Junction continues, with practical completion expected in June 2020.

Sales and settlements at the GemLife Bribie Island and GemLife Highfields retirement resorts projects are progressing well, with the community facilities at both projects completed in January 2019. Over 140 houses have now been occupied at both these projects.

Sales and operational works for the GemLife Maroochydore project commenced in the third and fourth quarter of 2018 respectively.

Development approval for the GemLife Lennox Head project is expected to be received in first quarter of 2019.

GemLife continues to review other land sites for acquisition.

### Japan

The overall demand for rental of the Group's properties in Japan remains strong with tightening of vacancy rates. Strong growth in rental revenues resulting in higher valuations on the Group's properties in Osaka is expected.

The Group had invested in four more properties in 2018, bringing the total portfolio to 10 properties in the city. Renovations for the recently acquired properties are underway. The construction of retail property in Namba will be completed in March 2019 and the tenant is expected to commence operations with rental income starting from mid-March.

### **Lifestyle**

The division maintained its revenue of S\$115.7 million for the current year as compared to S\$115.5 million previously. However, sales in the final quarter of the year fell due to weaker consumer demand in China resulting from market uncertainties from the trade dispute and other challenges facing China's domestic consumer sentiment.

Loss for the division widened to S\$5.7 million in FY2018 compared to S\$1.3 million in FY2017 primarily due to inventory provisions and higher marketing & promotional expenses incurred for brand launches.

During the year, the division had taken steps to expand its business by securing a joint venture with CurrentBody.com Limited, a leading global online retailer specialising in at-home beauty devices, which will enhance its presence in the e-

commerce space in China. A number of beauty brands in China were successfully launched during the year.

### **Going Forward**

Mr. Natarajan Subramaniam, Independent Non-Executive Chairman of Thakral, said: “The Group remained profitable despite significant headwinds in FY2018 and this is testimony to our resilience and the success of our strategy to diversify our markets to seize growth opportunities in new markets while reducing our exposure to single-market risks.”

Thakral’s main market in China is facing weaker growth from the ongoing trade dispute with the US while its other key market Australia is grappling with a slowdown in the housing market – especially in Sydney and Melbourne.

“In view of this, our Investment Division has been reducing focus on housing development projects for some time now and is concentrating on growing the GemLife retirement resorts business, which offers more stable longer-term prospects,” noted Mr. Subramaniam.

“We have also accelerated our investments in Japan with positive returns – especially in Osaka, which continues to enjoy strong growth and tightening of vacancy rates. The Group is looking to increase its property’s portfolio in this city and possibly also realise profits from one or two of our existing properties if our targeted price levels are achieved,” he added.

China’s economic expansion of 6.6% in 2018 was the slowest since 1990 and economists forecast it to slow further to about 6.2% growth in 2019 as the Sino-US trade has disrupted the Chinese trade sector and dampened both business and consumer confidence with slowing global demand posing a further overhang on the economy.

While the overall market conditions in China remain challenging, the Group’s Lifestyle Division will continue its efforts to return to profitability. It will build on the progress of its Beauty and Wellness products business in China, with opportunities to launch international fragrance brands in 2019 and 2020.

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### **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 ecommerce 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 Apple and 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 and Japan for the Investment Division.

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