



THAKRAL CORPORATION LTD

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

PRESS RELEASE

Thakral reports 68% rise in 1HFY2018 net profit of S\$6.3 million compared to 1HFY2017 on the back of 18% increase in revenue

Singapore, 2 August 2018 – SGX Mainboard-listed Thakral Corporation Ltd (“Thakral” or the “Group”) reported a net profit of S\$6.3 million for 1HFY2018, a 68% increase over the corresponding period last year.

This is on the back of strong revenue growth from both its core businesses. Sales went up 18% to reach S\$84.1 million for the first six months of FY2018 in contrast to S\$71.4 million in 1HFY2017.

On a quarterly basis, the Group’s net profit also improved by 64% to S\$2.9 million in 2QFY2018 against S\$1.8 million in 2QFY2017. Revenue in 2QFY2018 was S\$43.7 million up 27% from S\$34.5 million in 2QFY2017.

The Group’s net profit for 2QFY2018 remained fairly stable at S\$2.9 million compared to the net profit of S\$3.4 million in 1QFY2018 while Group revenue went up by about 8% to S\$43.7million in 2QFY2018 from S\$40.3 million in 1QFY2018.

The Group’s Investment Division continued to grow and achieved a revenue of S\$19.1 million for 1HFY2018, climbing 41% over the S\$13.5 million achieved in the same period last year. This includes a fair valuation gain of S\$1.0 million for the half year arising from the Japanese investments (which is taken up as revenue upon adoption of SFRS(I) 9 from 1 January 2018). The Lifestyle Division achieved sales of S\$65 million – up 12% from S\$57.8 million in 1HFY2017.

Operating profit for the Group rose by 40% to S\$12.6 million in 1HFY2018 from S\$9.0 million in 1HFY2017. Gross profit rose by 30% to S\$25.8 million after taking into consideration the fair value gain of S\$1.0 million mentioned above.

Earnings per Share and Net Asset Value per Share

Earnings per share increased to 1.29 cents for 2QFY2018 from 0.89 cent for the corresponding quarter a year ago; while Net Asset Value per share increased to 101.2 cents, compared to 100.8 cents as at 31 December 2017.

Working Capital and Cash flow

The Group’s financial position remains strong with cash balances of S\$20.1 million at the end of June 2018.

The Group reduced its total bank and other borrowings to S\$49.7 million as of 30 June 2018 from S\$58.0 million as at 31 December 2017.

Total debt instruments measured at fair value increased to S\$88.8 million from S\$79.8 million as of 31 December 2017 from the Group's investments in GemLife and other ongoing projects.

Segmental Performance

Investment Division

Australia

The Investment Division continues to perform well with a 41% increase in revenue to S\$19.1 million for 1HFY2018 compared to S\$13.5 million in the past corresponding period.

This division clocked in a steady flow of settlements from the completion of its projects in Australia in 1HFY2018. Some 97% of the Fortitude Valley project in Brisbane was settled by the end of the second quarter.

The division also runs a healthy pipeline of projects to provide the Group with a sustainable income stream.

Sales at the GemLife Bribie Island project are progressing well, with stage 3 civil works being completed and works for stage 4 commencing during the quarter. The Group saw an increase in deposits and contracted sales for the retirement houses.

Construction of the Newstead project is now complete while The Grange project is expected to be completed in 3QFY2018. The Group expects most of the payback of its investment for both the Newstead and Grange projects to be received in this year.

Construction on the new Parkridge Noosa project has taken off on the back of strong sales which has exceeded A\$86 million, with the first settlements expected in 1QFY2019.

Civil works at the GemLife Woodend project commenced in early July 2018 with the construction of its display village and first homes.

Development approval for the GemLife Lennox Head project is expected to be received in 3QFY2018 while operational works at the GemLife Maroochydore project shall commence at around the same time.

Japan

The investment in the Japanese properties is performing well and saw a fair valuation gain of S\$1.0 million for the half year. The two hotels and the two commercial buildings are fully occupied. The new Legal Itachibori office building is

approximately 70% occupied and renovation is expected to commence in 4QFY2019. This along with the signing on of new tenants should improve the market profile of this property. Construction of the Namba retail property has been contracted and is expected to commence soon.

The properties are well positioned as the overall market in Osaka is experiencing low vacancy rates with rentals on the rise and little new supply.

Lifestyle Division

The Lifestyle Division clocked in a 12% rise in revenue of S\$65 million in 1HFY2018 compared to S\$57.8 million for the previous corresponding period.

The division however reported a loss of S\$0.8 million for the first six months of FY2018 – mainly due to the clearance and write-down of inventories due to unexpected price declines for certain products.

This division also incurred higher staff costs while sales and marketing expenses increased during 2QFY2018 as it participated in the China Beauty Expo as well as staged its first runway event. Titled the Thakral Beauty Summit, the event held in Shanghai was a major platform to promote the Group's wellness and beauty products and garnered support from key dealers, the media and key brand representatives from Europe, USA and Asia. This milestone event was successfully broadcast to over 400,000 viewers with several million post-event views online.

Looking Ahead

Mr. Natarajan Subramaniam, Independent Non-Executive Chairman of Thakral, said: "The Group's robust performance in the first half of FY2018 once again shows we are heading in the right direction. We continued to grow revenue in both our core businesses and benefit from the strong pipeline of investment projects in Australia.

We need to be nimble but cautious as the global economy remains challenging due to the ongoing trade tensions between the US and its major allies and China. Regulatory, credit, economic and supply issues are at play to tighten supply and weaken demand in Australia, which will exert pressure on residential real estate.

For Thakral, the broader impact of the slowdown in housing prices in Australia may be limited as we intend to stay focused on retirement resorts via GemLife.

Australia continues to embrace the need for retirement housing options. According to information provided by the Property Council of Australia the population aged over 65 is growing at an unprecedented pace, with more than 3.7 million Australians aged 65 and over. This is driving increased demand for appropriate retirement housing developments.¹

The Group's GemLife retirement living projects will continue to be the Investment Division's platform for long-term growth. GemLife acquired a 23.8-ha site on 23 July

2018 to develop a further 200 homes as part of its Highfields project and continues to review other land sites for acquisition.

The Investment Division will continue to be selective over the development projects it undertakes.

With the completion of the acquisition of the entity holding The Riverwalk office property just after the end of the quarter, the division has also expanded its property investment footprint to Singapore.”

China, expected to bear the brunt of the fallout from the ongoing trade dispute with the US, is taking measures to limit its impact. According to Nomura, analysts expect Beijing to roll out more easing measures, both monetary and fiscal, to boost domestic demand and maintain stable growth. These measures which are likely to take effect in the second half of 2018 will include rate cuts, faster fiscal spending by the central and local government levels.²

Japan has seen a surge of activity in retail spending, hotel development and infrastructure investment. The Japanese government has also stepped up activity in financing the development of hotels in large cities, including Osaka where the Group has invested.

Japan is witnessing a historic tourism boom timed to coincide with the Tokyo Olympics in 2020. Japan welcomed 28.7 million tourists in 2017 – up from 10.4 million in 2013. Since hitting its original goal of 20 million visitors five years ahead of time – Japan has doubled its target number of visitors to 40 million by 2020.³

“In view of these trends, the Group will continue to scout for good market opportunities to drive growth but we will remain prudent in managing business risks amid volatile global economic conditions,” added Mr. Subramaniam.

¹Source: *Property Council of Australia – Housing for Australia’s ‘silver tsunami’ needs better planning*, 22 June 2018

²Source: *Nomura - China: More easing measures from Beijing to boost domestic growth*, 20 July 2018

³Source: *CNBC – Japan welcomed 20% more tourists in 2017 — and the number is growing*, 23 March 2018

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 recent 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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