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

PRESS RELEASE

Thakral declares a second interim dividend of 2 cents per share as Group reports net profit of S$9.5 million for the nine months ended 30 September 2019

Singapore, 7 November 2019 – SGX mainboard-listed Thakral Corporation Ltd ("Thakral" or the "Group") has declared a second interim dividend of 2 cents per share. This is to be paid out on 29 November 2019 after posting a net profit of S$9.5 million compared to S$7.2 million for the previous nine-month period.

The performance was achieved on revenue of S$78.1 million for 9MFY2019 against S$122.4 million achieved during the previous corresponding period.

The higher profit was due to valuation gain on the Japanese property investments (principally on the Nambanaka Thakral Building upon its completion and letting out), an increased share of profit from the Group's associate and joint venture companies and contributions from the sale of its office building in Osaka, which netted a gain of S$3.4 million.

On a quarterly basis, profit for the third quarter (3QFY2019) rose 4.2 times from last year to S$4.8 million on the back of stronger contributions from the Investment Division.

Revenue for 3QFY2019 was however 28% lower at S$27.7 million compared to S$38.3 million in 3QFY2018.

In the current quarter, the Group also trimmed overheads and reduced valuation loss from its GLNG properties in Australia.

Consolidated gross profit for the quarter improved 8% to S$12.0 million from S$11.1 million previously. Profit from operations for the latest quarter was better than the previous corresponding quarter by 63%.

Net Asset Value per Share and Earnings per Share

Net Asset Value per share as of 30 September 2019 increased to 101.85 cents, compared to 100.98 cents as at 31 December 2018 – after payment of dividend to shareholders during the quarter; while earnings per share ("EPS") for the current nine-month period rose to 3.42 cents compared to 3.24 cents for the nine months ended 30 September 2018.

On a quarterly basis, the Group's EPS improved to 1.31 cents from 0.17 cent in the previous corresponding period.

Working Capital and Cash flow

Cash balances increased to S$18.8 million as at the end of the third quarter from S$11.5 million as of 31 December 2018.

The Group recorded a net cash outflow from operating activities of S$10.9 million for the period mainly from the movement in working capital components and reduction of liabilities.

Total debt instruments were lower at S$50.8 million as at 30 September 2019 versus S$71.9 million on 31 December 2018. This reflects the net refinancing of the investments in GemLife during the latest quarter and the raising of cash to fund new GemLife projects as well as repayments to outside investors.

Financial assets measured at fair value increased to S$47.0 million as at 30 September 2019 from S$44.7 million as at 31 December 2018. This is due to the fair valuation gain on the investment and mainly the revaluation of the Nambanaka Thakral retail building in Osaka upon completion of construction and lease to a long-term tenant during the period.

The Group also reduced its borrowings (including lease liabilities) to S$46.9 million as at 30 September 2019 as against S$55.3 million as at 31 December 2018

Segmental Performance

Investment Division

The Investment Division reported revenue of S$22.5 million for 9MFY2019 compared to S$26.9 million in the corresponding period last year.

In terms of segment result, this division clocked in a profit of S$19.1 million – up from S$16.9 million in the same period last year. The improvement was due to the fair valuation of the Japanese investment mentioned above, contributions from its share of profit from associate and joint venture companies as well as lower valuation loss from its GLNG properties.

Australia

The Group continues to recoup its investment from settlements of the remaining Newstead project units. The remaining investment return from the Grange Residences project is expected to be received by 4QFY2019.

Construction on the Parkridge Noosa project is progressing well; settlements commenced in August 2019 and are ongoing.

Construction of The Oxford Residences project in Sydney's Bondi Junction continues, with practical completion expected by 3QFY2020.

GemLife has established itself as one of the leading operators in the resort style retirement living segment in Australia. Sales and settlements at the Bribie Island, Woodend and Highfields projects are progressing well. Construction of the community facilities at the GemLife Woodend project is underway and house sales are also progressing well.

Over 240 houses have now been occupied at these three projects. Sales of the GemLife Maroochy Quays (formerly GemLife Maroochydore) project are also satisfactory with construction of homes starting in 4QFY2019.

Sales for the newly acquired GemLife Pacific Paradise project have started and civil works are underway.

Development approval is awaited for the GemLife Lennox Head project.

In line with its overall expansion strategy, GemLife continues to review other land sites for acquisition.

Japan

Renovations are being carried out at various properties in Osaka with a view to improving rental returns on lease renewals. The Group remains on the lookout for additional properties to add to its portfolio.

Strong rental growth is expected to continue in Osaka because of the limited supply of new commercial space expected in 2019. Demand by businesses have seen properties outside the Central Business District picking up in value and revenue.

Osaka is also expected to benefit from forthcoming events such as the 2020 Olympics, the World Expo 2025 and a potential integrated resort development. A number of urban infrastructure projects including Osaka Metro and railway extension or new line should boost inbound tourism.

Lifestyle Division

Sales for the current period were lower at S$55.7 million versus S$95.5 million for the previous corresponding period due to difficult market conditions and unanticipated business factors.

As part of efforts to improve productivity and profitability, the Lifestyle Division continues to take steps to reduce its cost structure and manage its burn rate.

Inventory was reduced to improve cash flow in the coming months. This will enable the Lifestyle Division to re-invest resources to grow other brands and businesses to boost the value of its current portfolio and aggressively seek new brands/products.

The Group has for instance recently started distribution of L'Oréal's fragrance brand, Maison Margiela in mainland China and Hong Kong. Meanwhile plans are in the pipeline for the launch of several other fragrance brands, including Ralph Lauren and Diesel. It has also been developing the John Masters Organics brand in China.

In addition, strong channel relations with key customers such as Tmall, JD.com and Sephora will serve as popular high-traffic platforms for other brands seeking market access and growth in China and other Asian markets.

Looking Ahead

Mr. Natarajan Subramaniam, Independent Non-Executive Chairman and Lead Independent Director of Thakral, said: "The Group's improved performance reflects the success of our strategy to stay resilient amid challenging economic conditions. We have continued to deliver positive returns to our shareholders by declaring another interim dividend of 2 cents, the second this year. We look forward to continuing the practice to issue dividends twice yearly for our loyal shareholders.

Our strong portfolio of investments especially in Japan and Australia, which helped mitigate the impact of severe headwinds over the past months, will remain our key growth driver in the coming months. Our focus will be on growing sustainable income from our real estate investments. This division will expand its retirement resort business in Australia under GemLife to provide stable long-term returns. Our investments in Japan will also continue to provide good rental yields for us. We will stay alert to good opportunities for capital appreciation from our real estate investments to recycle our capital to reap improved returns for our shareholders."

Sentiment in the Australian housing market has improved since the middle of this year on uptick in buyer activities following three interest rate cuts, easier access to credit and revised housing tax policies.

The recovery in prices has been driven by Sydney and Melbourne with prices rising 3% in both cities in the past three months with further gains expected in the final quarter of the year. With new approvals for construction lagging the high volume of housing, this may lead to a renewed supply-demand imbalance in future.

While the Investment Division is focused on growing the GemLife business in Australia, it will also explore alternative real estate asset classes to grow the business and improve returns. The Group continues to review potential projects in residential and other market segments.

China's economy continued to expand although at a slower rate of 6 percent from July to September – its slowest rate in nearly three decades – in the wake of cooling domestic demand and a protracted trade dispute with the US.

While the demand for the Lifestyle Division's products will likely be impacted in the near term, the Group is mounting concerted efforts to achieve a turnaround to profitability.

Mr. Subramaniam added "We see the present growth strategy of the Lifestyle Division as at a reset point. We will reboot and focus on value creation through organic growth as well as possible acquisitions and joint ventures which should result in accretion of shareholder value over the longer term. We will also further exploit digital channels via our partnership with CurrentBody – one of UK's leading online distributors of beauty devices to grow our sales."

Ecommerce is a major driver of China's retail economy, with sales growing more than 30% in 2019 to reach $1.989 trillion. That means 35.3% of China's retail sales occur online – by far the highest rate in the world. By the end of this year, China will have 55.8% of all online retail sales globally.[1]

With its key strategies firmly in place, the Group remains prudent in managing business risks and is optimistic of staying profitable for FY2019.

About Thakral

Listed on the SGX Mainboard since December 1995, Thakral Corporation Ltd has two divisions – Investment Division and Lifestyle 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 e-commerce platforms as well as traditional retailers. The brands distributed by the Lifestyle Division include Panasonic, PMD, DermaWand, Philips, TriPollar, T3, Style Seat and Slendertone, skin and hair care brands John Masters Organics, Codage and Institut Karite Paris, fragrance brand Maison Margiela 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.

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[1] eMarketer Editors, "China to Surpass US in Total Retail Sales, Ecommerce exceeds 35% of China's retail sales – the highest in the world", 22 January 2019: https://www.emarketer.com/content/china-to-surpass-us-in-total-retail-sales

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