THAKRAL CORPORATION LTD

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

PRESS RELEASE

Thakral's Net Profit jumps 60% to S$26 million
Revenue grows by 42% to S$127.8 million for FY2021 over FY2020

- Group Net Asset Value per share rises to S$1.15 from S$1.13 in FY2020
- Group Earnings Per Share rises to 12.45 cents from 5 cents in FY2020
- All sectors report higher earnings compared to FY2020
- Second Interim Dividend of 2 cents per share

Singapore, 24 February 2022

SGX Mainboard-listed Thakral Corporation Ltd ("Thakral" or the "Group") delivered a sterling performance in FY2021 - capitalising on pandemic-driven market opportunities to drive growth and boost earnings.

For the financial year ended 31 December 2021 (FY2021), the Group's net profit grew by 60% to S$26 million compared to S$16.2 million in FY2020 with revenue surging 42% to S$127.8 million from S$90.1 million in FY2020. Profit attributable to shareholders rose substantially by 146% to reach S$16.1 million in FY2021 from S$6.5 million in FY2020.

In view of the Group's performance, the Group has proposed to reward shareholders with a second interim dividend of 2 cents per share - bringing the total dividend to 4 cents for FY2021.

Despite higher expenses and income taxes, the Group's bottom-line grew - benefiting from much stronger contributions from its associates and joint ventures, in particular, valuation gains from its investment properties as well as a robust turnaround of operations in its Lifestyle business segment.

The Group's Lifestyle business segment rebounded with a profit of S$1.9 million in FY2021 compared to a loss of S$4.3 million in FY2020. This profit turnaround included a fair value gain of S$0.9 million from its investment in e-commerce service provider Intrepid.

Share of profits from associates and joint ventures of S$27.6 million increased by 73 % from S$15.9 million in FY2020 and was mainly attributable to valuation gains on the underlying property assets.

Valuation gains from investment properties increased almost 4-fold to S$3.3 million from S$0.8 million in FY2020.

With improved demand for its houses in Gladstone Australia, the Group recorded a fair valuation uplift on these of S$2.3 million for the year. Its Riverwalk office property in Singapore also appreciated by S$1 million in FY2021.

Foreign exchange losses declined by 63% to S$0.16 million in FY2021 from S$0.42 million in FY2020.

For the six months ended 31 December 2021 (2HFY2021), the Group's net profit eased 21% to S$10.9 million from S$13.8 million registered in the corresponding period last year.

GemLife continues to do exceptionally well - benefiting from its product, location advantages, goodwill and public awareness generated by its quality product and facilities. Management's exceptional efforts to help residents to cope with the pandemic was well received by residents.

Its solid performance was also lifted by a buoyant residential market in Australia driven by buyers keen to unlock their wealth through downsizing and relocating to less congested locations[1].

Completed sales of houses at GemLife's five active resorts were more than a third higher than last year. Including net unrealised valuation uplifts on land, the Group's share of GemLife's profit was about S$17.3 million in FY2021, compared to S$6.4 million in FY2020.

The Group also posted positive returns from its investments in Japan. The sale of the Riverpoint Kitahama Building in Osaka in Q3FY2021 netted a gain of about S$2.5 million compared to the original acquisition cost. All the loans against the Japanese investment properties were refinanced in Q4FY2021.

The Group continued to renew and sign-up new lease rentals as valuations of most of the Group's office property investments in Japan improved in FY2021.

While the 3 hotel properties in Osaka remain affected by the travel restrictions imposed, valuations stayed relatively stable as the economy is expected to recover to its pre-COVID-19 peak level in Q3 2022[2].

Revenue for FY2021 and 2HFY2021 climbed 42% and 40% respectively to S$127.8 million and S$66 million respectively.

The sales surge was mainly due to the Lifestyle business which booked in a 62% rise in revenue to S$112.7 million in the year under review against S$69.4 million the year earlier. The revenue rise was attributed to higher sales of DJI products as well as stronger demand for the Group's fragrance products in FY2021.

[1] *Benefits can boom with rightsizing, the new downsizing*
https://www.afr.com/property/residential/benefits-can-boom-with-rightsizing-the-new-downsizing-20210629-p585c6
[2] *Japan Major Report - Japan Market Outlook 2022*
https://www.cbre.co.jp/en/research-reports/Japan-Major-Report---Japan-Market-Outlook-2022

The Group's Investment businesses saw lower revenues mainly due to construction delays for the completion of its Oxford Residences project in Sydney Australia.

Net Asset Value Per Share and Earnings Per Share

Net Asset Value of the Group per share as at 31 December 2021 edged up to S$1.15 from S$1.13 as at 31 December 2020.

The Group's FY2021 earnings per share more than doubled to 12.45 cents from 5 cents for FY2020.

Working Capital

Funds from its Japanese investments in Q4FY2021 as well as disposal gains from the Group's sale of its GLNG houses in Gladstone Australia helped improve the Group's cash balances as at 31 December 2021 to S$9.7 million from S$5.8 million as at 31 December 2020.

The Group's net cash outflow from operating activities rose to S$14 million for the current year compared to a net outflow of S$7.8 million in the previous year, due to net changes in working capital components.

Inventories also rose to S$14.7 million as at 31 December 2021 from S$8.3 million as at 31 December 2020, mainly due to the overall higher customer demand for DJI and fragrance products.

Segmental Performance of Core Businesses

The Group's core business segments showed notable improvement in FY2021.

Real Estate Investments

This business segment achieved revenues of S$15.1 million and segment result of S$38 million for the year ended 31 December 2021 respectively compared to S$20.7 million and S$32.2 million respectively in the previous year.

Australia

GemLife Joint Venture

The GemLife joint venture continues to deliver stellar results.

Sales and settlements at the Bribie Island, Highfields, Woodend, Maroochy Quays and the Pacific Paradise resorts are progressing well, with over 870 homes already occupied. Bribie Island has now completed all 404 homes, more than two years ahead of schedule.

Civil works of the final stages at Highfields and Woodend are underway with completion of the infrastructure required at those resorts, with only residential construction to commence. The clubhouse at Maroochy Quays was launched for the residents in September 2021, and civil works on the last stage is due to begin soon.

The Summer House at Pacific Paradise is now open and works are underway on Stage 2 of the resort. The first settlement at Palmwoods will be in Q1 2022, and house construction at Tweed Waters and Rainbow Beach will begin in the same quarter. Sales at all three resorts have been very strong with Tweed Waters almost sold out.

With the completion of the Sales & Experience Centre at Gold Coast, sales enquiries at this site have been strong and civil works have started in January 2022.

GemLife, a joint venture which the Group has with the Puljich family involving the development and management of over-50s lifestyle resorts in Australia, is currently exploring a number of potential expansion and growth opportunities including potentially a merger of its business with Living Gems, a company owned by the Puljich family operating a similar business. Whilst parties are still in preliminary discussions and there is no assurance that any firm agreement or understanding would be entered into, a merger of the businesses of GemLife and Living Gems could potentially make GemLife (together with Living Gems) one of the largest land lease operators in Australia. GemLife is looking to grow to more than 10,000 land lease homes across some 40 locations, including looking out for opportunities for sites outside Queensland, where most of its projects are located.

<u>Other Residential Projects</u>

The Group's other Australian property projects are progressing well. Almost all units at Parkridge Noosa have been settled and the Group has fully recouped its investment with partial returns received in Q4FY2021. The balance returns should be settled in FY2022.

Practical completion of the Oxford Residences in Sydney's Bondi Junction has been pushed back due to construction delays, including COVID-19 interruptions, but is expected by the end of Q1 2022. The delays have resulted in cost increases affecting the Group's returns for which provisions have been made in the FY2021 financial statements.

A number of Gladstone houses have been sold in FY2021 with prices and rentals continuing to improve from the previous year.

Construction of the Thornton Street project in Brisbane is well underway and on track for completion in July 2023.

The Group will remain selective in undertaking new potential projects in residential and other real estate segments to minimise market risks.

Japan

Japan's real estate sector is gradually recovering although office rentals remain soft.

Tenants are relatively slow in confirming lease renewals but lease renewals of office properties have seen some improvement in rates and valuations.

Japan's hospitality sector remains subdued as the Omicron variant has further disrupted the recovery of tourism as border restrictions continue in the country.

However, according to Savills Research & Consultancy, hotels saw some recovery in occupancy in the second half of 2021 and investment volumes in the hotel sector were on par with the previous year and are expected to increase in 2022[3].

Lifestyle in China and Hong Kong

The Lifestyle business segment returned to the black as revenue and profit stabilised.

Turnover was boosted by rising sales of DJI products after the appointment of the Group's Hong Kong subsidiary as an exclusive distributor for South Asia for commercial and consumer products. Based in Shenzhen, DJI is a leading global brand of civilian drones and creative camera technology.

The Group's fragrance products business also performed well with sales tripling from FY2020.

The Group continues to work with other brand-owners to beef up its portfolio of premium fragrance, beauty and lifestyle brands and drive scale.

The higher sales helped lift this segment to report a profit of S$1.9 million for FY2021 which included a fair value gain of S$0.9 million from e-commerce provider Intrepid.

Leveraging on the e-commerce boom brought on by the COVID-19 pandemic, the Group's joint venture with UK-based online beauty devices platform - CurrentBody - achieved breakeven on strong top-line growth in FY2021 - a year ahead of schedule.

Going Forward

Mr. Natarajan Subramaniam, Independent Non-Executive Chairman and Lead Independent Director of Thakral, said: "Our performance in FY2021 has been more than satisfactory - despite the challenges faced during the year. In spite of the pandemic which triggered major disruptions worldwide, the Group's earlier strategies have enabled it to grow both revenue and profits."

He added, "Our Lifestyle business was a beneficiary of market opportunities arising from the pandemic. Our distribution of innovative technologies such as drone and camera products in big markets such as South Asia has yielded positive results.

"We believe that the drone sector is going to play a major role for large mapping schemes, in the mining and agricultural sectors.

[3] *Japan Hospitality - February 2022*
https://www.savills.co.jp/research_articles/167577/205203-0

"To tap this immense market potential, the Group has made a small investment in a drone analytics, compliance and mission control start-up in India, Skylark Drones, to help grow the end-market by integrating drones into enterprise workflows across sectors.

"The Group's investments in e-commerce were also timely with both Intrepid and CurrentBody gaining significantly from the pandemic-driven online shopping boom."

In line with its vision to seek new growth trajectories with tech innovation, Thakral has also invested in a fintech company - Fraction. This Hong Kong-based firm, which operates a one-stop, full-service blockchain-based platform that enables fractionalized digital ownership, trading, and investment of any real-world asset, will provide an alternative channel for owners to monetise real estate assets while opening up access to this asset class by mass-market and small investors.

Commenting on the Group's outlook for real estate investments, Mr. Subramaniam said, "Our investments in Australia - particularly for GemLife which targets quality lifestyle resorts for the over 50s - have continued to perform well. We have also managed to gain from the residential real estate market in Australia which remained resilient despite the pandemic concerns."

"Going forward, the Group will focus on growing the GemLife retirement resorts business, which has been enjoying an upswing from favourable tailwinds."

In Japan, CBRE expects domestic consumption and production to rebound in Q4 2021, with the economy expecting to recover to its pre-COVID peak level in Q3 2022. Tenants are expected to become more active as the economy recovers. In many cities, the pace of the rise in vacancy is expected to lose momentum in 2022.

Investor appetite is likely to rise along with the normalization of the economy and continued loose monetary policy. In addition to continued strong purchasing in the logistics, residential, and office sectors, retail and hotel investments are set to gradually resume in 2022. Total investment in 2021 is estimated to be on par with the volume in 2020, which was up 11% from the previous year. Investment volume in 2022 is forecast to increase by about 10%[2].

While these trends augur well for 2022, the prevailing global health, economic and geopolitical risks as well as inflationary pressures together with interest rate movements could dampen recovery. The Group will therefore continue to stay nimble and prudent while managing potential risks ahead.

The Group maintains a cautious outlook for FY2022.

About Thakral

Thakral Corporation Ltd is listed on the SGX Mainboard since December 1995. The Group's core business today comprises a growing real estate investment portfolio in Australia, Japan and Singapore. Its investments in Australia include the development and management of over-50s lifestyle resorts under the GemLife brand, a joint venture with the Puljich family. Its Japanese investment portfolio comprises landmark commercial buildings and business hotels in Osaka, the country's second largest city. The Group also makes strategic investments in the digital economy, especially those in the blockchain and fintech space.

The Group's other investments include the management and marketing of leading beauty, wellness and lifestyle brands in China, Southeast Asia and India. It also operates an e-commerce retail platform for at-home beauty devices in China under a joint venture with UK-based CurrentBody.com Limited, the leading global at-home beauty device retailer.

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