



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\$2.4 million for 1HFY2020 and Declares Interim Dividend of 1 Cent Per Share

Singapore, 6 August 2020

SGX Mainboard-listed Thakral Corporation Ltd (“Thakral” or the “Group”) has maintained its profitable track record amid the economic downturn triggered by the coronavirus (COVID-19) pandemic, delivering a net profit of S\$2.4 million for the first half of the financial year 2020 (1HFY2020) against S\$4.7 million during the previous corresponding period.

The net profit came on the back of S\$43 million in total revenue which was down 15% on year due to the adverse effects from COVID-19 related lockdowns and closures in its various markets. The Group received various COVID-19 related subsidies amounting to around S\$0.4 million. As a token of appreciation to our loyal shareholders, the Board of Directors has declared an interim dividend of 1 cent per share to be paid on 27 August 2020.

The Group’s profits from operations benefitted from lower distribution and administration costs which included reduced staff headcount as well as a significant decline in expenses for advertising and promotion activities.

Net Asset Value per Share and Earnings per Share

Net asset value (NAV) per share as of 30 June 2020 rose 3.0% to 106.51 cents from 103.37 cents as of 31 December 2019.

The Group’s 1HFY2020 earnings per share slipped to 0.18 cent from 2.12 cents in 1HFY2019.

The dip in earnings per share was partly due to COVID-19 related lockdowns and business closures in most of the markets the group operates in. Apart from this, the reduction compared to the previous period can largely be attributed to the one-off gain on the disposal of the Thakral Building realised last year.

Working Capital

Cash balances increased to S\$11.6 million as at 30 June 2020 from S\$10.8 million on 31 December 2019.

Segmental Performance

Our core businesses

Our Investment Division continued to register profitable segment result of S\$8.9 million against S\$9.8 million in the previous period.

Revenue had softened by 16% mainly due to the shift in the investment portfolio and the timing of completion and settlements of residential projects in Australia. The demand for projects available for sale remained strong.

Australia

GemLife

The Group's joint venture in GemLife over-50s lifestyle resorts has established itself as one of the leading players in the resort style retirement living segment in Australia within just 4 years from inception. GemLife has demonstrated its resilience not only to the volatility of the broader residential property market in Australia but also to the current pandemic by achieving higher sales of houses compared to the prior period. Sales and settlements at the Bribie Island, Woodend, Highfields, Maroochy Quays and Pacific Paradise projects continue to progress well. While this is yet to be fully reflected in higher net profit due to additional overheads and finance costs incurred with business expansion, this should become apparent as settlements at more projects come on stream. Overall, 370 houses at these projects are now occupied with ongoing sales progressing well.

With the growth potential of retirement housing in Australia, GemLife is pressing on and has acquired land for four new projects bringing the total number to 10 resorts with options for further acquisition of various new sites to achieve its pipeline goal of 4,000 homes.

Other Residential Projects

The Group has now recouped all of its investments from the Grange project while the Newstead project is expected to be fully recouped in FY2020. Sales of stage 1 and stage 2 at the Parkridge Noosa project have done extremely well and settlements for stage 2 have commenced. The funds recouped from these projects will largely be recycled into the GemLife projects and new land acquisitions during the year.

Construction on the Oxford Residence project continues with completion expected by 1Q 2021.

The Group continues to review potential projects in residential and other market segments.

Japan

The Group completed the divestment of the Nambanaka Thakral Building in Osaka in March 2020. To conserve cash, all non-essential capital expenditure at properties in Osaka are kept on hold with renovations in 2H 2020 being undertaken only if they lead to improved leasing terms.

The supply of office space in Osaka continues to be tight. The CBD office market outperformed the COVID-19 downtrend in Asia during 2Q 2020. Vacancy rates remain steady at 0.5%.

The Group also saw improved rentals for renewals and signed on new tenants for the office properties. Existing plans to redevelop the newly acquired Umeda Pacific Building have been put on hold and the property will be renovated with new fixed leases to be signed on along with improved rentals on renewal of leases by existing tenants.

While the Group's office properties remained resilient, its hotel investments incurred rental arrears from all of its 3 operators. The Group is taking various measures to enable these hotel operators have some time to get their operations back to strength and achieve mutually-beneficial outcomes or find alternate use for the property. The Group is also persevering with its efforts to sell some of its hotel properties at the right price while continuing its search for niche properties for acquisition.

China and Hong Kong

The Lifestyle Division continued to trim its segment loss as sales for the current half-year fell 14% to S\$32.2 million compared to S\$37.6 million in the previous corresponding period. Segment loss was reduced to S\$2.8 million from S\$3.9 million after adjusting for a one-off gain on sale of an office building in Osaka.

As part of enhancing productivity and returning to profitability, the Lifestyle Division further cut its cost structure and cash burn rate.

During the pandemic, the Group leveraged on its vast supply chain network to source supplies for key personal protective equipment (PPE), such as masks thermometers and wipes, as part of our effort to assist our business partners in various countries to meet their needs.

Going Forward

Mr. Natarajan Subramaniam, Independent Non-Executive Chairman and Lead Independent Director of Thakral, said: "The Group's performance has held up during this period considering the challenging business conditions brought about by the pandemic. The International Monetary Fund (IMF) in its latest report expects the Australian economy to shrink by 4.5% in 2020 which is an improvement over the 6.7% contraction forecast in April. The overall real estate market in Australia is expected to remain soft¹.

In view of this, the Group will concentrate on growing its GemLife investments – as the demand for retirement homes remains resilient as Australia's demography ages."

The IMF has also forecast the Japanese economy to slump by 5.8 percent in 2020.

¹ Bloomberg, "RBA Saw Australian House Prices Falling 7% Over the Next Year", 17 June 2020: <https://www.bloomberg.com/news/articles/2020-06-17/rba-saw-australian-house-prices-falling-7-over-the-next-year>

Mr. Subramaniam added, “In spite of the weak economic forecast, the Investment Division maintains an optimistic view of its investments in Australia and Japan as these two markets are relatively stable and well-positioned to ride out the economic vagaries posed by the ongoing pandemic.”

“Our commercial properties in Japan are expected to maintain values due to low vacancy rates in office properties in Osaka. While the tourism sector has been severely affected by the virus outbreak resulting in significantly lower hotel occupancy, there are signs that Japan is likely to emerge as one of the more attractive safe-haven investment destinations for global investors in the second half of 2020. We are nonetheless mindful of the economic challenges and will keep a close watch on market conditions.

The Group expects the general business environment in all our key markets to remain bumpy in FY2020 as uncertainties rise due to the resurgence of COVID-19 cases across the world as well as the escalating US-China trade and political tensions. Bearing that in mind, the Group will continue to be prudent but stay vigilant to potential growth opportunities to increase shareholders’ value.”

Given the prevailing global and regional uncertainties, the Group is cautiously optimistic of its outlook in FY2020.

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’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, in a joint venture with UK’s leading at-home beauty devices online specialist retailer, CurrentBody.com Limited.

*Release issued on behalf of Thakral Corporation Ltd
by Stratagem Consultants Pte Ltd*

For more information, please contact:

Ms Tham Moon Yee:	tmy@stratagemconsultants.com
Mr Soh Tiang Keng:	tksoh@stratagemconsultants.com
Mr Asri Bamadhaj:	asri@stratagemconsultants.com

Tel: (65) 6227 0502