



Financial Statements Announcement for the Half Year ended 30 June 2020

PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR ANNOUNCEMENTS

1(a) An income statement and statement of comprehensive income, or a statement of comprehensive income, for the group, together with a comparative statement for the corresponding period of the immediately preceding financial year.

These figures have not been audited.

	Note	Group		
		S\$000		%
		Six months ended		Increase / (Decrease)
		30 Jun 2020	30 Jun 2019	
Revenue	1	43,019	50,438	(15)
Cost of sales		(29,289)	(33,122)	(12)
Gross profit	1	13,730	17,316	(21)
Other operating income	2	324	30	NM
Distribution costs	3	(2,351)	(4,421)	(47)
Administration expenses	4	(6,674)	(8,474)	(21)
Other operating expenses	5	(231)	(272)	(15)
Profit from operations		4,798	4,179	15
Gain on disposal of freehold land and building	6	-	3,460	(100)
Valuation losses on investment properties	7	-	(1,571)	(100)
Finance income	8	46	86	(47)
Finance costs	9	(1,097)	(2,044)	(46)
Foreign exchange (loss) gain	10	(244)	173	NM
Share of (loss) profit of associates and joint ventures	11	(136)	1,445	NM
Profit before income tax		3,367	5,728	(41)
Income tax	12	(924)	(988)	(6)
Profit for the period		2,443	4,740	(48)
Profit attributable to:				
Equity holders of the Company		241	2,768	(91)
Non-controlling interests		2,202	1,972	12
		2,443	4,740	(48)

NM – Not meaningful

	Note	S\$'000		%
		Six months ended		Increase / (Decrease)
		30 Jun 2020	30 Jun 2019	
Profit for the period		2,443	4,740	(48)
Other comprehensive income (loss)				
<i>Items that may be reclassified subsequently to profit or loss</i>				
Translation gain (loss) arising on consolidation	13	6,112	(446)	NM
Other comprehensive income (loss) for the period, net of tax		6,112	(446)	NM
Total comprehensive income for the period		8,555	4,294	99
<u>Total comprehensive income attributable to:</u>				
Equity holders of the Company		4,092	2,235	83
Non-controlling interests		4,463	2,059	117
		8,555	4,294	99

Notes to the Consolidated Income Statement and Consolidated Statement of Comprehensive Income:

Note 1:

Consolidated revenue for the current period declined by 15% to S\$43.0 million for the 6 months ended 30 June 2020 compared to S\$50.4 million achieved in the previous corresponding period. Sales of the Group's products were adversely affected by the COVID-19-related lockdowns and closures in its various export markets. The Investment Division achieved revenues of S\$10.9 million for the current half-year as against S\$12.9 million in the previous corresponding period. The revenue reduction was principally due to the changes in product mix as well as timing of completion and settlements of our Australian projects.

Revenue includes investment income of S\$7.4 million (6 months ended 30 Jun 19: S\$6.8 million).

Consolidated gross profit for the period was S\$13.7 million compared to S\$17.3 million achieved in the previous corresponding period.

Note 2:

Other operating income comprises:

Government subsidies
Net gain on disposal of investment properties
Others
Total

S\$'000		% Increase / (Decrease)
Six months ended		
30 Jun 2020	30 Jun 2019	
181	4	NM
120	-	NM
23	26	(12)
324	30	NM

- Government subsidies in the current period represent a tax refund in China along with certain COVID-19 related subsidies in other jurisdictions.
- The gain on disposal of investment property arose on the GLNG houses sold in Gladstone.

Notes to the Consolidated Income Statement and Consolidated Statement of Comprehensive Income:Note 3:

Distribution costs comprise:

	S\$'000		%
	Six months ended		Increase /
	30 Jun 2020	30 Jun 2019	(Decrease)
Staff costs	(1,095)	(1,974)	(45)
Advertising & promotion	(317)	(1,293)	(75)
Transportation	(327)	(384)	(15)
Travelling expenses	(53)	(128)	(59)
Others	(559)	(642)	(13)
Total	(2,351)	(4,421)	(47)

- Lower Staff costs were mainly as a result of the rationalisation of headcount made as part of an exercise carried out in the Lifestyle Division in late-2019 and early-2020.
- Marketing activities were reduced as a result of business disruption due to the coronavirus.
- Transport costs decreased with staff concentrating on sales in their local areas as well as from the lower sales volumes.
- Others include depreciation charged (in accordance with SFRS(I) 16 Leases) on right-of-use assets for the leased warehouse. The reduction in others is mainly due to lower storage expenses.

Note 4:

Administration expenses comprise:

	S\$'000		%
	Six months ended		Increase /
	30 Jun 2020	30 Jun 2019	(Decrease)
Staff costs (including executive directors)	(4,323)	(4,805)	(10)
Directors' fees	(335)	(284)	18
Professional fees	(628)	(1,404)	(55)
Depreciation on right-of use assets / rent & rates - office premises	(507)	(478)	6
Travelling expenses	(96)	(268)	(64)
Insurance	(129)	(146)	(12)
Bad debt recovered	46	-	NM
Allowance for doubtful debts	(3)	(51)	(94)
Others	(699)	(1,038)	(33)
Total	(6,674)	(8,474)	(21)

- Overall Staff costs declined in comparison to last year in view of reduced headcount and certain COVID-19 related subsidies received in some jurisdictions.
- Directors' fees increased with the appointment of an additional director. The fees were approved by shareholders at the Annual General Meeting held in June 2020.
- Project related legal fees in Australia were lower in the current period. Substantial professional fees had been incurred in 2019 in relation to the partial share offer.
- The spread of the COVID-19 virus and resultant travel restrictions curtailed travel.
- Certain scheduled recoveries were received from a customer whose debts had previously been written off.
- Reduction in Other costs was primarily due to donations to charities and recruitment expenses in the previous year that were not incurred in the current period.

Notes to the Consolidated Income Statement and Consolidated Statement of Comprehensive Income:

Note 5:

Other operating expenses comprise:

Depreciation on property, plant and equipment
Loss on disposal of investment properties (Note 2)
Total

S\$'000		% Increase / (Decrease)
Six months ended		
30 Jun 2020	30 Jun 2019	
(231)	(262)	(12)
-	(10)	NM
(231)	(272)	(15)

- i. Depreciation on property, plant and equipment decreased mainly due to certain assets having been fully written off.

Note 6:

The Group had sold its office building in Osaka for a net gain of S\$3.5 million in the previous period.

Note 7:

The Group had recognised valuation losses on realisation of rentals at the GLNG houses in Australia in the previous period.

Note 8:

Finance income had included the settlement of interest on a long-term deposit by a bank in China in the previous period which was not repeated this year.

Note 9:

Finance costs reduced in view of the lower level of borrowings compared to the previous year.

Note 10:

Foreign exchange translation loss for the period arose from the translation of monetary assets and liabilities, denominated in foreign currencies, outstanding as at the end of the period.

Note 11:

The share of loss from associates and joint ventures arose mainly from the Group's Japanese property investments under Thakral Umeda Properties Pte Ltd as well as the joint venture with CurrentBody.

Note 12:

Income tax for the period mainly relates to the withholding tax on the income from Investment Division projects and the distributions declared by the Japanese property holding vehicles, the deferred tax on the fair value gain on the financial assets measured at fair value through income statement as well as the share of profit of associate.

Note 13:

The unrealised translation gain for the period arose from the retranslation of the investments and net assets of overseas subsidiaries denominated in foreign currencies on their strengthening against the SGD.

1(b)(i) A statement of financial position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.

	Note	Group (S\$ '000) as at		Company (S\$ '000) as at	
		30 Jun 2020	31 Dec 2019	30 Jun 2020	31 Dec 2019
ASSETS					
Current assets					
Cash and bank balances	1	11,628	10,822	354	383
Trade receivables	2	10,953	8,493	-	-
Other receivables and prepayments	3	4,161	6,026	55	80
Debt instruments measured at fair value through income statement	4	39,160	35,193	-	-
Inventories	5	9,495	9,647	-	-
Total current assets		75,397	70,181	409	463
Non-current assets					
Other receivables	3	10,987	5,809	-	-
Debt instruments measured at fair value through income statement / amortised cost	4	31,867	19,540	-	-
Property, plant and equipment		1,848	1,879	25	27
Right-of-use assets	6	1,491	1,947	41	61
Investment properties		60,271	62,268	-	-
Subsidiary corporations		-	-	110,875	111,204
Joint ventures	7	10,034	9,576	-	-
Associates	8	64,252	61,337	-	-
Financial assets measured at fair value through income statement	9	43,365	46,120	-	-
Total non-current assets		224,115	208,476	110,941	111,292
Total assets		299,512	278,657	111,350	111,755
LIABILITIES AND EQUITY					
Current liabilities					
Trade and bills payables	10	2,177	3,498	-	-
Trust receipts	10	13,361	10,268	-	-
Bank and other borrowings	11	25,901	21,487	313	178
Lease liabilities	6	1,017	1,319	43	42
Other payables	12	10,666	12,488	353	562
Provisions		2,751	2,999	52	52
Income tax payable		1,444	1,898	-	-
Total current liabilities		57,317	53,957	761	834
Non-current liabilities					
Amount owing to subsidiary corporations		-	-	10,858	12,515
Bank and other borrowings	11	20,321	12,417	4,687	-
Lease liabilities	6	408	547	-	20
Deferred tax liability		14,710	13,544	-	-
Total non-current liabilities		35,439	26,508	15,545	12,535
Total liabilities		92,756	80,465	16,306	13,369
Capital, reserves and non-controlling interests					
Issued capital		72,579	72,579	72,579	72,579
Reserves		66,795	62,696	22,465	25,807
Equity attributable to equity holders of the Company		139,374	135,275	95,044	98,386
Non-controlling interests		67,382	62,917	-	-
Total equity		206,756	198,192	95,044	98,386
Total liabilities and equity		299,512	278,657	111,350	111,755

1(b)(ii) Aggregate amount of group's borrowings and debt securities

Amount repayable in one year or less, or on demand

As at 30 June 2020		As at 31 December 2019	
Secured *	Unsecured	Secured *	Unsecured
S\$ 36,145,000	S\$ 4,134,000	S\$ 31,003,000	S\$ 2,071,000

* Included trust receipts and lease liabilities

Please also see note 11 on page 9

Details of any collaterals

Charges over property in Singapore; pledged bank deposits of S\$2.5 million; corporate guarantees by the Company and certain subsidiary corporations

Mortgages over the land owned by certain Australian subsidiaries in Gladstone, general fixed and floating charges over the assets of these subsidiaries as well as the subsidiaries that lease the residential properties to the lessees

Lease liabilities are considered to be secured by the underlying leased assets

Amount repayable after one year

As at 30 June 2020		As at 31 December 2019	
Secured *	Unsecured	Secured	Unsecured
S\$ 16,041,000	S\$ 4,688,000	S\$ 12,964,000	-

* Included lease liabilities

Please also see note 11 on page 9

Details of any collaterals

Charges over property in Singapore; Company's corporate guarantee

Mortgages over the land owned by certain Australian subsidiaries in Gladstone, general fixed and floating charges over the assets of these subsidiaries as well as the subsidiaries that lease the residential properties to the lessees

Lease liabilities are considered to be secured by the underlying leased assets

1(c) A statement of cash flows (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

(S\$ '000)

Note

	Six months ended	
	30 Jun 2020	30 Jun 2019
OPERATING ACTIVITIES		
Profit before income tax	3,367	5,728
Adjustments for:		
Depreciation expenses	935	1,044
Share of loss (profit) of associates and joint ventures	136	(1,445)
Dividend income from financial assets measured at FVTIS	(7,005)	(545)
Fair value gain on debt instruments	(5,075)	(6,110)
Fair value loss (gain) on financial assets	4,696	(114)
Interest expense	1,097	2,044
Interest income	(46)	(86)
(Gain) loss on disposal of investment properties	(120)	10
Loss (gain) on disposal of property, plant and equipment	33	(3,460)
Valuation losses on investment properties, net	-	1,571
Net unrealised foreign exchange gain	(38)	(188)
Share-based payment expenses	9	9
Provision for employee benefits	149	162
Allowance for inventories	730	596
Impairment loss recognised on trade receivables	3	10
Impairment loss recognised on other receivables	-	41
Operating cash flows before movements in working capital	(1,129)	(733)
Trade receivables	(2,159)	(27)
Other receivables and prepayments	3,919	(1,355)
Inventories	(298)	7,255
Trade and bills payables	(1,454)	(2,026)
Other payables and provisions	(2,635)	(3,266)
Cash used in operations	(3,756)	(152)
Income tax paid	(774)	(182)
Interest paid	(1,085)	(1,675)
Interest received	37	122
Net cash used in operating activities	(5,578)	(1,887)
INVESTING ACTIVITIES		
Additions to property, plant and equipment	(204)	(162)
Investments in associates	-	(8,000)
Investments in joint ventures	(743)	(138)
Proceeds from disposal of financial assets measured at FVTIS	-	4,452
Repayments of debt instruments measured at FVTIS	725	9,249
Additions to debt instruments measured at FVTIS	(10,287)	(13,733)
Proceeds from disposal of investment properties	2,806	277
Net cash used in investing activities	(7,703)	(8,055)
FINANCING ACTIVITIES		
Cash contributions from non-controlling shareholders in subsidiary corporations	-	3,192
(Increase) decrease in fixed deposits with maturities exceeding three months	(96)	1
Decrease in pledged fixed deposits	390	281
Increase (decrease) in trust receipts	2,758	(1,963)
(Decrease) increase in factoring loan	(187)	384
Repayments of lease liabilities	(686)	(896)
Increase in other loans	1,659	15,444
Repayments of other loans	(18)	(10,389)
Loans from banks	13,221	1,664
Repayments of bank loans	(2,924)	(2,215)
Net cash generated from financing activities	14,117	5,503
Net increase (decrease) in cash and cash equivalents	836	(4,439)
Cash and cash equivalents at beginning of period	7,906	8,688
Net effect of exchange rate changes in the balance of cash held in foreign currencies	172	(34)
Cash and cash equivalents at end of period	8,914	4,215
Cash and cash equivalents were represented by:-		
Fixed deposits with maturities less than 3 months, cash and bank balances	8,914	4,215
	8,914	4,215

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Notes to the Statements of Financial Position and Consolidated Statement of Cash Flows:Note 1:

Cash and bank balances are comprised of:

	<u>30-Jun-20</u>	<u>31-Dec-19</u>
Cash and cash equivalents	S\$8.9 million	S\$7.9 million
Fixed deposits with maturities exceeding three months	S\$0.2 million	S\$0.1 million
Fixed deposits that have been pledged to banks against trust receipts and factoring loan	S\$2.5 million	S\$2.8 million
Total	<u>S\$11.6 million</u>	<u>S\$10.8 million</u>

Note 2:

Trade receivables increased compared to those as at 31 December 2019 mainly due to the higher level of sales in the month of June 2020.

Included in trade receivables is an amount of S\$0.8 million (31 Dec 19: S\$1.0 million) which was factored to a bank on a full recourse basis. The cash received from the factoring is included as bank borrowings (Note 11).

Note 3:

Aggregate other receivables as at 30 June 2020 increased compared to 31 December 2019 primarily due to a dividend receivable by the Group from a Japanese investment holding entity.

Note 4:

The increase in aggregate debt instruments measured at fair value through income statement / amortised costs reflects the net additional investments in the GemLife joint venture as well as interest accruals on the various projects. Of the total of S\$71.0 million (31 Dec 19: S\$54.7 million) as at 30 June 2020, debt instruments due by the GemLife joint venture entities amount to S\$22.3 million (31 Dec 19: S\$10.9 million).

Note 5:

Inventories as at 30 June 2020 remained about level with those as at 31 December 2019. Allowance for inventory of S\$0.7 million (6 months ended 30 Jun 19: S\$0.6 million) was made during the period.

Note 6:

Right-of-use (ROU) assets represent the Group's right to use an asset over the life of the relevant lease. Lease liabilities are the amounts payable on such leases, segregated into current and non-current portions. The reductions in ROU assets and lease liabilities were due to depreciation charged and repayments made during the period respectively.

Note 7:

This mainly represents the Group's interest in the joint venture entities for the GemLife retirement housing business.

Note 8:

This represents the Group's investment in commercial properties and hotel building in Japan through pooled investment structures that are accounted for as associates by the Group in view of its significant influence over the entities. This includes the share of profit of the entities.

Note 9:

This represents the Group's investments in commercial properties and hotel buildings in Japan through pooled investment structures which are accounted for as financial assets measured at fair value through income statement. The reduction is due to the declaration of a dividend by the relevant holding entity to the Group during the current period from the gain realised on the sale of the Nambanaka Thakral Building which is carried as non-current other receivables.

Note 10:

Aggregate trade and bills payable and trust receipts were higher due to the use of increased trade finance facilities arranged by the Group for ensuring availability of liquidity for its operations.

Notes to the Statements of Financial Position and Consolidated Statement of Cash Flows:Note 11:

Aggregate borrowings (including lease liabilities) as at 30 June 2020 increased compared to 31 December 2019 in view of additional funding taken in Australia for projects and a new 5-year term loan taken under the Singapore Government's Temporary Bridging Loan Programme taken to ensure availability of liquidity during these uncertain times.

Note 12:

Other payables reduced due to the absence of advance rentals on the GLNG houses as well as reduced advances from customers.

1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year

STATEMENT OF CHANGES IN EQUITY

Six months ended 30 June 2020

S\$'000

Group**Balance at 1 Jan 2020**

Total comprehensive income for the period

Profit for the period

Other comprehensive income for the period

Transactions with owners, recognised directly in equity

Recognition of share-based payments of a subsidiary corporation

Balance at 30 Jun 2020

	Issued capital	Capital reserve	Asset revaluation reserve	Options reserve	Foreign currency translation reserve	Retained earnings	Equity attributable to equity holders of the Company	Non-controlling interests	Total
Balance at 1 Jan 2020	72,579	(9,084)	763	16	(7,648)	78,649	135,275	62,917	198,192
Total comprehensive income for the period									
Profit for the period	-	-	-	-	-	241	241	2,202	2,443
Other comprehensive income for the period	-	-	-	-	3,851	-	3,851	2,261	6,112
	-	-	-	-	3,851	241	4,092	4,463	8,555
Transactions with owners, recognised directly in equity									
Recognition of share-based payments of a subsidiary corporation	-	-	-	7	-	-	7	2	9
Balance at 30 Jun 2020	72,579	(9,084)	763	23	(3,797)	78,890	139,374	67,382	206,756

THAKRAL CORPORATION LTD AND SUBSIDIARIES

Six months ended 30 June 2019

S\$'000

Group
Balance at 1 Jan 2019

Total comprehensive income for the period

Profit for the period

Other comprehensive (loss) income for the period

Transactions with owners, recognised directly in equity

Recognition of share-based payments of a subsidiary corporation

Cash contributions from non-controlling shareholders in a subsidiary corporation

Balance at 30 Jun 2019

	Issued capital	Capital reserve	Asset revaluation reserve	Options reserve	Foreign currency translation reserve	Retained earnings	Equity attributable to equity holders of the Company	Non-controlling interests	Total
Balance at 1 Jan 2019	72,579	(9,084)	296	2	(6,489)	74,805	132,109	49,606	181,715
Total comprehensive income for the period									
Profit for the period	-	-	-	-	-	2,768	2,768	1,972	4,740
Other comprehensive (loss) income for the period	-	-	-	-	(533)	-	(533)	87	(446)
	-	-	-	-	(533)	2,768	2,235	2,059	4,294
Transactions with owners, recognised directly in equity									
Recognition of share-based payments of a subsidiary corporation	-	-	-	7	-	-	7	2	9
Cash contributions from non-controlling shareholders in a subsidiary corporation	-	-	-	-	-	-	-	3,192	3,192
Balance at 30 Jun 2019	72,579	(9,084)	296	9	(7,022)	77,573	134,351	54,859	189,210

Six months ended 30 June 2020

S\$'000

Company
Balance as at 1 Jan 2020

Loss for the period, representing total comprehensive loss for the period

Balance as at 30 Jun 2020

Issued capital	Retained earnings	Total
72,579	25,807	98,386
-	(3,342)	(3,342)
72,579	22,465	95,044

Six months ended 30 June 2019

S\$'000

Company
Balance as at 1 Jan 2019

Profit for the period, representing total comprehensive income for the period

Balance as at 30 Jun 2019

Issued capital	Retained earnings	Total
72,579	32,645	105,224
-	340	340
72,579	32,985	105,564

1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, subdivision, consolidation, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State the number of shares that may be issued on conversion of all the outstanding convertibles, if any, against the total number of issued shares excluding treasury shares and subsidiary holdings of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year. State also the number of shares held as treasury shares and the number of subsidiary holdings, if any, and the percentage of the aggregate number of treasury shares and subsidiary holdings held against the total number of shares outstanding in a class that is listed as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

The Company did not have any outstanding convertibles or treasury shares as at 30 June 2020 and 31 December 2019.

The Company does not have any share option scheme currently in effect.

The outstanding share options under the Thakral Capital Holdings Pte Ltd Employees' Share Option Scheme were 78,300 as at 30 June 2020 and 31 December 2019; the options are not exercisable until 1 November 2021.

1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.

The total number of issued shares was 130,860,616 as at 30 June 2020 and 31 December 2019.

1(d)(iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.

Not applicable.

1(d)(v) A statement showing all sales, transfers, disposal, cancellation and/or use of subsidiary holdings as at the end of the current financial period reported on.

Not applicable.

2. Whether the figures have been audited or reviewed and in accordance with which auditing standard or practice.

These figures have not been audited or reviewed.

3. Where the figures have been audited or reviewed, the auditors' report (including any modifications or emphasis of a matter).

Not applicable.

4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.

Except as disclosed in item 5 below, the Group has applied the same accounting policies and methods of computation in the financial statements for the current financial period as those of the audited financial statements for the year ended 31 December 2019.

5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.

On 1 January 2020, the Group adopted all the SFRS(I) pronouncements that are effective from that date and are relevant to its operations. The Group was mainly affected by the following:-

Amendments to SFRS(I) 1-1	<i>Presentation of Financial Statements</i>
Amendments to SFRS(I) 1-8	<i>Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Material</i>
Amendments to SFRS(I) 3	<i>Business Combinations: Definition of a Business</i>
Amendments to References to the Conceptual Framework in SFRS(I) Standards	

The adoption of the above does not result in significant changes to the Group and Company's accounting policies and has no material effect on the amounts reported for the current period.

6. Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.

	Six months ended 30 Jun 2020	Six months ended 30 Jun 2019
(i) Based on the weighted average number of ordinary shares on issue	0.18 cent	2.12 cents
(ii) On a fully diluted basis	0.18 cent	2.12 cents

Basic earnings per share and diluted earnings per share are computed on the profit for the above periods after taxation and deduction of non-controlling interests divided by 130,860,616 being the adjusted weighted average number of shares in issue during the periods ended 30 June 2020 and 30 June 2019.

7. Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the (a) current financial period reported on; and (b) immediately preceding financial year.

	As at 30 Jun 2020	As at 31 Dec 2019
Group	106.51 cents	103.37 cents
Company	72.63 cents	75.18 cents

8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of (a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and (b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.

Review – Six months ended 30 June 2020

Revenue & Profitability

Notwithstanding the debilitating impact of the COVID-19 virus on commercial activity around the world, the Group managed to remain profitable for the half year ended 30 June 2020. Consolidated net profit for the six months ended 30 June 2020 came in at S\$2.4 million (before non-controlling interests) compared to S\$4.7 million achieved for the previous corresponding period which had also included the one-off gain of S\$3.5 million from the disposal of the Thakral Building in Osaka. With sales of the Group's products adversely affected by the lockdowns and closures in local as well various

export markets, consolidated revenue for the period declined by 15% to S\$43.0 million for the period compared to S\$50.4 million achieved in the prior corresponding period.

The Board has declared an interim dividend of 1 cent per share, which shall be paid on 27 August 2020.

The Group's joint venture in retirement living, GemLife, 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. Positioned as lifestyle resorts, the management rapidly rolled out a number of initiatives to support its resident communities in coping with the epidemic, including free meal deliveries, private sales appointments, temporary closure of communal facilities and virus-related bulletins. These helped the operating resorts avoid infection and achieve steady sales across all projects. House prices even reached a new high at the Bribie Island resort during this period. 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.

The office properties in Japan continue to see tenants renewing at higher rents and the majority of rents paid on time, but there are also a small number of tenants downsizing or vacating premises in the current environment. The limited new and existing supply in the market enable these to be re-leased with limited down-time. Travel and border restrictions, however, have had an impact on the three hotels in Osaka with rent in arrears from all three and one of them entering civil rehabilitation proceedings. Negotiations are on-going with each of the operators and alternate use of these properties is also being reviewed to ensure uninterrupted income.

Consolidated gross profit for the period declined by 21% to S\$13.7 million compared to S\$17.3 million achieved in the previous corresponding period.

The Group has been gradually disposing of its houses at Gladstone, Australia, with nine being sold in the first six months, realising a small profit.

Net Finance costs for the current period reduced by about 46% to S\$1.1 million from S\$2.0 million in the previous corresponding period.

Expenses

Distribution expenses reduced 47% to S\$2.4 million for the current period compared to S\$4.4 million incurred in the previous corresponding period mainly from the rationalisation of manpower at the Lifestyle Division as well as reduced advertising and marketing expenses in view of the overall business disruption from the coronavirus. This includes various COVID-19 related subsidies amounting to S\$0.1 million.

Administration expenses also reduced by 18% to S\$6.9 million, after adjusting for about S\$0.3 million of various COVID-19 related subsidies received by the Group, compared to S\$8.5 million in the previous corresponding period

Foreign exchange loss of S\$0.2 million in the current period arose mainly from the translation of foreign currency denominated assets and liabilities outstanding as at the end of the period compared to a gain of S\$0.2 million in the previous corresponding period.

The Group also recognised share of loss of S\$0.1 million for the latest period from associates and joint ventures compared to profits of S\$1.4 million in the previous period. The losses have arisen principally because of leases being allowed to be terminated with the plans to redevelop the newly acquired Umeda Pacific Building and the joint-venture with CurrentBody still at a nascent stage and revenue unable to fully cover costs. With the change in circumstances, the

redevelopment of the Umeda Pacific Building is being reviewed as detailed below.

Income tax charge of S\$0.9 million in the current period, compared to S\$1.0 million incurred in the previous corresponding period, arises mainly from the withholding tax accrued on the income from Australian and Japanese investments.

Statement of Financial Position and Cash Flow

Inventories of S\$9.5 million as at 30 June 2020 were about level with S\$9.4 million as at 31 December 2019. The inventory turnover period for the six months was 59 days against 111 days in the previous corresponding period.

Trade receivables as at 30 June 2020 increased to S\$11.0 million from S\$8.5 million as at 31 December 2019. The trade receivables turnover period for the current period was 41 days against 36 days for the prior period. Aggregate other receivables as at 30 June 2020 increased to S\$15.1 million from S\$11.8 million as at 31 December 2019 primarily because of dividend receivable by the Group from a Japanese investment holding entity.

Aggregate debt instruments measured at fair value through income statement/amortised cost increased to S\$71.0 million as at 30 June 2020 from S\$54.7 million as at 31 December 2019. This reflects the net additional investments in the GemLife joint venture as well as interest accruals receivable from the various projects.

Financial assets measured at fair value through income statement decreased to S\$43.4 million as at 30 June 2020 from S\$46.1 million as at 31 December 2019. The Japanese holding entity for the Nambanaka Thakral Building declared a dividend to the Group during the current period from the gain realised on the sale of the said building which is included as part of other receivables at the Group level.

Value of Associates increased to S\$64.3 million as at 30 June 2020 from S\$61.3 million as at 31 December 2019 through a combination of the strengthening of the Japanese Yen in which the underlying investments are denominated against the SGD as well as the net share of profit from the same for the current period.

Aggregate borrowings (including lease liabilities) increased to S\$61.0 million as at 30 June 2020 compared to \$46.0 million as at 31 December 2019 with additional funding obtained in Australia for projects, a new 5-year term loan taken under the Singapore Government's Temporary Bridging Loan Programme as well as drawings under enhanced trade finance lines arranged to ensure availability of liquidity for the Group during these uncertain times. The Group also benefited from the moratoriums on the repayment of certain bank borrowings introduced by the Governments of Hong Kong and Singapore.

Cash balances increased to S\$11.6 million as at 30 June 2020 from S\$10.8 million as at 31 December 2019. The Group recorded a net cash outflow from operating activities of S\$5.6 million for the current period as compared to the outflow of S\$1.9 million mainly from the movement in working capital components.

Net Asset Value

Net Asset Value per share grew to 106.51 cents as at 30 June 2020 from 103.37 cents as at 31 December 2019 reflecting the increase from the retranslation of the investments and net assets of overseas subsidiaries denominated in foreign currencies on their strengthening against the SGD.

Performance Summary

Investments

The Division achieved revenue of S\$10.9 million for the half-year as against S\$12.9 million in the previous corresponding period, mainly due to the shift in the investment portfolio mix and the timing of completion and settlements of residential projects in Australia. Additionally, all the long-term leases for the houses in Gladstone had expired by 30 June 2020 and were largely replaced by shorter-term leases at market rentals, with some houses also being sold. Notwithstanding this, the division achieved segment results of S\$8.9 million (including share of profit from associates and joint venture) for the period against S\$9.8 million achieved in the previous corresponding period, a decline of 9%. The overall decline in contributions from Australia was partly offset by better operational results and fair valuation of the Japanese property investments.

Valuations of investment properties and other property backed assets are based on the December 2019 valuations in line with the Group's policy to perform valuations annually at the end of the year. The Group shall continue its practice of valuing these assets once a year at the end of the financial year. Any fair value gains or losses shall be reported in the full year results.

Australia

The Group has now recouped all of its investments in the Grange project, and the Newstead project is expected to be fully recouped this year. Recoupment of part of the investment in The Parkridge Noosa project commenced in July-2020 and this will largely be recycled into the GemLife projects and new land acquisitions during this year. Construction of The Oxford Residences project in Sydney's Bondi Junction continues, with the basement and 14 storey structure now completed and practical completion expected by Q1 2021. A number of Gladstone houses were sold during the period in an improving market which is seeing increased rental incomes, low rental vacancies and increasing sales prices. The Group continues to review potential projects in residential and other market segments.

GemLife has established itself as one of the leading players in the resort style retirement living segment in Australia within just 4 years from inception. Sales and settlements at the Bribie Island, Woodend, Highfields and the Maroochy Quays projects continue to progress well. Construction of stage 4 at Bribie Island is running on schedule. Construction of the community facilities and bulk earthworks on stages 3 and 4 at the Woodend project are underway and sales are progressing well. Civil works across Stage 3 & 4 at Highfields have commenced in Q2 2020. Sales at Maroochy Quays & Pacific Paradise are going strong and the first settlement at Pacific Paradise occurred in June 2020. Over 370 houses have now been occupied at these five projects. The Site Compatibility Certificate for the Lennox Head project was received in Q1 2020, with development approval expected in Q3 2020. In 2020, GemLife acquired land for 4 new projects, and has taken options on various other land sites for acquisition. With settlements taking place principally at 5 resorts, the numbers have yet to reflect the full potential of this business as these are offset by expenses (without matching income) incurred at other start up sites as well as those sites that are pending development approvals.

Japan

The Group completed the divestment of the Nambanaka Thakral Building in Osaka in March 2020. In order to conserve cash, all non-essential capex at properties in Osaka are on hold with renovations in the 2nd half being undertaken only where these would improve leasing terms. Supply of office space continues to be tight. Osaka's CBD office market bucked the COVID-19 downtrend in Asia and outperformed in the second quarter, with rents rising 1 per cent and vacancy rates remaining steady at 0.5%. The Group has also experienced improved rentals for renewals as well as signing on new tenants for all the office properties. The 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. The hotel sector has taken a hit and all 3 operators have rental in arrears. We have reached

agreement with one of the operators on revised terms which will allow them time to get their operations back to strength and a win-win over the medium term. With the other 2 operators, we are also considering alternate use for each of the properties while at the same time also considering a change of operator. In the current environment, the Group is taking a patient approach and persevering with its efforts and will also consider selling some of its hotel properties at the right price while continuing its search for niche properties for acquisition.

Lifestyle

Notwithstanding the impact of the epidemic-related lockdowns, closures and overall slowdown in consumer demand in the various markets, sales for the current half-year declined only 14% to S\$32.2 million compared to S\$37.6 million in the previous corresponding period. Segment loss narrowed to S\$2.8 million for the period compared to the loss of S\$3.9 million after adjusting for the one-off gain on the sale of the office building in Osaka in the previous period. This included savings realised from the steps taken to reduce costs and manage the cash burn rate. The Group's extensive supply chain network enabled it to source supplies of key personal protective equipment such as masks, thermometers, wipes, etc. during the current period which helped offset some of the lower sales of other regular products.

9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results

Considering the significant disruption brought about to most businesses by the global spread of the COVID-19 pandemic, the Group's performance to date has been holding up.

10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.

The IMF expects the Australian economy to drop by 4.5% in 2020 – an improvement over the 6.7% contraction forecast in April. The collapse of short-term rentals, combined with a drastic drop in students seeking accommodation, mainly in Sydney and Melbourne, has driven vacancies up, with more than 30,000 homes and apartments available for lease in Sydney alone. Despite this, property markets have so far remained resilient to material correction and price falls are likely to be modest and much smaller than predicted at the height of the COVID-19-related shutdowns. In the meantime, with oversupply of dwellings in many Australian locations reducing and very few new large projects on the drawing board, Australia's major cities may see an undersupply of well-located properties in the next year or two.

GemLife recorded its first sales and profits from the Pacific Paradise and Maroochy Quays projects and also acquired four land sites for its new Tweed Heads, Gold Coast, Palmwoods and Rainbow Beach (Lake Cathie) resorts. GemLife continues to work on expanding its pipeline of projects with the ultimate goal of having 4,000 houses before 2030.

The rental rates for commercial space in Osaka, Japan are expected to be steady due to low vacancy rates. The tourism sector has been severely affected by the novel coronavirus outbreak, resulting in significantly lower hotel occupancy. The market remains unpredictable and the second half will be closely watched. 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.

While the fair value changes in the valuations of the Group's various properties and investments will be known following the year-end valuations of the same, the Group does not expect a reduction for its portfolio, barring unforeseen circumstances.

China's GDP grew by 3.2% in the second quarter of this year compared to a year ago. Household consumption is still under pressure due to concerns over the job market, the lagged impact of bankruptcies and wariness among consumers due to the periodic emergence of infections. Retail sales in Q2-2020 declined by 3.9% YoY, improving from the 19% decline in Q1-2020. With the IMF projecting a more gradual global recovery than its previous forecasts, the slow-down in Chinese as well as global consumer demand is expected to adversely impact the Group's Lifestyle Division. Through manpower rationalisation, cost control and adding personal protective equipment into its range of products – China's exports of "medical devices" increased by 46% in the first six months – along with other brands/products, the division continues its efforts to break-even.

The COVID-19 pandemic has severely affected not only the economies of the countries in which we operate but the global economy as well as international trade. With governments trying to bring the pandemic under control and at the same time implementing policies to avoid a recession, the business environment will continue to remain extremely challenging for the remaining months of FY2020. Business conditions are further exacerbated by the escalating US China trade dispute.

11. Dividend

(a) Whether an interim (final) ordinary dividend has been declared (recommended)

Yes, an interim dividend has been declared

(b) (i) Amount per share S\$0.01 per share

(ii) Previous corresponding period S\$0.02 per share (paid on 30 August 2019)

(c) Whether the dividend is before tax, net of tax or tax exempt. If before tax or net of tax, state the tax rate and the country where the dividend is derived. (If the dividend is not taxable in the hands of shareholders, this must be stated)

Tax exempt

(d) The date the dividend is payable

27 August 2020

(e) The date on which Registrable Transfers received by the company (up to 5.00 pm) will be registered before entitlements to the dividend are determined

18 August 2020

12. If no dividend has been declared (recommended), a statement to that effect and the reason(s) for the decision

Not applicable

13. If the Group has obtained a general mandate from shareholders for IPTs, the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.

Name of interested person	Nature of relationship	Aggregate value of all interested person transactions during the period ended 30 June 2020 (excluding transactions less than S\$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920 of the Listing Manual)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 of the Listing Manual (excluding transactions less than S\$100,000)
Thakral Brothers (Pte) Ltd and subsidiaries	Associate of controlling shareholder	S\$'000	S\$'000
Purchases, net of returns		-	442
Sales, net of returns		-	323

PART II - ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT

14. Segmented revenue and results for business or geographical segments (of the group) in the form presented in the issuer's most recently audited annual financial statements, with comparative information for the immediately preceding year.

The Group, which operates in four geographical segments being Australia, the People's Republic of China (including Hong Kong), Singapore and others (India and Japan), has 3 main core divisional activities as follows:

- a) Investment ("INV") - includes real estate investments in Australia, People's Republic of China, Japan and Singapore
- b) Lifestyle ("LIFE") – comprises distribution of beauty, wellness and lifestyle products in India, Japan, Peoples' Republic of China (including Hong Kong), Singapore and in various export markets
- c) Others ("OTH") - those other activities which do not fall into the above categories

Group's reportable segments**S\$'000****Six months ended 30 June 2020**

	INV	LIFE	OTH	TOTAL
Revenue				
External revenue	10,863	32,156	-	43,019
Result				
Segment operating result	8,605	(2,337)	(684)	5,584
Share of profit (loss) of associates and joint ventures	328	(464)	-	(136)
Segment result	8,933	(2,801)	(684)	5,448
Unallocated corporate expenses				(786)
Finance income				46
Finance costs				(1,097)
Foreign exchange loss				(244)
Profit before income tax				3,367
Income tax expense				(924)
Profit for the period				2,443

Other information				
Capital expenditure:				
Property, plant and equipment	-	200	4	204
Depreciation expenses	40	889	6	935

Assets				
Segment assets	255,529	37,293	6,690	299,512
Total assets				299,512
Liabilities				
Segment liabilities	42,063	29,142	5,397	76,602
Income tax payable				1,444
Deferred tax liability				14,710
Total liabilities				92,756

THAKRAL CORPORATION LTD AND SUBSIDIARIES

S\$'000

Six months ended 30 June 2019

	INV	LIFE	OTH	TOTAL
Revenue				
External sales	12,884	37,554	-	50,438
Result				
Segment operating result	9,846	(3,894)	(827)	5,125
Gain on disposal of properties	-	3,460	-	3,460
Valuation loss on investment properties	(1,571)	-	-	(1,571)
Share of profit (loss) of associate and joint ventures	1,500	(55)	-	1,445
Segment result	9,775	(489)	(827)	8,459
Unallocated corporate expenses				(946)
Finance income				86
Finance costs				(2,044)
Foreign exchange gain				173
Profit before income tax				5,728
Income tax expenses				(988)
Profit for the period				4,740

Other information				
Capital expenditure:				
Property, plant and equipment	-	162	-	162
Depreciation expenses	56	984	4	1,044

Assets				
Segment assets	238,935	43,285	376	282,596
Total assets				282,596
Liabilities				
Segment liabilities	51,677	26,846	392	78,915
Income tax payable				3,029
Deferred tax liability				11,442
Total liabilities				93,386

Geographical information

S\$'000

Geographical segments:	Revenue		Capital expenditure		Non-current assets *	
	30 Jun		30 Jun		30 Jun	
	2020	2019	2020	2019	2020	2019
People's Republic of China (including Hong Kong)	36,306	41,945	200	161	5,895	6,571
Australia	2,475	5,140	-	-	27,105	31,864
Singapore	3,090	1,277	4	-	30,487	30,495
Others	1,148	2,076	-	1	123	128
	43,019	50,438	204	162	63,610	69,058

The basis of the information stated under geographical segment above is the aggregate of the relevant figures from companies incorporated in those countries

* Non-current assets other than financial instruments, associates and joint ventures

15. In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the business or geographical segments.

See item 8 on review of performance

16. Disclosure of acquisition of shares in subsidiaries of the Group under Rule 706A for the period ended 30 June 2020

Name	Nature	Number of ordinary shares acquired by the Group	Consideration paid in cash
N.A.			

Negative confirmation pursuant to Rule 705(5)

The Directors confirm that, to the best of their knowledge, nothing has come to the attention of the Board of Directors which may render the unaudited interim financial statements for the 6 months ended 30 June 2020 to be false or misleading in any material aspect.

Confirmation pursuant to Rule 720(1)

It is confirmed that the Company has procured undertakings from all its Directors and executive officers.

ON BEHALF OF THE BOARD
Kartar Singh Thakral
Director

Inderbethal Singh Thakral
Director
6 August 2020

BY ORDER OF THE BOARD
Chan Wan Mei
Chan Lai Yin
Company Secretaries
6 August 2020