THAKRAL CORPORATION LTD

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

PRESS RELEASE

Thakral reports S$2 million net profit on revenue of S$25.9 million for Q1FY2019

Singapore, 29 April 2019 – SGX Mainboard-listed Thakral Corporation Ltd (“Thakral” or the “Group”) has reported a profitable start for FY2019.

The Group reported a net profit of S$2 million on revenue of S$25.9 million for Q1FY2019.

The 42% dip in net profit compared to the same quarter last year was mainly due to the absence of income in the current quarter from the Investment Division’s projects – Fortitude Valley, Newstead and Progress Road – that had been completed during the previous financial year. The net profit in Q1FY2019 also included S$0.2 million share of profit from associates and joint-venture entities on the Group’s Japanese property investments under TJP Pte Ltd and the Group’s GemLife joint venture for the development and management of retirement resorts in Australia.

The 36% fall in Group revenue in Q1FY2019 was mainly attributed to the continued slowdown in sales from China, the Lifestyle Division’s principal market. This was exacerbated by the PRC government’s announcement in early March about the revision of VAT rates from April 2019 which led to customers holding off purchases in expectation of price reductions.

Revenue from the Investment Division was also lower, mainly from the lack of contribution from completed projects mentioned above.

Consolidated gross profit consequently declined by 20% to S$10.3 million for the current quarter from S$12.9 million previously. Profit from operations of S$3.8 million for the quarter was 43% lower than S$6.8 million achieved in the previous corresponding quarter as profits from projects that closed in the previous corresponding quarter have not been replaced by new projects.

The performance of both Divisions for the first three months of the financial year are nevertheless within management’s expectations.

Earnings Per Share and Net Asset Value Per Share

Earnings per share slid to 0.74 cent for Q1FY2019 compared to 1.78 cents for the corresponding quarter a year ago, while Group net asset value per share improved to 101.27 cents compared to 100.98 cents as at 31 December 2018.

Working Capital and Cashflow

Cash balances went down to S$9.6 million as at 31 March 2019 compared to S$11.5 million as at 31 December 2018.

Inventories fell to S$18.9 million for the quarter from S$24.2 million as at 31 December 2018 with clearance of inventories.

Trade receivables fell to S$9.0 million as at 31 March 2019 from S$10.1 million as at 31 December 2018.

Aggregate debt instruments rose to S$81.5 million as of 31 March 2019 compared to S$71.9 million as at 31 December 2018 reflecting the additional investments in the Australian projects, including the GemLife joint venture during the quarter.

Total borrowings grew to S$62.5 million as at 31 March 2019 against S$55.3 million as at 31 December 2018 mainly due to additional funding taken by the Investment Division in the quarter and additional lease liabilities recorded on adoption of the SFRS(I) 16 from 1 January 2019.

Financial assets measured at fair value through income statement remained stable at S$44.6 million versus S$44.7 million as at 31 December 2018.

Segmental Performance

Investment Division

This division achieved revenues of S$7.4 million for the latest quarter versus S$9.5 million for the previous corresponding quarter.

Income was lower mainly due to the absence of income in the current quarter from the projects that had been completed during the previous financial year. Income from completed projects – Fortitude Valley, Newstead and Progress Road – had been recognised in the previous corresponding quarter. This is also a result of the ongoing shift in the Group's strategy to focus on growing its GemLife joint venture as the demand for retirement housing remains resilient in Australia.

Segment operating result before share of profit of joint ventures and associate amounted to S$5.6 million against S$7.5 million in Q1FY2018.

Australia

The Newstead project was completed in June 2018 and the Group continues to recoup its investment from settlements of the remaining units.

The Grange project was completed in October 2018. The Group recouped the principal and a part of the returns from this project with the remaining return expected to be received by Q2-2019. Construction on the Noosa Parkridge project is progressing well and the first settlements are expected in Q2-2019.

Construction of the Oxford Residences project in Sydney's Bondi Junction is ongoing, with practical completion expected in June 2020.

The GemLife projects continue to do well. Sales and settlements at the Bribie Island and Highfields projects are progressing as planned, with the community facilities at both projects completed and the clubhouse at Highfields also being officially opened in February 2019. Over 160 houses are now occupied at both these projects.

Construction of the display village and first homes at the Woodend project have completed and the first residents moved into the resort in January 2019. Sales for the Maroochy Quays (previously known as Maroochydore) project commenced in Q3-2018, and operational works started in Q4-2018. Development approval for the Lennox Head project is awaited while GemLife continues to scout for other land sites for acquisition.

Japan

Real estate demand in Osaka remains positive. Vacancy rates remain low. With very few upcoming completions of large new office buildings, rent levels are expected to rise further.

The construction of the retail property – named Nambanaka Thakral Building – was completed in mid-March. The building was handed over to the tenant, which is scheduled to open its store around end-April. Renovations to the properties continue to be made with lease renewals being carried out at improved rates.

Lifestyle Division

Sales at the division came in at S$18.5 million for the latest quarter, down from S$30.9 million in the previous corresponding quarter, reflecting the sluggish consumer sentiment in its key market – China. Segment loss of S$1.0 million included the share of start-up costs recognized in relation to its CurrentBody joint venture. This division also incurred higher expenses mainly from increased advertising and promotion costs for the Group's beauty and wellness products.

Looking Ahead

Mr. Natarajan Subramaniam, Independent Non-Executive Chairman and Lead Independent Director of Thakral, said, "We are pleased to deliver a profitable first quarter for the year despite the tough market conditions and ongoing global trade tensions. Our strong portfolio of investments has grown in asset values, mitigating the impact of negative trends brought on by weaker economic growth in our key markets. This resilient performance reflects the Group's prudent and judicious asset and capital management."

"With Australia's residential and commercial real estate segments remaining soft, the Group's Investment Division will concentrate on growing the GemLife retirement living business. Demand for retirement housing remains robust amid the property downtrend in Australia. The Group's investments in Singapore and Japan are likely to continue to realise good returns for us as shown in our first quarter results," added Mr. Subramaniam.

The Group's Lifestyle Division will continue to build on its brand management strengths and scout for growth opportunities enabling reporting of profits. Strategically, it will accelerate its e-commerce efforts to ride on the popularity of e-commerce – which is forecast to achieve exponential growth.

eMarketer expects e-commerce to account for 35 percent of retail spending in China, which is equivalent to about US$2 trillion – over half of all e-commerce sales globally.

While the IMF has predicted weakening global expansion, growth in key Asian markets remain positive. Japan's economy is forecast to grow by over 1% while China and ASEAN are expected to grow by 6.2% and 5.1% respectively in 2019.[1]

Australia's gross domestic product ("GDP") will stay positive but growth will cool from 2.8 per cent last year to 2.1 per cent in 2019, according to the IMF report.[2]

In view of these trends, the Group will maintain a prudent approach in managing market risks but be on the lookout for growth opportunities in the coming months.

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 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 ecommerce platforms as well as traditional retailers. The brands distributed by the Lifestyle Division include at-home beauty and wellness device brands MTG Refa, ikoo, Panasonic, PMD,

[1] World Economic Outlook Update, January 2019
https://www.imf.org/en/Publications/WEO/Issues/2019/01/11/weo-update-january-2019

[2] Australian Financial Review, "Australia's growth rate slowing at twice the speed of peers, says IMF"
https://www.afr.com/news/economy/australia-s-growth-rate-slowing-at-twice-the-speed-of-peers-says-imf-20190409-p51c74

DermaWand, Philips, TriPollar, T3, MTG SIXPAD, Style Seat and Slendertone, skin and hair care brands John Masters Organics, Codage and Institut Karite Paris as well as lifestyle brands Apple and 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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