



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\$39.7 million for FY2017

Singapore, 27 February 2018 – SGX Mainboard-listed Thakral Corporation Ltd (“Thakral” or the “Group”) has reported a net profit of S\$39.7 million for the financial year ended 31 December 2017 (FY2017) against S\$3.4 million in FY2016 after registering a one-off gain of S\$33.9 million from the sale of its warehouses in Hong Kong completed during the final quarter of 2017. Net profit attributable to equity holders improved to S\$37.7 million from S\$0.4 million in FY2016. For 4QFY2017, net profit attributable to shareholders also rose 79% to S\$1.5 million from S\$0.8 million in the previous corresponding period.

The robust earnings following the warehouse divestment in FY2017 also enabled the Group to strengthen its balance sheet substantially and to reward shareholders with a special interim dividend of S\$0.03 per share in November 2017.

The Group’s gross profit rose to S\$49.5 million, an increase of 9% from S\$45.2 million the previous year, while gross profit margin for FY2017 improved to 32.3% compared to 21.1% earlier despite a 29% dip in full-year revenue to S\$153.2 million from S\$214.9 million in FY2016. The lower revenue was mainly attributed to the Lifestyle Division which continued to shift its focus away from high-volume, low-margin products.

Distribution expenses fell 21% to S\$6.5 million due to the lower advertising and promotion costs incurred, mainly in China as well as a one-off marketing support provided by a brand owner in the third quarter.

The Group also benefitted from lower depreciation costs and foreign exchange loss.

Both the Group’s operating divisions – the Investment Division and the Lifestyle Division – improved their performance in FY2017. The Investment Division clocked in earnings of S\$23.2 million on higher revenue of S\$37.7 million while the Lifestyle Division trimmed its losses to S\$1.3 million on lower sales of S\$115.5 million during the year under review.

Net Asset Value Per Share and Earnings Per Share

Net Asset Value per share at 31 December 2017 was S\$1.00 compared to S\$0.74 for FY2016 reflecting the higher value from disposal of the warehouse properties as well as the strong growth in the valuation of the Group’s investments in Japan. The Group’s FY2017 earnings per share (“EPS”) rose to 28.81 cents vs 0.32 cent the previous period. For 4QFY2017, the Group’s EPS grew to 1.13 cents from 0.63

cent in the previous corresponding period.

Working Capital and Cash Flow

The Group's cash position at the end of 2017 strengthened considerably to S\$46.2 million, up 55% from S\$29.8 million as at 31 December 2016.

The Group's improved cash position also helped it to trim its borrowings from S\$90.2 million as at 31 December 2016 to S\$58.0 million as at the end of the FY2017.

Cash outflow increased in FY2017 with the growth of inventories to S\$24.1 million as at 31 December 2017 against S\$18.9 million at 31 December 2016 to meet the expected pick up in seasonal demand.

Segmental Performance

Investments

The Investment Division continued to deliver positive earnings and improved sales.

Revenue grew to S\$37.7 million for the year – up 4% from S\$36.2 million in FY2016. Segment operating result – before disposal and valuation gains/losses, special bonuses and incentives – was about level with the S\$27.2 million as in the previous financial year.

Settlements at the Fortitude Valley project in Brisbane progressed well during Q4FY2017 with senior lender and 3rd party investor funds being paid down. The Group expects to receive its settlement from this project progressively up to the end of FY2018.

The Group's GemLife joint venture has started to generate sales for the Bribie Island retirement homes project in 4QFY2017. Stage 1 construction works at the site (excluding community facilities) was 80% completed, with 80 out of 85 stage 1 homes contracted for. Meanwhile, Stage 1 construction works at Highfields (excluding community facilities) was 56% completed, with 17 out of 50 homes contracted for.

Marketing campaigns at the two newly acquired sites at Woodend and Lennox Head continue to attract strong sales enquiries and a significant number of holding deposits. Woodend construction works have started with 12 deposits in place. Lennox Head has not yet received its Development Approval but has over 40 deposits in place.

Lifestyle

The Lifestyle Division slashed its segment loss by 80% to S\$1.3 million in FY2017 compared to S\$6.6 million in the previous financial year. The division is mounting

concerted efforts in its wellness and beauty portfolio in efforts to stage a turnaround and head towards eventual profitability.

Going Forward

Mr. Natarajan Subramaniam, Independent Non-Executive Chairman of Thakral, said: “The year in review has been a truly rewarding year for us. The Group has continued its profitable growth track with strong earnings and the year’s enhanced results has enabled it to reward shareholders with higher dividends. Shareholders received a total of S\$0.05 per share comprising an interim dividend of S\$0.02 in August 2017 and a special interim dividend of S\$0.03 per share in November 2017.

We have benefitted from our strategic divestment of our warehouse properties in Hong Kong which enabled us to pare down debt, fund growth opportunities and finance asset enhancement initiatives. With a stronger balance sheet, we are well-poised to refresh our portfolios and make new investments to take advantage of new market prospects.”

Towards end November 2017, the Group’s Investment Division invested further in Osaka – in a retail and hotel property – as well as in the Legal Itachibori Building in January 2018. The Japanese investments have seen significant valuation gains, boosting the value of the Group’s investments to S\$34.2 million at end 2017, up 83% from S\$18.7 million in the same period last year.

To sustain long-term growth, the Group will be exploring other markets such as Singapore and other ASEAN countries where the potential for real estate demand is strong.

The Group’s key markets – China and Australia – are forecast to remain sturdy. Australia’s GDP growth is predicted to hit 3%* while the IMF expects China’s GDP growth to stand at 6.6% this year, up from the 6.5% prediction made last October.+

Global growth forecast for 2018 is also revised upward by 0.2 percentage points to 3.9% due to increased global growth momentum.+

The Group intends to ride on these favourable trends to achieve sustainable growth over the longer term.

Barring unforeseen circumstances, the Group’s outlook remains positive for FY2018.

+ Source: Xinhua, IMF ups China 2018 economic growth forecast, 23 January 2018

* Source: Business Insider, Australia’s economic growth in 2018 looks set to undershoot the RBA’s lofty expectations, 16 August 2017

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 the originating, packaging and managing of such 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.

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 personal care device brands MTG Refa, Panasonic, Philips, Braun, ikoo and PMD, skin and hair care brands Canvas, Codage, Institut Karite Paris, John Masters Organics and Botanist, wellness brands MTG SIXPAD, Style Seat and Slendertone and lifestyle brands Apple and DJI.

Greater China including Hong Kong, Southeast Asia and India are key markets for the Lifestyle Division and Australia and Japan for the Investment Division.

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