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

PRESS RELEASE

Thakral records net profit of S$3.4 million in FY2016; revenue for Investment Division rose 51%

Singapore, 28 February 2017 – SGX Mainboard-listed Thakral Corporation Ltd ("Thakral" or the "Group") has recorded a profitable year for FY2016.

The Group reported a net profit before tax of S$4.2 million on revenue of S$214.9 million in FY2016. The Group's gross profit rose to S$45.2 million for the financial year ended 31 December 2016, up 37% from S$33.1 million the previous year. Gross profit margin had doubled to 21% from a year ago.

The Group's Investment Division recorded a strong performance reporting S$36.2 million in revenue, a growth of 51% over the previous financial year.

Overall Group turnover for FY2016 was lower by 35% from S$331.3 million achieved in the previous corresponding period. This was due to a 42% reduction in sales to S$178.6 million in the Group's Lifestyle Division for the year. The division had commenced moving away from certain low margin business during the year and had also faced supply constraints for certain mobility products from Q3FY2016.

Overall Group net profit eased to S$3.4 million in FY2016 from the previous financial year. The previous financial year's net profit of S$8.6 million had been boosted by an unrealised valuation gain of S$9.9 million mainly from its warehouse properties in Hong Kong. Operating profit meanwhile rose significantly to S$17.7 million for the year compared to S$2.6 million the previous financial year.

Distribution expenses declined by 20% to S$8.3 million for the year from S$10.3 million the previous year with decrease in advertising and marketing programmes than those than incurred in FY2015. Administration expenses remained largely steady.

The Group's Investment Division continued to stage a strong performance, with segment profits reporting considerable improvement of 72% to S$27.2 million and revenue rising 51% to S$36.2 million.

Earnings Per Share and Net Asset Value Per Share

Net Asset Value per share of 73.72 cents as at 31 December 2016 compared to 73.57 cents as at 31 December 2015. The Group's earnings per share dipped to 0.32 cent in FY2016.

Working Capital and Cash Flow

The Group saw a net cash inflow from operating activities of S$4.0 million for FY2016 compared to an outflow of S$5.0 million in the previous corresponding period.

Inventory fell to S$18.9 million in FY2016 from S$25.7 million a year ago as the Group continued to reduce its inventories.

Cash and bank balances remained stable at S$29.8 million in the year ended 31 December 2016, against the balance of S$29.6 million previously.

Segmental Performance

Investments

Revenue for the Investment Division grew 51% to S$36.2 million in FY2016 from S$24.0 million in the previous financial year. Segment profit of S$27.2 million was 72% higher compared to S$15.8 million achieved in the previous year.

The better performance was a result of the recognition of returns from ongoing projects as well as the completion of the Vida project in Brisbane, Australia which has achieved over 94% in the settlement of contracted units; the Portavilla and Residences townhouse projects in Brisbane achieved 100% settlement rate.

The division's GemLife retirement living resorts joint venture officially launched the Bribie Island and Highfields projects in the last quarter of FY2016 which resulted in significant media exposure and buyer enquiries. Bulk earthworks for Bribie Island are almost complete while that for Highfields is due to commence shortly.

The division's other projects are well underway with the Sanctuary Cammeray development expected to be completed later this year. Experience with the Brisbane projects in the last quarter shows the market continues to be resilient for well-placed and competitively priced product.

The strategic locations of the Group's housing projects played a pivotal role in contributing to strong buyer demand.

Lifestyle

The Lifestyle Division turned in a better performance as it cut losses by 35% and enhanced its gross margins. Turnover at the Lifestyle Division declined to S$178.6 million for the year compared to S$307.3 million in the prior year. Segment loss shrank to S$6.6 million in FY2016 from S$10.0 million in FY2015.

The results reflected the Group's strategic shift towards higher-margin beauty & wellness products during the year, expanding the Lifestyle Division's cooperation with leading e-commerce platforms such as Tmall, JD and Xiao Hong Shu ("Red"), and strengthening its presence in beauty retailers such as Sephora as well as premium chains such as Ole.

Going Forward

Mr. Natarajan Subramaniam, Independent Non-Executive Chairman of Thakral, said: "The Group has continued to deliver positive performance despite challenging global market conditions. Our Investment Division remains a key growth driver – with an even stronger performance in 2016. This is a testament to our proven capabilities to stay resilient amidst global economic instability."

Both the Group's key markets – China and Australia – are still enjoying positive growth although at a slower pace. The China economy, which grew by 6.7% in 2016, is expected to remain soft in 2017 as the Economic Intelligence Unit predicts a GDP growth of 6.2%. However, factory activity is picking up and consumer demand remains buoyant.

Mr. Subramaniam added: "China's domestic consumer economy is set to flourish as retail sales of consumer goods reported a growth of 10.4% to RMB33.23 trillion in 2016. According to published reports, retail sales of consumer goods is forecast to exceed RMB37 trillion, or a 10.2% jump, in 2017 and will contribute to more than 70 per cent of China's economic growth[1]. We see a lot of evidence that demand for products enhancing a personal sense of wellness rather than being daily necessities continue to accelerate. China's beauty market is set to become the biggest in the world this year according to some projections[2]. With many foreign beauty, wellness and lifestyle brands seeking to expand in China, our solid and scalable relationships with leading channels and our growing recognition as a partner of choice for these brands, the Group is well-placed to serve this demand."

Meanwhile, the Australian economy is expected to grow by about 2% in 2016[3] and is expected to pick up to 3% in 2017 and 2018[4]. In the property and housing market, housing prices in Sydney are expected to rise to 9-10% with New South Wales' faster growth rate, while for Brisbane could ease as more supply comes on-stream with the completion of housing projects. However, the Group's strategy to branch out into the retirement living sector is expected to provide stable and sustainable returns over the medium to long-term.

Source:

[1] China Daily (http://www.chinadaily.com.cn/bizchina/chinaeconomy2016/)

[2] Morgan Stanley
(https://www.morganstanley.com/ideas/china-beauty-market-consumer-boom)

[3] National Australia Bank Limited
http://business.nab.com.au/wp-content/uploads/2017/02/Q4-2016-gdp-preview.pdf

[4] Australia, Treasury
(http://www.treasury.gov.au/PublicationsAndMedia/Publications/2016/PEFO-2016/HTML/Economic-outlook)

About Thakral

Listed on the SGX Mainboard since December 1995, Thakral Corporation Ltd has two divisions – Lifestyle Division and Investment Division.

The Group 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 name.

The Group's Lifestyle Division has continued to re-focus on marketing and distributing brands in the beauty, wellness and lifestyle categories, working with leading ecommerce platforms as well as traditional retailers. The Lifestyle Division's partners include beauty and personal care device brands MTG Refa, Panasonic, Philips and Braun, skin care brands Canvas, Leaders and Lu Ming Tang, cosmetic brand Color Me, wellness brands MTG Six Pad and Style Seat and lifestyle brands Apple, DJI and Skullcandy.

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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For more information, please contact:

Tham Moon Yee and Soh Tiang Keng

Tel: (65) 6227 0502

Emails: tmy@stratagemconsultants.com
sohtk@stratagemconsultants.com