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

ANNOUNCEMENT

ANNUAL GENERAL MEETING TO BE HELD ON 29 APRIL 2022
- RESPONSE TO SUBSTANTIVE AND RELEVANT QUESTIONS
- BUSINESS UPDATE PRESENTATION

The board of directors (the "**Board**") of Thakral Corporation Ltd (the "**Company**", and together with its subsidiaries, the "**Group**") would like to thank the Securities Investors Association (Singapore) ("**SIAS**") for their questions submitted in advance of the Company's 29th Annual General Meeting (the "**AGM**") to be convened and held through electronic means on Friday, 29 April 2022 at 11 a.m.

There were no questions received from shareholders in relation to the resolutions to be passed at the AGM, the Annual Report 2021 and the Group's business operations.

1. Responses to questions from SIAS

Please refer to Company's responses as set out in Appendix A.

2. Business Update Presentation

A Business Update presentation has been prepared and is attached to this announcement to provide shareholders with an update on the Group's business operations.

The management will be presenting the Business Update at the AGM.

On behalf of the Board

Natarajan Subramaniam
Independent Non-Executive Chairman and Lead Independent Director

Singapore, 22 April 2022

APPENDIX A

RESPONSE TO QUESTIONS FROM SECURITIES INVESTOR ASSOCIATION (SINGAPORE) ("SIAS") ON ANNUAL REPORT 2021

The Board of Directors (the "**Board**") of Thakral Corporation Ltd (the "**Company**", and together with its subsidiaries, the "**Group**") refers to the questions raised by SIAS in relation to the Group's Annual Report for the financial year ended 31 December 2021 (the "**Annual Report**") and appends its response in blue as follows:

SIAS Question 1

Q1. Would the board/management provide shareholders with greater clarity on the following operations and financial matters in its real estate-related investments? Specifically:

(i) GemLife: Did the demand of the group's GemLife homes, perhaps as a lifestyle choice, increase due to the pandemic? Is the heightened demand sustainable? What is the overall sales progress? What is the profile of a typical buyer of a GemLife home? Is GemLife able to self-fund its growth?

Company's Reply

The Company will be doing a presentation at the annual general meeting as it does every year, and the presentation will be uploaded on our website. The presentation is being released together with this response for the information of shareholders.

The demand for these land-lease communities has always been resilient, and the pandemic acted as a further catalyst which led to stronger demand that benefitted GemLife. The Board is of the view that the current rate of demand is sustainable. The rate of booking for our existing and upcoming sites has not changed with around 800 bookings on hand. We have over 950 homes occupied to date with a pipeline that will take us to 6,500 homes. Recent acquisitions by large institutions of land lease communities in Australia, Stockland acquired Halcyon for A$620 million for their portfolio of over 3,800 homes and Sea Change transacted at A$270 million with just 1,241 homes. Both these acquisitions were at very aggressive cap rates and has raised considerable interest among investors.

GemLife is also in preliminary discussions with our JV partners, the Puljich family on a potential M&A of their Living Gems business which when combined with GemLife will make the merged entity one of the largest over-50s resort style living operator also described as land lease community in Australia. Living Gems has over 1,700 homes occupied and over 1,300 in pipeline. If we are able to successfully complete the merger, we would have a pipeline of about 10,000 homes.

The general profile of our GemLife residents are couples in their 60s looking to downsize and improve their lifestyle.

Downsize is defined as people looking to:

- *Sell their house, release equity to improve their quality of life while buying into GemLife with all the facilities and the lifestyle that it offers*
- *Do away with the worry of maintenance and repairs*
- *Move to a home where they can enjoy and experience resort lifestyle*
- *Live in a community where medical and other assistance is a phone call away*

GemLife is well positioned to self-fund its growth to the current trajectory of 6,500 homes.

(ii) GemLife (Bribie Islands): How did the group complete the 404 homes more than two years ahead of schedule? Was it due to good sales progress which led the group to speed up the construction or was it due to smooth progress construction-wise that shaved 2 years off the building time?

Company's Reply

Strong marketing, and smooth progress of construction contributed to achieving the sold-out status 2 years ahead of original target. As the first project, we were probably conservative in estimating completion of the project.

(iii) Other residential projects: Can management provide shareholders with a clear and concise summary/update of all the development projects undertaken by the group, especially for the benefit of new shareholders? For instance, Parkridge Noosa and Oxford Residences were mentioned on page 4 of the annual report (Chairman and CEO's joint statement) but no financial/operational figures were provided. Pictures of the projects can be found on pages 17 and 18. Please also provide details of all the group's investment properties as well.

Company's Reply

The details for each of the projects is provided in the presentation on slides 10 to 25. We regret that for obvious reasons we are unable to provide financial details for each and every project and information provided will only be on a consolidated basis.

(iv) Japan hotels: Can management confirm that it is looking to sell the 3 Osaka hotels? How will the group be carrying out the sale to benefit from the expected rebound as countries transition to the endemic phase and reopen their borders?

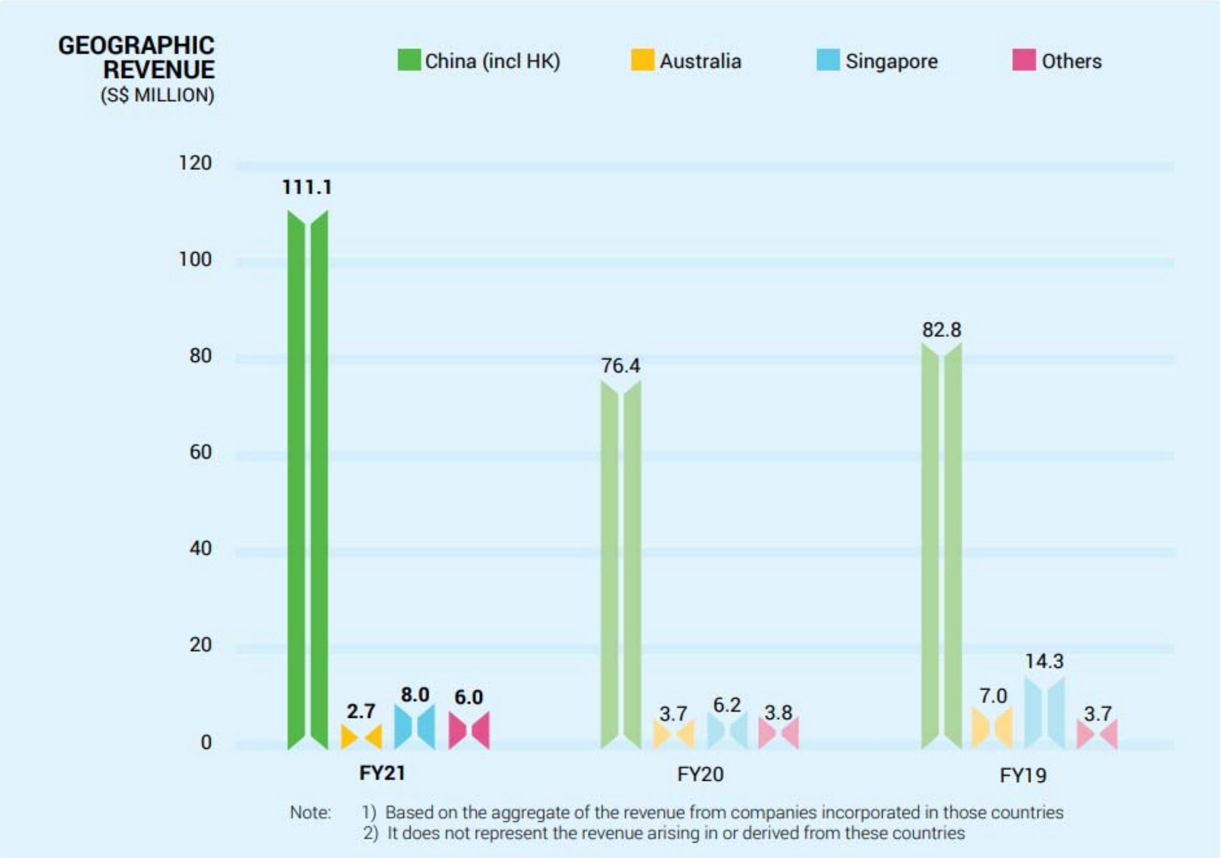
Company's Reply

We confirm that it is the Group's intention to sell the 3 hotels, whether individually or jointly of 2 if not all of the 3 hotels. Large property broking groups in Japan have been advised of our intention. The weakening of the yen and reopening of borders are additional incentives for interested buyers. We are receiving inquiries for the properties, and expect to be able to realise prices close to our book values as of FY2021.

SIAS Question 2

Q2. Out of the total revenue of $128 million in FY2021, $111.1 million was generated in China, including Hong Kong.

Overall, for the group, revenue increased by 42% to $127.8 million, boosted by the rising sales of DJI products by the HK subsidiary which was appointed as an exclusive distributor for South Asia. The revenue breakdown by geography is shown on page 9 and reproduced below:



(Source: company annual report)

(i) Can management help shareholders understand the sentiments on the ground in Hong Kong and in China due to the new wave of COVID-19 as China maintains its zero-COVID policy?

Company's Reply

Hong Kong has been in some degree of confinement since the 2019 pre-pandemic protests, with regular retail shut-downs and a significant reduction in inbound tourists; the pandemic-related social distancing measures, in particular the restrictions on international travel for the past two years, have essentially created a 'domestic market bubble'. Businesses, in particular in beauty and lifestyle retail and wholesale, our main areas of operation, have largely adapted to the changed environment, e.g., by reducing cost or shifting sales to e-commerce. We do not see any major changes to this environment in the near-term, neither substantial improvement nor any further deterioration.

The situation in Mainland China had largely been stable for the past two years, with relatively sporadic and locally contained lockdowns impacting retail businesses in the areas affected. This was balanced by a repatriation of consumer spending, including in prestige beauty, the sector most relevant to us, and a further shift to e-commerce.

While the current lockdowns, in particular, in cities like Shanghai and its neighbouring regions, have an immediate impact on local retail spending, we have so far seen performance in other cities and regions as well as through our 'national' e-commerce retail business remain stable and hope that once the current outbreaks are under control, commercial activity will resume fully, with local governments providing support to businesses and consumers most impacted. However, there is a risk of further lockdowns and if those affect key centers of demand in the East and Southeast of China or happen during major commercial events such as the 6/18 or 11/11 shopping festivals, they could *impact our business.*

We also see an impact, although not limited to businesses in Hong Kong and China, in the supply chain disruptions and inflationary pressure caused by the pandemic, as well as the Russian invasion of Ukraine, although so far, have been able to avoid any major impact on our business through prudent planning.

(ii) How badly affected is the group's operation in Hong Kong and in China?

Company's Reply

See above.

(iii) Can management confirm that the DJI revenue should be more appropriately attributed to India? The footnotes in the chart states that revenue attribution was based on the entities' country of incorporation. Can the board/management consider how it could better present revenue breakdown by geography to shareholders?

Company's Reply

The Company will discuss this with its auditors and consider the change to report sales to customer regions instead of the location at which the sale is completed from the next financial year.

(iv) What are the reasons for the strength in fragrance sales that tripled in FY2021? This could be surprising to some shareholders as work-from-home has been the default in many countries in 2021 to curb the spread of COVID. Is the level of sales sustainable?

Company's Reply

Like in many other consumer sectors, the sales of prestige beauty products including fragrance, have shifted online in the last several years, accelerated by pandemic-related social distancing measures. That includes sales by large retailers such as Sephora, one of our channel partners, who have opened their own online stores.

In addition, demand for fragrance in Greater China has picked up significantly even before the pandemic, as a new wave of younger (Gen-Z) consumers are discovering fragrance and are integrating it into their daily habits much more deeply, versus their parents' generation, who often used fragrance only as a gifting item.

The lock-down has reinforced these habits and we are confident that they will remain in place.

We have also benefited from strong demand for our leading brand Maison Margiela in Greater China and are confident that it will maintain its strong position in the market, supported by new product launches as well as continued marketing investment from the brand owner, L'Oreal.

(v) Fintech & W Capital: How is the group approaching its investments in FinTech? Is the group making investments based on a coherent framework to allow it to achieve certain strategic objective? In addition, what were the investment criteria used to evaluate W Capital?

Company's Reply

Our decision to take a minority stake in Fraction and InvestaX was driven by a number of *objectives:*

- *The Group can be a strategic investor and add value, through our existing business relationships and networks*
- *Related, the investees are complementary to our existing business, and we can explore synergies*
- *They provide insights into the evolution of parts of our core business and help alert us to the opportunities (and the risks) that this may create*
- *Both Fraction and InvestaX meet these criteria*
- *In addition, we assessed them based on the strength and vision of their leadership team, the competitive advantage within their chosen space as well as the potential valuation upside*

W Capital was assessed from several perspectives:

- *Strategically, in providing early access pre-IPO deal flow*
- *From a business growth perspective, i.e., in further scaling-up and generating fees and hence dividends*
- *In terms of potential valuation upside*

To keep pace with the changes being created by Web 3.0, we have and will continue to strategically invest in start-ups especially in the blockchain, fintech, proptech and decentralised finance (or Defi) sectors. We have also invested in e-commerce and digital marketing that complements our business. We will be talking about some of the investments that we have made and what we see in them during the annual general meeting.

SIAS Question 3

Q3. An abridged version of consolidated statement of cash flows is shown below. Despite the group reporting a profit before income tax of $35.3 million, operating cash flows before movements in working capital was negative $(5.2) million in FY2021 as profits were derived from associates and joint venture and fair value gains. Cash used in operations was $(10.5) million mainly due to trade receivables ($5.0 million) and inventories ($6.8) million.

Net cash used in operating activities was $(14.0) million in FY2021 and $(7.75) million in FY2020.

	Group	
	2021	2020
	S$'000	S$'000
OPERATING ACTIVITIES		
Profit before income tax	**35,305**	19,584
Operating cash flows before movements in working capital	**(5,165)**	(7,946)
Trade receivables	**(4,987)**	1,086
Other receivables and prepayments	**(1,429)**	4,198
Inventories	**(6,796)**	874
Trade and bills payables	**1,845**	(2,336)
Other payables and provisions	**5,995**	(243)
Cash used in operations	**(10,537)**	(4,367)
Income tax paid	**(1,472)**	(1,446)
Interest paid	**(2,046)**	(2,004)
Interest received	**33**	65
Net cash used in operating activities	**(14,022)**	(7,752)

(Adapted from company annual report)

In Note 11 (page 126 – Inventories), the increase was shown as a single line item of "Finished goods and goods for resale" amounting to $14.75 million.

(i) Can management help shareholders understand what products are driving the increase in inventories? Will the group be exposed to significantly higher obsolescence risk?

Company's Reply

The increase in inventories is mostly to meet the increased demand for DJI and fragrance products. Some of the increase is also due to the slower cycle caused by disruptions in the supply chain that everyone has experienced over the past 15 months but this is minimal. The inventory holding days remains comfortable at 42 days and management always keeps a close eye to control and minimise risk.

Similarly, gross trade receivables as at 31 December 2021 increased to $13.4 million. Loss allowance, based on a simplified approach, was $(1.18) million and the group recognised a net carrying amount of trade receivables of $12.25 million, an increase from $7.36 million (Note 4 (b) Credit risk management; page 113).

(ii) Does management see any increase in credit risk in the market, especially with its new customers? How did management assess the credit risks of customers who are new to the group, e.g. probably in the new DJI business?

Company's Reply

To meet year end shipments and seasonal demand, the Group saw the increased trade receivables; almost all these amounts have since been collected.

With the long-experienced team that is well networked into the markets, the Group was able to convert some of its long-established customers to reposition and work with them for the new product range that helped the Group achieve higher growth. At the same time, dealing with end retailers such as Amazon, Flipkart for DJI cameras and accessories and with the likes of Sephora in China for fragrances reduces the overall credit risk.