


**CONSUMERS**

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**Stock Profile/Statistics**

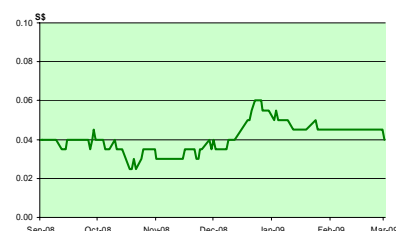
Bloomberg Ticker	THK SP
STI	1,505.51
Issued Share Capital (m)	2,612.11
Market Capitalisation (S\$m)	104.48
52 week H   L Price (S\$)	0.08   0.025
Average Volume (3m) '000	501.5
YTD Returns (%)	-27.27
Net gearing (x)	Net cash
Altman Z-Score	6.88
ROCE/WACC	-0.92
Beta (x)	0.87
Book Value/share (S¢)	7.88

**Major Shareholders**

Venture Delta	34.42%
Thakral Investments	12.71%
Babcock & Brown	8.93%
Preview Investments	5.26%

**Share Performance (%)**

Month	Absolute	Relative
1m	-11.1	1.5
3m	0.0	16.1
6m	0.0	40.8
12m	-38.5	8.9

**6-month Share Price Performance**

**Corporate Update**

Private Circulation Only

**THAKRAL CORP**  
 (SGX Research Incentive Scheme)

**NOT RATED**  
 Price **S\$0.04**
***In the process of repositioning the business***

**Looking to reposition principal business**, from consumer electronics distribution to real estate and related infrastructure investment in the Pan Asian region. At end 2008, Thakral entered into a MOU with Payce Consolidated Limited, to enter into transactions in connection with certain properties located in Sydney, Australia. Payce is a major property development company, listed in Australia.

It will (a) acquire from Payce, a property known as Bay Park at A\$32.5m; (b) enter into property linked notes (PLN) with Payce, in respect of 179 completed residential apartments in Sydney (the Apartments). The total investment in the PLNs will be A\$77m; and (c) obtain an option from Payce with a last right of refusal, to jointly develop a residential site at Chiswick, Sydney. Thakral will also have the right to acquire up to 49.99% underlying economic interest in the land.

**Highlights of the transactions.** The total amount to be invested in the Bay Park and Apartment transactions is A\$109.5m, which would be funded by a mix of cash, new shares and share options, and debt. The total cash outlay by Thakral is expected to be up to A\$11.73m plus incidental costs. Assuming the Bay Park and the Apartments transactions are completed, Payce will be issued A\$28.22m worth of shares and share options in Thakral.

**Rationale for proposed transactions.** Management is of the view, that under the current economic environment, Australian properties are better positioned than most other developed countries. The transactions will allow result in Thakral having a strategic shareholder with property expertise, to assist it in its change of business direction to become a Pan Asia property vehicle. Among the terms of this MOU, Payce has expressed interest in becoming a substantial shareholder of Thakral, and has no interest in the Consumer Electronics (CE) business of Thakral. Hence, Payce would like to see the CE business divested.

Thakral is currently trading at 0.5x P/B. We currently do not have a rating for Thakral, but we will be initiating coverage.

FYE 31 Dec (S\$m)	FY06*	FY07	FY08
Turnover	239.6	288.4	389.0
Net Profit	(12.0)	5.5	(20.5)
% chg YoY	(53%)	n.m.	n.m.
EPS (S¢)	(0.92)	0.2	(0.8)
ROE	(4.9%)	2.1%	(8.5%)
ROA	(3.9%)	1.9%	(7.8%)
P/E (x)	n.m.	19.0	n.m.
P/B (x)	0.4	0.4	0.5

\* Financial period was nine months.  
 Source: Company

**FY08 turnover improves but challenging operating environment leads to net loss.** Thakral recorded a S\$20.5m net loss for FY08, despite achieving a 35% YoY increase in sales to S\$389.0m. Sales growth was a result of the stabilization of its SCM segment of its consumer electronics business in China. Contribution from its EMS business declined, as the Group started to cease operations in the EMS business. Its property business in Wujiang, China recorded zero sales as the economy in China remained depressed.

**EMS and property divisions dragged down performance.** In 2H08, Thakral began winding-up its EMS business, as it was not doing well. It booked in charges amounting to S\$7.9m, relating to the cessation. The global financial crisis has also resulted in a decline in market values of Thakral's properties and investments in Australia and China. It recorded valuation losses of S\$1.5m in FY08, compared with valuation gains of S\$2.9m in FY07.

**Outlook for distribution business remains challenging.** Management expects the distribution business to continue operating under challenging conditions, going forward, as the global economic slowdown is likely to be prolonged.

**Net cash position.** Thakral has a net cash position of S\$118.3m at end FY08. Operating cash flows also improved from a cash outflow of S\$6.4m in FY07, to a cash inflow of S\$2.2m in FY08.

## DMG & Partners Research Guide to Investment Ratings

**Buy:** Share price may exceed 10% over the next 12 months

**Trading Buy:** Share price may exceed 15% over the next 3 months, however longer-term outlook remains uncertain

**Neutral:** Share price may fall within the range of +/- 10% over the next 12 months

**Take Profit:** Target price has been attained. Look to accumulate at lower levels

**Sell:** Share price may fall by more than 10% over the next 12 months

**Not Rated:** Stock is not within regular research coverage

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