

SAKAE HOLDINGS LTD.

Company Registration Number 199604816E

(Incorporated in the Republic of Singapore)

ANNOUNCEMENT PURSUANT TO RULE 704(6) OF THE LISTING MANUAL IN RELATION TO MATERIAL DIFFERENCE BETWEEN UNAUDITED FINANCIAL STATEMENTS AND AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016 (“FY2016”)

The Board refers to the announcement released by the Company via the SGXNet on 1 March 2017 in relation to the unaudited Financial Statements for FY2016 (the “**Preliminary Results**”). Further reference is made to the Audited Financial Statements of the Company for FY2016 (the “**Audited Financial Statements**”) which will be provided to shareholders and the SGX-ST on 12 June 2017 as part of the FY2016 Annual Report.

Since the release of the Preliminary Results, the audit of the consolidated financial statements of the Group and the financial statements of the Company for FY2016 has been completed. Pursuant to Rule 704(6) of the Listing Manual, the Board wishes to announce and clarify the differences between the Preliminary Results and the Audited Financial Statements.

Set out below are the variances in the Statement of Financial Position, Consolidated Statement of Profit or Loss and Other Comprehensive Income and Consolidated Statement of Cash Flows of the Group as compared to the Preliminary Results:

Statement of Financial Position

	Group				Company			
	Audited Financial Statements	Preliminary Results	Variance	Notes	Audited Financial Statements	Preliminary Results	Variance	Notes
	S\$'000	S\$'000	S\$'000		S\$'000	S\$'000	S\$'000	
ASSETS								
Current assets:								
Cash and cash equivalents	8,627	8,708	(81)	(a)	3,327	3,327	-	
Trade receivables	1,871	3,540	(1,669)	(a)	1,332	1,332	-	
Other receivables and prepayments	11,304	7,978	3,326	(a),(b)	3,855	3,759	96	(b)
Inventories	2,357	3,837	(1,480)	(a)	1,524	1,524	-	
Convertible loan note receivable	-	-	-		-	-	-	
Held for sale investment	-	192	(192)	(c)	-	-	-	
Held for trading investments	2,790	2,790	-		2,113	2,113	-	
Income tax recoverable	838	511	327	(a),(d)	-	-	-	
Total current assets	27,787	27,556	231		12,151	12,055	96	
Non-current assets:								
Other investment	192	-	192	(c)	-	-	-	
Subsidiaries	-	-	-		10	10	-	
Due from subsidiaries	-	-	-		17,316	17,754	(438)	(e)
Associates	-	150	(150)	(f)	-	-	-	
Joint venture	150	-	150	(f)	-	-	-	
Property, plant and equipment	77,237	77,312	(75)	(a)	63,176	63,176	-	
Investment properties	2,800	2,800	-		-	-	-	
Goodwill	704	704	-		-	-	-	
Total non-current assets	81,083	80,966	117		80,502	80,940	(438)	
Total assets	108,870	108,522	348		92,653	92,995	(342)	

	Group				Company			
	Audited Financial Statements	Preliminary Results	Variance	Notes	Audited Financial Statements	Preliminary Results	Variance	Notes
	S\$'000	S\$'000	S\$'000		S\$'000	S\$'000	S\$'000	
<u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>								
Current liabilities:								
Bank loans	50,227	49,954	273	(a)	46,822	46,822	-	
Trade payables	6,657	6,574	83	(a)	4,322	4,322	-	
Other payables and accruals	3,658	8,336	(4,678)	(a),(g) ,(h)	2,152	4,625	(2,473)	(g),(h)
Provisions	4,616	-	4,616	(g)	2,702	-	2,702	(g)
Due to subsidiaries	-	-	-		1,064	1,502	(438)	(e)
Income tax payable	28	28	-		2	2	-	
Total current liabilities	65,186	64,892	294		57,064	57,273	(209)	
Non-current liabilities:								
Bank loans	388	705	(317)	(a)	-	-	-	
Deferred tax liabilities	8,464	8,446	18	(a),(i)	7,900	8,325	(425)	(i)
Total non-current liabilities	8,852	9,151	(299)		7,900	8,325	(425)	
Capital and reserves and non-controlling interests:								
Issued capital	10,736	10,736	-		10,736	10,736	-	
Treasury shares	(892)	(892)	-		(892)	(892)	-	
Capital reserve	166	166	-		-	-	-	
Currency translation reserve	(2,179)	(2,096)	(83)	(a)	-	-	-	
Revaluation reserve	41,559	41,559	-		40,744	40,744	-	
Accumulated losses	(15,992)	(16,652)	660	(n)	(22,899)	(23,191)	292	(b),(h)
Equity attributable to equity holders of the Company	33,398	32,821	577		27,689	27,397	292	
Non-controlling interests	1,434	1,658	(224)	(a)	-	-	-	
Total equity	34,832	34,479	353		27,689	27,397	292	
Total liabilities and equity	108,870	108,522	348		92,653	92,995	(342)	

Consolidated Statement of Profit or Loss and Other Comprehensive Income

	Group			
	Audited Financial Statements	Preliminary Results	Variance	Notes
	S\$'000	S\$'000	S\$'000	
Revenue	86,448	86,448	-	
Cost of sales	(32,624)	(32,624)	-	
Gross profit	53,824	53,824	-	
Other operating income	5,853	6,026	(173)	(a), (b)
Administrative expenses	(39,320)	(39,327)	7	Immaterial
Other operating expenses	(29,537)	(29,760)	223	(a)
Non-operating expenses	(2,808)	(2,579)	(229)	(h)
Finance cost	(1,001)	(1,001)	-	
Profit before income tax	(12,989)	(12,817)	(172)	
Income tax	573	(252)	825	(d), (i)
Profit after income tax	(12,416)	(13,069)	653	
Attributable to:				
Equity holders of the company	(12,636)	(13,296)	660	
Non-controlling interest	220	227	(7)	(a)
	(12,416)	(13,069)	653	

	Group			Notes
	Audited Financial Statements	Preliminary Results	Variance	
	S\$'000	S\$'000	S\$'000	
Other comprehensive income (loss):				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Revaluation of properties	1,165	1,165	-	
Deferred tax liability relating to revaluation of properties	(205)	(202)	(3)	Immaterial
	960	963	(3)	
<i>Items that may be reclassified subsequently to profit or loss</i>				
Currency translation differences	164	204	(40)	(a)
Other comprehensive income (loss) for the year, net of tax	1,124	1,167	(43)	
Total comprehensive (loss) for the year	(11,292)	(11,902)	610	
Attributable to:				
Equity holders of the company	(11,555)	(12,129)	574	
Non-controlling interest	263	227	36	
	(11,292)	(11,902)	610	

Consolidated Statement of Cash Flows

	Group			
	Audited Financial Statements	Preliminary Results	Variance	Notes
	S\$'000	S\$'000	S\$'000	
Operating activities				
Loss before income tax	(12,989)	(12,817)	(172)	
Adjustments for:				
Depreciation of property, plant and equipment	5,878	5,879	(1)	Immaterial
Depreciation of investment property	22	21	1	Immaterial
Amortisation of prepaid lease	50	51	(1)	Immaterial
Write-off of property, plant and equipment	487	753	(266)	(j)
Impairment loss on property, plant and equipment	453	186	267	(j)
Impairment loss recognised on trade receivables	264	264	-	
Impairment loss recognised on other receivables	409	409	-	
Impairment loss recognised on held-for-sale investment	1,017	1,017	-	
Loss (Gain) on disposal of held for trading investments	13	13	-	
Dividend income from held for trading investments	(40)	(40)	-	
Fair value (gain) loss on held for trading investments	13	13	-	
Provision for early termination of leases	3,405	3,405	-	
Provision for reinstatement cost	643	-	643	(k)
Gain on acquisition of subsidiary	(647)	(916)	269	(a)
Unrealised foreign exchange loss	(149)	400	(549)	(a),(m)
Interest expense	1,001	1,001	-	
Interest income	(92)	(92)	-	
Operating cash flows before movements in working capital	(262)	(453)	191	
Trade receivables	1,609	776	833	(a)
Other receivables and prepayments	8	(635)	643	(a),(b)
Inventories	341	287	54	(a)
Trade payables	(599)	(682)	83	(a)
Other payables and accruals	(2,513)	(2,706)	193	(a),(h)
Cash (used in) from operations	(1,416)	(3,413)	1,997	

	Group			Notes
	Audited Financial Statements	Preliminary Results	Variance	
	S\$'000	S\$'000	S\$'000	
Interest paid	(1,001)	(1,001)	-	
Interest received	92	92	-	
Income taxes and withholding taxes paid	(60)	(79)	19	Immaterial
Net cash from operating activities	(2,385)	(4,401)	2,016	
Investing activities				
Purchase of property, plant and equipment	(2,665)	(2,344)	(321)	(a),(k)
Investment in convertible loan note	(498)	(498)	-	
Loan to related party	35	35	-	
Advance to supplier	(1,278)	-	(1,278)	(a)
Dividend income from held for trading investments	40	40	-	
Proceeds from disposal of held for trading investments	124	124	-	
Purchase of held for trading investments	-	-	-	
Cash arising from acquisition of subsidiary	251	-	251	(a),(l)
Investment in associate	(150)	(150)	-	
Net cash used in investing activities	(4,141)	(2,793)	(1,348)	
Financing activities				
Dividends paid	-	-	-	
Proceeds from bank loans	19,847	19,800	47	(a)
Repayment of bank loans	(16,389)	(16,407)	18	(a)
Net cash used in financing activities	3,458	3,393	65	
Net increase in cash and cash equivalents	(3,068)	(3,801)	733	
Cash and cash equivalents at beginning of year	11,713	11,713	-	
Cash acquired through business acquisition	-	309	(309)	(a)
Effects on exchange rate changes on the balance of cash held in foreign currencies	(18)	487	(505)	(a),(m)
Cash and cash equivalents at end of year	8,627	8,708	(81)	

Notes of explanation on material variances:

- (a) Due to the amendments made to the financial statements of the Company's newly acquired subsidiary, Cocosa Export S.A. ("Cocosa") upon receiving its audited financial statements. During the announcement of the Preliminary Results, the Company had relied on Cocosa's management accounts to derive the consolidated financial statements, as the audit for Cocosa was still in progress.
This also resulted in the change in the net assets and liabilities of Cocosa acquired by the Group, and the corresponding gain on acquisition of subsidiary and the non-controlling interests, which have now been finalised.
- (b) Due to the adjustment on government grant receivable made based on the actual receipts subsequent to the end of the financial year in February and April 2017.
- (c) Due to the reclassification of the investment in redeemable preference shares from held for sale investment (initially classified as current assets) to other investment (classified as non-current assets), based on the Group's intention to hold the investment for more than one year.
- (d) Due to finalisation of income tax computation by the Group's Malaysian and Chilean subsidiaries.
- (e) Due to adjustment between the classification of amounts due from and to subsidiaries after taking into account the set-off arrangements.
- (f) Due to the reclassification of the Group's investment made during the financial year from an associate to a joint venture based on the assessment made on the terms of the share subscription agreement.
- (g) Due to the segregation of provision amounts for separate disclosure.
- (h) Due to additional accruals of legal fees.
- (i) Due to finalisation of deferred income tax computations.
- (j) Due to amendments made on the correct classification between write-off of property, plant and equipment and impairment loss on property, plant and equipment.
- (k) Due to separate disclosure made for provision for reinstatement cost in the statement of cash flows.
- (l) Due to reclassification of cash arising from acquisition of subsidiary as net cash arising from investing activities from the movement of cash and cash equivalents.
- (m) Due to finalisation of the computation of effects on exchange rate changes on the balance of cash held in foreign currencies.
- (n) Please refer to variances for Consolidated Statement of Profit or Loss.

By Order of the Board

Douglas Foo Peow Yong
Executive Chairman
9 June 2017