



Sakae Holdings Ltd.

Second Quarter and Six months Financial Statement And Dividend Announcement

PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR RESULTS

1(a) An income statement (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year.

Profit and Loss Statement for second quarter and six months ended 30 June 2017

	Group					
	2nd Quarter ended			1st Half ended		
	30 June		Increase / (Decrease)	30 June		Increase / (Decrease)
	2017	2016		2017	2016	
S\$'000	S\$'000	%	S\$'000	S\$'000	%	
Revenue	16,628	21,274	(21.8)	33,900	43,543	(22.1)
Cost of sales	(7,116)	(7,320)	(2.8)	(12,695)	(14,424)	(12.0)
Gross profit	9,512	13,954	(31.8)	21,205	29,119	(27.2)
Other operating income	1,062	928	14.4	2,211	2,043	8.2
Administrative expenses	(6,334)	(9,778)	(35.2)	(15,094)	(20,668)	(27.0)
Other operating expenses	(4,227)	(6,085)	(30.5)	(9,594)	(11,910)	(19.4)
Non-operating income/(expenses) *	2,941	(889)	N.M.	2,641	(2,317)	(214.0)
Finance cost	(214)	(212)	0.9	(463)	(467)	(0.9)
Profit/(Loss) before income tax	2,740	(2,082)	(231.6)	906	(4,200)	(121.6)
Income tax	(473)	5	N.M.	(36)	4	N.M.
Profit/(Loss) after income tax	2,267	(2,077)	(209.1)	870	(4,196)	N.M.
Attributable to:						
Equity holders of the company	2,098	(2,077)	(201.0)	757	(4,196)	(118.0)
Non-controlling interest	169	-	N.M.	113	-	N.M.
	2,267	(2,077)	(209.1)	870	(4,196)	(120.7)

N.M. - Not Meaningful

* Non-operating income/(expenses) relates primarily to its associate, Griffin Real Estate Investment Holdings Pte. Ltd. ("GREIH") and Gryphon Capital Management Pte Ltd ("GCM"). Non-operating income in 2nd Quarter ended June 2017 consisted \$3,241,123.54 of amount received from Mr Andy Ong in accordance with the Judgment handed down by the High Court on 7 April 2017 in relation to Suit No. 122 ("Judgment Amount"), offset by the legal fees incurred for the period.

A statement of comprehensive income (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year.

STATEMENT OF COMPREHENSIVE INCOME FOR SECOND QUARTER AND SIX MONTHS ENDED 30 JUNE 2017

	Group					
	2nd Quarter ended			1st Half ended		
	30 June		Increase /	30 June		Increase /
	2017	2016	(Decrease)	2017	2016	(Decrease)
	S\$'000	S\$'000	%	S\$'000	S\$'000	%
Net profit/(loss) for the period	2,267	(2,077)	(209.1)	870	(4,196)	(120.7)
Other comprehensive income:						
Currency translation differences	(46)	(595)	(92.3)	(190)	276	(168.8)
Total comprehensive income/(loss) for the period	2,221	(2,672)	(183.1)	680	(3,920)	(117.3)
Attributable to:						
Equity holders of the Company	2,052	(2,672)	(176.8)	567	(3,920)	(114.5)
Non-controlling interests	169	-	N.M.	113	-	N.M.
Total comprehensive income/(loss) for the period	2,221	(2,672)	(183.1)	680	(3,920)	(117.3)

N.M. - Not Meaningful

Profit before income tax is determined after charging (crediting) the following:

	Group					
	2nd Quarter ended			1st Half ended		
	30 June		Increase /	30 June		Increase /
	2017	2016	(Decrease)	2017	2016	(Decrease)
	S\$'000	S\$'000	%	S\$'000	S\$'000	%
Depreciation	860	1,322	(34.9)	2,022	2,758	(26.7)
(Gain) on disposal of plant and equipment (net)	(3)	-	N.M.	(3)	-	N.M.
Write off of plant and equipment	61	-	N.M.	222	-	N.M.
Provision for impairment of property, plant and equipment	-	-	N.M.	383	-	N.M.
Reversal of provision for early termination of leases (net)	(220)	-	N.M.	(220)	-	N.M.
Foreign currency exchange differences (net)	(51)	55	(192.7)	(14)	175	(108.0)
Interest expense	214	212	0.9	463	467	(0.9)
Interest income	(8)	(24)	(66.7)	(20)	(49)	(59.2)
Receipt of Judgment Amount	(3,241)	-	N.M.	(3,241)	-	N.M.
Subsidy from government	(33)	(1)	N.M.	(116)	(80)	45.0
Income tax credit/(expense)						
- Current tax credit/(expense)	473	(5)	N.M.	-	(5)	(100.0)
- Adjustments recognised in relation to prior years	-	1	N.M.	36	1	N.M.

N.M. – Not Meaningful

1(b)(i) **A balance sheet (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.**

	Group		Company	
	30/06/2017	31/12/2016	30/06/2017	31/12/2016
	S\$'000	S\$'000	S\$'000	S\$'000
ASSETS				
Current assets:				
Cash and cash equivalents	6,005	8,627	1,422	3,327
Trade receivables	2,911	1,871	1,376	1,332
Other receivables and prepayments	11,548	11,304	3,199	3,855
Inventories	2,045	2,357	1,192	1,524
Convertible loan receivable	-	-	-	-
Held for trading investments	2,795	2,790	2,113	2,113
Income tax recoverable	1,068	838	-	-
Total current assets	26,372	27,787	9,302	12,151
Non-current assets:				
Subsidiaries	-	-	10	10
Due from subsidiaries	-	-	21,795	17,316
Associates	-	-	-	-
Joint venture	270	150	-	-
Other investments	194	192	-	-
Property, plant and equipment	75,085	77,237	61,782	63,176
Investment properties	2,816	2,800	-	-
Goodwill	709	704	-	-
Total non-current assets	79,074	81,083	83,587	80,502
Total assets	105,446	108,870	92,889	92,653
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current liabilities:				
Bank loans	43,934	50,227	41,202	46,822
Trade payables	4,572	6,657	2,461	4,322
Accruals	4,035	3,658	2,927	2,152
Provisions	3,553	4,616	1,836	2,702
Due to subsidiaries	-	-	2,938	1,064
Income tax payable	108	28	2	2
Total current liabilities	56,202	65,186	51,366	57,064
Non-current liabilities:				
Bank loans	5,296	388	4,631	-
Deferred tax liabilities	8,436	8,464	7,901	7,900
Total non-current liabilities	13,732	8,852	12,532	7,900
Capital and reserves:				
Share capital	10,736	10,736	10,736	10,736
Treasury shares	(892)	(892)	(892)	(892)
Reserves	24,121	23,554	19,147	17,845
Equity attributable to equity holders of the company	33,965	33,398	28,991	27,689
Non-controlling interests	1,547	1,434	-	-
Total equity	35,512	34,832	28,991	27,689
Total liabilities and equity	105,446	108,870	92,889	92,653

1(b)(ii) Aggregate amount of group's borrowings and debt securities.

Amount repayable in one year or less, or on demand

As at 30/06/2017		As at 31/12/2016	
Secured	Unsecured	Secured	Unsecured
S\$'000	S\$'000	S\$'000	S\$'000
41,375	2,559	47,563	2,664

Amount repayable after one year

As at 30/06/2017		As at 31/12/2016	
Secured	Unsecured	Secured	Unsecured
S\$'000	S\$'000	S\$'000	S\$'000
5,296	-	388	-

Details of any collateral

The Group obtained loan facilities to finance the construction of its headquarters which was mortgaged to the lending bank as a form of collateral.

1(c) A cash flow statement (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

Please see next page.

	Group			
	2nd Quarter ended		1st Half ended	
	30 June		30 June	
	2017	2016	2017	2016
	S\$'000	S\$'000	S\$'000	S\$'000
Operating activities				
Profit/(Loss) before income tax	2,740	(2,082)	906	(4,200)
Adjustments for:				
Receipt of Judgment Amount	(3,241)	-	(3,241)	-
Depreciation of property, plant and equipment	859	1,314	2,033	2,750
Depreciation of investment property	(1)	3	5	8
Amortisation of prepaid lease	12	13	25	26
Gain on disposal of property, plant and equipment	(3)	-	(3)	-
Write-off of property, plant and equipment	61	1	222	3
Impairment loss on property, plant and equipment	-	-	371	-
Gain on disposal of held for trading investments	-	(1)	-	(3)
Net fair value gain on held for trading investments	-	(93)	-	(62)
(Reversal of) Provision for early termination of leases	(220)	-	(220)	-
Unrealised foreign exchange (loss) gain	23	(108)	(15)	(175)
Dividend income	(23)	(21)	(26)	(21)
Interest expense	214	212	463	467
Interest income	(8)	(24)	(20)	(49)
Operating cash flows before movements in working capital	413	(786)	500	(1,256)
Trade receivables	(2,214)	685	(1,040)	1,334
Other receivables and prepayments	2,544	443	(269)	700
Inventories	(765)	(440)	312	(563)
Trade payables	(414)	(889)	(2,085)	(1,185)
Accruals	186	(2,226)	(466)	(2,883)
Cash used in operations	(250)	(3,213)	(3,048)	(3,853)
Interest paid	(214)	(212)	(463)	(467)
Interest received	8	24	20	49
Income taxes and withholding taxes paid	(328)	(297)	(297)	(164)
Net cash used in operating activities	(784)	(3,698)	(3,788)	(4,435)
Investing activities				
Dividend income	23	21	26	21
Convertible loan notes issued	-	(498)	-	(498)
Purchase of property, plant and equipment	(138)	(237)	(710)	(1,092)
Proceeds from disposal of property, plant and equipment	3	-	3	-
Advance to supplier	-	(328)	-	(731)
Investment in joint venture	(105)	-	(120)	-
Proceeds from disposal of held for trading investments	-	6	-	14
Receipt of Judgment Amount	3,241	-	3,241	-
Net cash generated from (used in) investing activities	3,024	(1,036)	2,440	(2,286)
Financing activities				
Proceeds from bank loans	-	6,050	-	7,450
Repayment of bank loans	(250)	(2,413)	(1,218)	(2,824)
Net cash (used in) from financing activities	(250)	3,637	(1,218)	4,626
Net increase/(decrease) in cash and cash equivalents	1,990	(1,097)	(2,566)	(2,095)
Cash and cash equivalents at beginning of period	4,304	10,880	8,627	11,713
Effects on exchange rate changes on the balance of cash held in foreign currencies	(289)	(182)	(56)	(17)
Cash and cash equivalents at end of period	6,005	9,601	6,005	9,601

1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Issued capital	Treasury shares	Capital reserve	Currency translation reserve	Revaluation reserve	Accumulated profits	Attributable to equity holders of the company	Non-controlling interests	Total
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Group									
Balance at January 1, 2016	10,736	(892)	166	(2,300)	40,599	(3,356)	44,953	(44)	44,909
<i>Total comprehensive income (loss) for the period:</i>									
Loss for the period	-	-	-	-	-	(2,119)	(2,119)	-	(2,119)
Other comprehensive income for the period	-	-	-	871	-	-	871	-	871
Total	-	-	-	871	-	(2,119)	(1,248)	-	(1,248)
Balance at March 31, 2016	10,736	(892)	166	(1,429)	40,599	(5,475)	43,705	(44)	43,661
<i>Total comprehensive loss for the period:</i>									
Loss for the period	-	-	-	-	-	(2,077)	(2,077)	-	(2,077)
Other comprehensive loss for the period	-	-	-	(595)	-	-	(595)	-	(595)
Total	-	-	-	(595)	-	(2,077)	(2,672)	-	(2,672)
Balance at June 30, 2016	10,736	(892)	166	(2,024)	40,599	(7,552)	41,033	(44)	40,989
Balance at January 1, 2017	10,736	(892)	166	(2,179)	41,559	(15,992)	33,398	1,434	34,832
<i>Total comprehensive loss for the period:</i>									
Loss for the period	-	-	-	-	-	(1,341)	(1,341)	(56)	(1,397)
Other comprehensive loss for the period	-	-	-	(144)	-	-	(144)	-	(144)
Total	-	-	-	(144)	-	(1,341)	(1,485)	(56)	(1,541)
Balance at March 31, 2017	10,736	(892)	166	(2,323)	41,559	(17,333)	31,913	1,378	33,291
<i>Total comprehensive income (loss) for the period:</i>									
Profit for the period	-	-	-	-	-	2,098	2,098	169	2,267
Other comprehensive loss for the period	-	-	-	(46)	-	-	(46)	-	(46)
Total	-	-	-	(46)	-	2,098	2,052	169	2,221
Balance at June 30, 2017	10,736	(892)	166	(2,369)	41,559	(15,235)	33,965	1,547	35,512
Company									
Balance at January 1, 2016	10,736	(892)	-	-	39,820	(8,407)	41,257	-	41,257
<i>Total comprehensive loss for the period:</i>									
loss for the period	-	-	-	-	-	(1,749)	(1,749)	-	(1,749)
Balance at March 31, 2016	10,736	(892)	-	-	39,820	(10,156)	39,508	-	39,508
<i>Total comprehensive loss for the period:</i>									
loss for the period	-	-	-	-	-	(2,256)	(2,256)	-	(2,256)
Balance at June 30, 2016	10,736	(892)	-	-	39,820	(12,412)	37,252	-	37,252
Balance at January 1, 2017	10,736	(892)	-	-	40,744	(22,899)	27,689	-	27,689
<i>Total comprehensive profit for the period:</i>									
profit for the period	-	-	-	-	-	250	250	-	250
Balance at March 31, 2017	10,736	(892)	-	-	40,744	(22,649)	27,939	-	27,939
<i>Total comprehensive profit for the period:</i>									
profit for the period	-	-	-	-	-	1,052	1,052	-	1,052
Balance at June 30, 2017	10,736	(892)	-	-	40,744	(21,597)	28,991	-	28,991

- 1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles, as well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares and subsidiary holdings of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.**

Treasury shares

The changes in the Company's Treasury shares are set out below.

	30-June-2017		FY2016	
	No. of shares ('000)	(\$'000)	No. of shares ('000)	(\$'000)
At beginning and end of period/year	2,528	892	2,528	892

- 1(d)(iii) To show the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.**

	30/06/2017	31/12/2016
Number of shares held as treasury shares	2,528,000	2,528,000
Total no. of issued shares (excluding treasury shares)	139,472,000	139,472,000

- 1(d)(iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.**

Not applicable.

- 1(d)(v) A statement showing all sales, transfers, cancellation and/or use of subsidiary holdings as at the end of the current financial period reported on.**

During the financial period, there were no transaction pertaining to subsidiary holdings.

- 2. Whether the figures have been audited or reviewed and in accordance with which auditing standard or practice.**

The figures have not been audited or reviewed by the Company's auditors.

- 3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter).**

Not applicable.

4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.

The Company has followed the same accounting policies and methods of computation in the financial statements for the current period with those adopted in the most recent audited financial statements for the financial year ended December 31, 2016.

5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.

Not applicable.

6. Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.

	3 months ended 30 June 2017	3 months ended 30 June 2016	6 months ended 30 June 2017	6 months ended 30 June 2016
Earnings per ordinary share for the period				
(a) Based on weighted average number of ordinary shares in issue (cents)	1.50	(1.49)	0.54	(3.01)
(b) On a fully diluted basis (cents)	1.50	(1.49)	0.54	(3.01)

7. Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares at the end of the:-

- (a) current financial period reported on; and
(b) immediately preceding financial year.**

	Group		Company	
	30/06/2017	31/12/2016	30/06/2017	31/12/2016
Net asset value per ordinary share based on issued share capital as at the end of period (cents)	24.35	23.95	20.79	19.85

8. Review of the performance of the Group

Financial performance (2Q2017 vs 2Q2016)

Group revenue for the second quarter ended 30 June 2017 ("2Q2017") totalled \$16.6 million, a decrease of 21.8% as compared to \$21.3 million in the corresponding period of the previous year ("2Q2016"). Group revenue declined following the effects of sluggish economic conditions which led to weaker market sentiments globally. The rationalisation of non-performing outlets in the Singapore market has also contributed to the fall in Group revenue.

Group revenue in 2Q2017 included a new stream of revenue from commodities trading of \$0.2 million in which resulted in a margin of 5.0%. Group revenue in 2Q2017 also included the food trading revenue of \$1.7 million, an increase of 122.2% from \$0.7 million in 2Q2016.

Excluding both the food and commodities trading businesses with lower gross profit margin, the Group's gross profit margin from the retail business decreased from 67.7% in 2Q2016 to 60.5% in 2Q2017. The reduction in gross profit margin was due to the effect of continuous rising prices of high quality raw materials as well as low pricing margins due to fierce market competition.

Higher government grants recorded in 2Q2017, caused an increase of 14.4% in other operating income to \$1.1 million in 2Q2017 from \$0.9 million in 2Q2016.

Administrative expenses was \$6.3 million in 2Q2017, a decrease of 35.2% from \$9.8 million in 2Q2016. This resulted from a substantial decrease in labour costs of 28.6% to \$5.5 million in 2Q2017 from \$7.8 million in 2Q2016. Other administrative expenses including depreciation charges and other expenses have also declined accordingly with the streamlining of the Group's operations.

Other operating expenses decreased 30.5% to \$4.2 million in 2Q2017 from \$6.1 million in 2Q2016, as the Group continued to carry out its rationalisation exercise on non-performing outlets whereby the expenses incurred were offset against the provision for early termination of leases recorded in FY2016, with a net reversal of overprovision for early termination of leases of \$0.2 million made in 2Q2017 as the actual expenses incurred was lower. Reduction in rental, utilities and other expenses, resulted from the reduction in the number of operating outlets have also contributed to the declining operating expenses.

Following the Judgment handed down by the High Court on 7 April 2017, in relation to Suit Nos. 122 and 1098 brought about by the Company in relation to its investments in associate, Griffin Real Estate Investment Holdings Pte Ltd ("GREIH"), the Company received from Mr Andy Ong the sum of \$3.2 million in May 2017. Offsetting the legal fees incurred by the Company incurred in the legal suits of \$0.3 million, the Company recorded a net non-operating income of \$2.9 million in 2Q2017.

Group profit before tax and net profit after tax tallied at \$2.7 million and \$2.3 million respectively in 2Q2017, which represented an increase of \$4.8 million and \$4.3 million respectively, as compared to the Group's loss before tax and net loss after tax of \$2.1 million in 2Q2016.

Excluding the non-operating income/(expenses), the Group would be in operating loss before tax of \$0.2 million and net operating loss after tax would be at \$0.9 million in 2Q2017 as compared to operating loss before tax and net loss after tax of \$1.2 million in 2Q2016.

Financial performance (1H2017 vs 1H2016)

Group revenue for the first half-year ended 30 June 2017 ("1H2017") totalled \$33.9 million, a decrease of 22.1% as compared to \$43.5 million in the corresponding period of the previous year ("1H2016"). Group revenue decline following the effects of sluggish economic conditions which led to weaker market sentiments globally. The rationalisation of non-performing outlets in the Singapore market has also contributed to the fall in Group revenue.

Excluding both the food and commodities trading businesses with lower gross profit margin, the Group's gross profit margin from the retail business decreased from 68.3% in 1H2016 to 62.6% in 1H2017. The reduction in gross profit margin was a due to the effect of continuous rising prices of high quality raw materials as well as low pricing margins due to fierce market competition.

Group other operating income has increased 8.2% to \$2.2 million in 1H2017 from \$2.0 million in 1H2016, as a result of slightly higher government grant and other income recorded.

Administrative expenses was \$15.1 million in 1H2017, a decrease of 27.0% from \$20.7 million in 1H2016, which resulted from a decrease in labour costs of 25.9% to \$11.7 million in 1H2017 from \$15.8 million in 1H2016. Other administrative expenses including depreciation charges and other expenses have also declined accordingly with the streamlining of the Group's operations.

Other operating expenses decreased 19.4% to \$9.6 million in 1H2017 from \$11.9 million in 1H2016, as the Group continued to carry out its rationalisation exercise on non-performing outlets whereby the expenses of \$0.8 million incurred were offset against the provision for early termination of leases of \$3.3 million recorded in FY2016, with a net reversal of overprovision for early termination of leases of \$0.2 million made in 1H2017 as the Group managed to negotiate for lower compensation amounts with the landlord. Reduction in rental, utilities and other expenses, resulted from the reduction number of operating outlets have also contributed to the declining operating expenses.

Following the Judgment handed down by the High Court on 7 April 2017, in relation to Suit Nos. 122 and 1098 carried out by the Company in relation to its investments in associate, Griffin Real Estate Investment Holdings Pte Ltd (“GREIH”), the Company received from Mr Andy Ong the sum of \$3.2 million in May 2017. Offsetting the legal fees incurred by the Company incurred in the legal suits of \$0.6 million, the Company recorded a net non-operating income of \$2.6 million in 1H2017.

Group profit before tax and net profit after tax tallied at \$0.9 million, which represented an increase of \$5.1 million as compared to the Group’s loss before tax and net loss after tax of \$4.2 million in 1H2016.

Excluding the non-operating income/(expenses), the Group would be in a net operating loss before tax and net operating loss after tax positions of \$1.7 million and \$1.8 million respectively as compared to those of \$1.9 million in 1H2016.

Financial Position of the Group

Group and Company cash and bank balances as at 30 June 2017 (“HY2017”) stood at \$6.0 million and \$1.4 million respectively as compared to \$8.6 million and \$3.3 million respectively as at 31 December 2016 (“FY2016”), following the usage of funds by the Group to carry out its outlet rationalisation and development of its commodities trading business. The Group has and will continue its efforts to grow its businesses, including partnering with potential strategic business partners, both locally and globally, for both raw materials as well as business expansion strategy.

Group’s trade receivables increased 55.6% to \$2.9 million as at HY2017 from \$1.9 million as at FY2016, as a result of the increased food trading business in 2Q2017.

Inventories, total trade payables and accruals as well as provisions balances of both the Group and Company have reduced as at HY2017 from FY2016 following the outlets rationalisation and streamlining of its F&B retail business.

Total Group and Company bank loan balances have declined due to repayment of term loans over the period.

Although the Group and Company were in a negative working capital position of \$29.8 million and \$42.1 million respectively as at HY2017, the Group and Company will remain prudent and take reasonable steps to ensure continuous growth and continue operating as a going concern. The negative net working capital positions were mainly due to outstanding short-term revolving loans (at \$40.1 million) that would be renewable at maturity.

Shareholders’ equity for the Group and Company stood at \$34.0 million and \$29.0 million respectively as at HY2017, as compared with \$33.4 million and \$27.7 million respectively as at FY2016.

Cash Flow (2Q2017 vs 2Q2016)

The Group had negative operating cash flows of \$0.8 million in 2Q2017, which has improved from that of \$3.7 million as at 2Q2016.

The Group will continue to be cautious and take reasonable steps to ensure the continuous growth in the operations and managing its operating costs effectively.

Following the receipt of the Judgment Amount in relation to Suit Nos. 122 and 1098 carried out by the Company in relation to its investments in associate, Griffin Real Estate Investment Holdings Pte Ltd ("GREIH"), the Group and Company recorded a net cash from investing activities of \$3.0 million in 2Q2017.

The Group and Company have managed its cash flows for the 2Q2017 with own funds, and had also been paying off the bank loans, thus resulting a net cash used in financing activities position.

Cash Flow (1H2017 vs 1H2016)

The Group had negative operating cash flows of \$3.8 million in 1H2017, a drop from \$4.4 million in 1H2016, due to poor operating performances.

The Group will continue to be cautious and take reasonable steps to ensure the continuous growth in the operations and managing its operating costs effectively.

Following the receipt of the Judgment Amount in relation to Suit Nos. 122 and 1098 carried out by the Company in relation to its investments in associate, Griffin Real Estate Investment Holdings Pte Ltd ("GREIH"), the Group and Company recorded a net cash from investing activities of \$2.4 million in HY2017.

Matters concerning GREIH & GCM

The Group refers to the Company's announcements made in relation to the matters concerning the Company's associate companies - GREIH and GCM on 21 January 2013, 1 February 2013, 8 February 2013, 16 February 2013, 20 February 2013, 22 February 2013, 7 March 2013, 18 March 2013, 3 May 2013, 3 December 2013, 6 February 2014, 28 August 2014, 24 September 2014, 22 December 2015, 15 January 2016, 1 July 2016, 6 April 2017, 7 April 2017, 21 April 2017, 5 May 2017, 9 May 2017 and 10 July 2017, the Company's full year financial statement and dividend announcement for FY2012 on 25 February 2013, for FY2013 on 27 February 2014, for FY2014 on 28 February 2015, FY2015 on 1 March 2016 and FY2016 on 1 March 2017 and the Company's Q1-2017 results announcement on 15 May 2017.

Capitalised terms in this section have the meanings given to them in the announcements referred to above.

The Company earlier announced that (a) it had commenced three actions (Suit 122, Suit 1098 and Suit 1099) against various parties in connection with the affairs of GREIH and GCM; (b) in two of those actions (Suit 122 and Suit 1098), Mr Andy Ong, Mr Ho Yew Kong, GREIC, GCM and various other Defendants had commenced third party actions against Mr Douglas Foo ("Third Party Claim"); and (c) GREIC had also commenced an action (Suit 969) against the Company and Mr Douglas Foo in connection with the affairs of GREIH. Details of these actions are set out in the Company's earlier announcements.

As stated in the Company's earlier announcements: (a) the trial of Suit 122 and Suit 1098 commenced on 15 January 2016 and concluded on 26 February 2016; and (b) Suit 1099 and Suit 969 were deferred pursuant to directions made by the High Court.

The Company had earlier also announced that in connection with Suit 1098, it had applied for an interim proprietary injunction to restrain ERC Unicampus from disposing of or otherwise dealing with a portion of the sale proceeds of the sale of Big Hotel.

In that application, the Company calculated the amount that should be restrained as being in the region of \$33.0 million. The injunction and the amount were contested by ERC Unicampus.

On 30 June 2016, the High Court granted the Company's application for the interim proprietary injunction. The High Court calculated the amount that should be restrained as being \$9.71 million.

The Company applied to the High Court for leave to appeal against the part of the High Court's decision which relates to the quantum of monies over which the injunction has been granted. The Company did so on the basis that the quantification of the monies raises, among other things, a novel point of law.

That leave application was heard on 31 August 2016. On 5 April 2017, the High Court refused the Company's application for leave to appeal and maintained its decision that the amount that should be restrained was \$9.71 million.

On 7 April 2017, the High Court handed down its Judgment in Suit Nos. 122 and 1098 of 2013. The High Court found that the Company had made out most of its claims of minority oppression. In its Judgment, the High Court granted a substantial number of the reliefs that the Company had sought in these Suits, including, but not limited to the following:

- (i) the Company's ex-NED, Andy Ong, pay to the Company the sum of S\$2,641,975 and interest thereon from 8 February 2013;
- (ii) various reliefs that the Company's ex-NED, Andy Ong, and his associates, Ho Yew Kong and Ong Han Boon, pay a total of about \$35,000,000 to GREIH; and
- (iii) the Company was invited to put forward its nomination for a private liquidator for GREIH.

On 20 April 2017, the High Court ordered that GREIH be wound up and appointed the Companies' nominees, Mr Aaron Loh Cheng Lee and Ms Ee Meng Yen Angela of Ernst & Young Solutions LLP, as liquidators of GREIH.

On 4 May 2017, the High Court also handed down its Judgment on the Third Party Claim. The High Court dismissed all of the third party claims against Mr Foo. The High Court also ordered Mr Andy Ong, Mr Ho Yew Kong and Mr Ong Han Boon to pay Mr Foo's costs in defending the third party claims on an indemnity basis.

On 5 May 2017, Mr Ho Yew Kong filed a Notice of Appeal to the Court of Appeal against part of the High Court's Judgment dated 7 April 2017 where adverse findings and/or rulings were made against him. On 5 May 2017, ERC Holdings Pte Ltd, Mr Andy Ong, Mr Ong Han Boon, Gryphon Capital Management Pte Ltd, ERC Unicampus Pte Ltd, ERC Institute Pte Ltd and ERC Consulting Pte Ltd also filed a Notice of Appeal to the Court of Appeal against the whole of the High Court's Judgment date 7 April 2017.

On 12 May 2017, and pursuant to demands made by the Company in relation to the relief at paragraph (i) above, the Company received from Mr Andy Ong the sum of \$3,238,422.93 (being the sum of \$2,641,975 plus interest thereon from 8 February 2013 to 5 May 2017). On 15 May 2017, the Company received from My Andy Ong the sum of \$2,700.61 (being the balance interest amount for the period 6 May 2017 to 12 May 2017).

The appeal in relation to Suit 1098 will be heard on a date to be fixed between 27 November 2017 and 1 December 2017.

There are also disputes between the parties on whether an appeal has been filed against the High Court's decision in Suit 122. Mr Andy Ong's position is that he filed such an appeal on 5 May 2017. The Company disputes that. The Company's position is that no such appeal was filed on 5 May 2017 and that as a result, Mr Andy Ong is out of time to file an appeal in relation to Suit 122. On 30 June 2017, Mr Andy Ong filed an application for a retrospective extension of time to file an appeal in relation to Suit 122. The Company is objecting to that application. The Court of Appeal will hear that application together with the appeal in November 2017.

On 5 July 2017, GREIC wholly discontinued Suit 969 with no order as to costs. The discontinuance is without prejudice to GREIH's liquidators' rights to pursue such claims against such parties as they consider are available to GREIH.

Suit 1099 has been fixed for trial in the High Court of Singapore in September and October 2017. That trial will proceed unless the shareholders of GCM can agree on a liquidator to be appointed for GCM. There has not been any agreement as at the date of this announcement.

The Group had earlier disclosed that as it was not possible to predict the outcome of the litigation with certainty, the Company had decided to adopt a conservative and prudent approach in the financial statements and made full allowance for potential impairment loss on its investment in GREIH and GCM. There was (and continues to be) uncertainty as to whether the interest of the Group and Company can be recovered. The Group and Company have therefore retained its allowance for potential impairment loss on its investments in GREIH and GCM. The Group would like to reiterate that despite the full allowance for impairment being made in its financial statements, the Company will continue to take all necessary steps to recover the value of its investments in the associates. The Company will expeditiously make further announcements on the above matters as and when there are material developments thereon.

9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.

No forecast or prospect statement has been issued previously.

10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.

Moving forward, the F&B industry will continue to remain challenging as labour costs will continue to rise, together with acute labour shortages and high rental costs.

11. Dividend

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on?

No.

(b) Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year?

No.

(c) Date payable

NA.

(d) Books closure date

NA.

12. If no dividend has been declared/recommended, a statement to that effect.

No dividend has been declared/recommended for the two months and half-year ended 30 June 2017.

13. Interested party transactions

No general mandate has been obtained from shareholders for IPTs.

14. Confirmation Pursuant to Rule 705(5) of the Listing Manual

To the best of our knowledge, nothing has come to the attention of the Board of Directors which may render the unaudited financial results of the Company for the six months ended 30 June 2017 presented in this announcement, to be false or misleading in any material respect.

15. Confirmation that the issuer has procured undertakings from all its directors and executive officers (in the format set out in Appendix 7.7) under Rule 720(1).

The Company confirmed that it has procured undertakings from all its directors and executive officer (in the format set out in Appendix 7.7) under Rule 720(1).

BY ORDER OF THE BOARD

Douglas Foo Peow Yong
Executive Chairman

14 August 2017