



Sakae Holdings Ltd.

First Quarter 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 the three months ended 31 March 2017

	Group		Increase / (Decrease) %
	First Quarter ended 31 March 2017 S\$'000	2016 S\$'000	
Revenue	17,272	22,269	(22.4)
Cost of sales	(5,579)	(7,104)	(21.5)
Gross profit	11,693	15,165	(22.9)
Other operating income	1,149	1,115	3.0
Administrative expenses	(8,761)	(10,890)	(19.6)
Other operating expenses	(5,367)	(5,825)	(7.9)
Non-operating expenses	(300)	(1,428)	N.M.
Finance cost	(249)	(255)	(2.4)
Loss before income tax	(1,835)	(2,118)	(13.4)
Income tax credit (expense)	437	(1)	N.M.
Loss after income tax	(1,398)	(2,119)	(34.0)
Attributable to:			
Equity holders of the company	(1,342)	(2,119)	(36.7)
Non-controlling interest	(56)	-	N.M.
	(1,398)	(2,119)	(34.0)

N.M. - Not Meaningful

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 THREE MONTHS ENDED 31 MARCH 2017

	Group		Increase / (Decrease)
	First Quarter ended 31 March		
	2017	2016	%
	S\$'000	S\$'000	
Net loss for the period	(1,398)	(2,119)	(34.0)
Other comprehensive income:			
Adjustment on revaluation of properties	(460)	-	N.M.
Currency translation differences	(144)	871	N.M.
Total comprehensive loss for the period	(2,002)	(1,248)	60.4
Attributable to:			
Equity holders of the Company	(1,916)	(1,248)	55.9
Non-controlling interests	(86)	-	N.M.
Total comprehensive loss for the period	(2,002)	(1,248)	60.4

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

	Group		Increase / (Decrease)
	First Quarter ended 31 March		
	2017	2016	%
	S\$'000	S\$'000	
Depreciation on property, plant and equipment	1,134	1,436	(21.0)
Depreciation on investment property	6	5	20.0
Write off of plant and equipment	161	2	N.M.
Impairment loss on property, plant and equipment	411	-	N.M.
Foreign currency exchange differences (net)	37	120	(69.2)
Interest expense	249	255	(2.4)
Interest income	(12)	(25)	(52.0)
Subsidy from government	(83)	(79)	5.1
Income tax expense			
- Adjustments recognised in relation to prior years	(437)	-	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	
	31/03/2017	31/12/2016	31/03/2017	31/12/2016
	S\$'000	S\$'000	S\$'000	S\$'000
ASSETS				
Current assets:				
Cash and cash equivalents	4,304	8,708	975	3,327
Trade receivables	2,366	3,540	1,664	1,332
Other receivables and prepayments	10,778	7,978	3,113	3,759
Inventories	2,760	3,837	1,900	1,524
Convertible loan receivable	-	-	-	-
Held for sale investment	189	192	-	-
Held for trading investments	2,777	2,790	2,113	2,113
Income tax recoverable	481	511	-	-
Total current assets	23,655	27,556	9,765	12,055
Non-current assets:				
Subsidiaries	-	-	10	10
Due from subsidiaries	-	-	19,515	17,754
Associates	165	150	-	-
Property, plant and equipment	75,818	77,312	62,149	63,176
Investment properties	2,741	2,800	-	-
Goodwill	691	704	-	-
Total non-current assets	79,415	80,966	81,674	80,940
Total assets	103,070	108,522	91,439	92,995
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current liabilities:				
Bank loans	43,864	49,954	41,367	46,822
Trade payables	4,903	6,574	2,519	4,322
Accruals	7,671	8,336	4,299	4,625
Due to subsidiaries	-	-	2,672	1,502
Income tax payable	16	28	2	2
Total current liabilities	56,454	64,892	50,859	57,273
Non-current liabilities:				
Bank loans	5,703	705	5,032	-
Deferred tax liabilities	8,436	8,446	7,901	8,325
Total non-current liabilities	14,139	9,151	12,933	8,325
Capital and reserves:				
Share capital	10,736	10,736	10,736	10,736
Treasury shares	(892)	(892)	(892)	(892)
Reserves	21,061	22,977	17,803	17,553
Equity attributable to equity holders of the company	30,905	32,821	27,647	27,397
Non-controlling interests	1,572	1,658	-	-
Total equity	32,477	34,479	27,647	27,397
Total liabilities and equity	103,070	108,522	91,439	92,995

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

Amount repayable in one year or less, or on demand

As at 31/03/2017		As at 31/12/2016	
Secured	Unsecured	Secured	Unsecured
S\$'000	S\$'000	S\$'000	S\$'000
1,896	41,968	7,322	42,632

Amount repayable after one year

As at 31/03/2017		As at 31/12/2016	
Secured	Unsecured	Secured	Unsecured
S\$'000	S\$'000	S\$'000	S\$'000
5,703	-	705	-

Details of any collateral

The Group obtained loan facilities to finance the construction of the new operational 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	
	First quarter ended 31 March	
	2016	2015
	S\$'000	S\$'000
Operating activities		
Loss before income tax	(1,835)	(2,118)
Adjustments for:		
Depreciation of property, plant and equipment	1,134	1,436
Depreciation of investment property	6	5
Amortisation of prepaid lease	13	13
Write-off of property, plant and equipment	161	2
Impairment loss on property, plant and equipment	411	-
Gain on disposal of held for trading investments	-	(2)
Net fair value loss on held for trading investments	-	31
Dividend income from held for trading investments	(3)	-
Unrealised foreign exchange gain	(37)	(67)
Interest expense	249	255
Interest income	(12)	(25)
Operating cash flows before movements in working capital	87	(470)
Trade receivables	1,174	649
Other receivables and prepayments	(2,813)	257
Inventories	1,077	(123)
Trade payables	(1,671)	(296)
Accruals	(652)	(657)
Cash used in operations	(2,798)	(640)
Interest paid	(249)	(255)
Interest received	12	25
Income taxes and withholding taxes paid	31	133
Net cash used in operating activities	(3,004)	(737)
Investing activities		
Purchase of property, plant and equipment	(572)	(855)
Advance to supplier	-	(403)
Proceeds from sale of quoted shares	-	8
Investment in associate	(15)	-
Dividend income	3	-
Net cash used in investing activities	(584)	(1,250)
Financing activities		
Proceeds from bank loans	-	1,400
Repayment of bank loans	(968)	(411)
Net cash (used in) from financing activities	(968)	989
Net decrease in cash and cash equivalents	(4,556)	(998)
Cash and cash equivalents at beginning of year	8,708	11,713
Effects on exchange rate changes on the balance of cash held in foreign currencies	152	165
Cash and cash equivalents at end of period	4,304	10,880

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
Group									
Balance at January 1, 2016	10,736	(892)	166	(2,300)	40,599	(3,356)	44,953	(44)	44,909
Loss for the period						(2,119)	(2,119)		(2,119)
Other comprehensive income for the period	-	-	-	871	-	-	871	-	871
Balance at March 31, 2016	10,736	(892)	166	(1,429)	40,599	(5,475)	43,705	(44)	43,661
Balance at January 1, 2017	10,736	(892)	166	(2,096)	41,559	(16,652)	32,821	1,658	34,479
Loss for the period						(1,342)	(1,342)	(56)	(1,398)
Other comprehensive loss for the period	-	-	-	(114)	(460)	-	(574)	(30)	(604)
Balance at March 31, 2017	10,736	(892)	166	(2,210)	41,099	(17,994)	30,905	1,572	32,477
Company									
Balance at January 1, 2016	10,736	(892)	-	-	39,820	(8,407)	41,257	-	41,257
Loss for the period	-	-	-	-	-	(1,749)	(1,749)	-	(1,749)
Balance at March 31, 2017	10,736	(892)	-	-	39,820	(10,156)	39,508	-	39,508
Balance at January 1, 2017	10,736	(892)	-	-	40,744	(23,191)	27,397	-	27,397
Profit for the period	-	-	-	-	-	250	250	-	250
Balance at March 31, 2017	10,736	(892)	-	-	40,744	(22,941)	27,647	-	27,647

- 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 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.

	Q1-2017		FY2016	
	No. of shares		No. of shares	
	('000)	(\$'000)	('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.**

	31/03/2017	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) If the company has granted options or shares under its share scheme during the year, please confirm that an SGXNET announcement has been made on the date of the offer as well as details of the grant in accordance with Rule 704(29).**

Not applicable.

- 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.

	31/03/2017	31/03/2016
Earnings per ordinary share for the period		
(a) Based on weighted average number of ordinary shares in issue (cents)	(0.96)	(1.52)
(b) On a fully diluted basis (cents)	(0.96)	(1.52)

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	
	31/03/2017	31/12/2016	31/03/2017	31/12/2016
Net asset value per ordinary share based on issued share capital as at the end of period (cents)	22.16	23.53	19.82	19.64

8. Review of the performance of the Group

Group revenue for the first quarter ended 31 March 2017 ("1Q2017") totalled \$17.3 million, a decrease of 22.4% as compared to \$22.3 million in the corresponding period of the previous year ("1Q2016"). Group revenue decreased following the rationalisation of non-performing outlets, beside the effect of sluggish economic conditions leading to weaker market sentiments, fierce competition in the F&B sector in the Singapore market, as a result of low entry barrier in Singapore.

The Group will continue its efforts to work on introducing new products offerings, and connecting closely with customers through social media and other various marketing platforms.

The Group's cost of sales level as a percentage of sales and gross profit margin were at 32.3% and 67.7% respectively in 1Q2017 as compared to that of 31.9% and 68.1% respectively in 1Q2016.

Administrative expenses, which included labour costs, has dropped by \$2.1 million (or 19.6%) from \$10.9 million in 1Q2017 to \$8.8 million in 1Q2016, which was in line with the rationalisation of non-performing outlets.

Non-operating expenses of \$0.3 million was incurred in 1Q2017, which consisted primarily of legal fees incurred in relation to its associate, Griffin Real Estate Investment Holdings Pte. Ltd. ("GREIH") and Gryphon Capital Management Pte Ltd ("GCM") as compared to \$1.4 million recorded in 1Q2016.

Group loss before tax tallied at \$1.8 million in 1Q2017 as compared to \$2.1 million in 1Q2016. Net loss after tax tallied at \$1.4 million in 1Q2017 as compared to \$2.1 million in 1Q2016.

Balance sheet and cash flow statement for the Group

Group cash and bank balances as at 31 March 2017 stood at \$4.3 million as compared to \$8.7 million as at 31 December 2016. Thus far, the Group has been relying on its own cash flows to fund the rationalisation exercise on non-performing outlets. The Group has recently obtained an additional bank loan facility to assist the Group in its rationalisation exercise. This will allow it to put its business operations back into shape. The Group will continue to be cautious and take reasonable steps in managing its cash flows.

Following the downsizing of the business, trade receivables and payables and inventories balances have reduced accordingly.

Other receivables increased from \$8.0 million as at 31 December 2016 to \$10.8 million as at 31 March 2017, following the acquisition of the food trading business as a result of prepayments made to the supplier for production.

Short-term revolving loans remained at \$39.5 million as at 31 March 2017 and 31 December 2016. Due to the Group's slow business performance as well as the rationalisation of non-performing outlets, the Group had negative operating cash flows of \$3.0 million in 1Q2017. The Group will continue to be cautious and take reasonable steps to ensure the continuous growth in the operations and managing the operating costs effectively.

Although the Group was in a negative working capital position of \$33.0 million as at end March 2017, it continues to operate as a going concern. The negative net working capital position was mainly due to outstanding short-term revolving loans (at \$39.5 million) that would be renewable at maturity.

Shareholders' equity for the Group and Company stood at \$30.9 million and \$27.7 million respectively as at 31 March 2017, as compared with \$32.8 million and \$27.4 million respectively as at 31 December 2016.

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 and 9 May 2017 and 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.

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, the trial of Suit 122 and Suit 1098 commenced on 15 January 2016 and concluded on 26 February 2016. All parties have filed their Closing and Reply Closing Submissions by the timelines stipulated by the Court.

As stated in the Company's earlier announcements, Suit 1099 and Suit 969 have been deferred for now pursuant to directions made by the High Court.

The Company had earlier also announced that in connection with Suit 1098, it had also 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 to 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 to 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 8 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 \$3,238,808.74 (being the sum of \$2,691,471 plus interest thereon from 8 February 2013 to 5 May 2017). The Company intends to recover from Mr Andy Ong the balance interest amount for the period 6 May 2017 to 12 May 2017.

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 any value in the investments can be recovered. The Group and Company have therefore retained its full allowance for potential impairment loss. The Group would like to reiterate that despite the full allowance for impairment being made in its FY2012 financial statements, the Company will 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.

On 8 June 2016 and 21 January 2017, the Company's Audit Committee also received letters from two shareholders who raised questions and complaints about a number of matters which in the Company's view related to matters which were the subject of the Court proceedings. The Audit Committee, after investigating those complains, has responded to the two shareholders to state, among other things, that the Company does not accept the allegations and complaints and that in any event, insofar as the allegations and/or complaints are the subject of the Court proceedings, it would not be appropriate for the Company to comment because the matter is before the Court.

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.

Due to continued sluggish economic conditions and increasing competition within the F&B industry, in addition to acute labour shortages, the Group expects operating conditions to be challenging as food, labour, rental and utilities costs continue to rise in the foreseeable next 12 months. The Group continues to work hard to manage the challenging operating conditions in the F&B industry.

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 quarterly period ended 31 March 2017.

13. Interested party transactions

No general mandate has been obtained from shareholders for IPTs.

14. Confirmation Pursuant to Rule 705(4) 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 three months ended 31 March 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

15 May 2017