

SAKAE HOLDINGS LTD.

Company Registration Number 199604816
(Incorporated in the Republic of Singapore)

ANNOUNCEMENT PURSUANT TO RULES 704(6) OF THE LISTING MANUAL IN RELATION TO MATERIAL DIFFERENCE BETWEEN UNAUDITED FINANCIAL STATEMENTS AND AUDITED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

The Board of Directors (the “**Board**”) of Sakae Holdings Ltd. (the “**Company**”, and together with its subsidiaries, collectively the “**Group**”) refers to the announcement on the unaudited financial statement for the financial year ended 30 June 2020 (the “**Preliminary Results**”) released on 30 August 2020 and the audited financial statements for the financial year ended 30 June 2020 (the “**Audited Financial Statements**”) released on 15 October 2020.

Pursuant to Rule 704(6) of the Listing Manual of the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”), by this announcement, the Board seeks to preliminarily clarify the differences between the Preliminary Results and the Audited Financial Statements.

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 FY2020 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	Preliminary	Variance	Notes	Audited	Preliminary	Variance	Notes
	Financial	Results			Financial	Results		
	Statements	Results	Statements	Results	Statements	Results	Statements	Results
	S\$'000	S\$'000	S\$'000		S\$'000	S\$'000	S\$'000	
ASSETS								
Current assets:								
Cash and cash equivalents	7,142	7,084	58 (a)		4,765	4,785	(20) im	
Trade receivables	1,349	846	503 (b)		606	399	207 (b)	
Other receivables and prepayments	1,977	2,396	(419) (c)		417	603	(186) (c)	
Inventories	615	630	(15) (d)		30	30	-	
Equity investments at fair value through profit or loss	53	293	(240) (e)		-	-	-	
Non-current assets classified as held for sale	6,425	2,319	4,106 (f)		-	-	-	
Income tax recoverable	225	106	119 (g)		-	-	-	
Total current assets	17,786	13,674	4,112		5,818	5,817	1	
Non-current assets:								
Deposit	457	-	457 (h)		-	-	-	
Subsidiaries	-	-	-		10	10	-	
Due from subsidiaries	-	-	-		12,403	15,539	(3,136) (i)	
Equity investments at fair value through profit or loss	9,888	9,888	-		9,888	9,888	-	
Joint venture	-	350	(350) (j)		-	-	-	
Property, plant and equipment	93,011	96,066	(3,055) (k)		88,862	87,557	1,305 (k)	
Investment properties	-	432	(432) (l)		-	-	-	
Intangible asset	-	-	-		-	-	-	
Goodwill	716	716	-		-	-	-	
Total non-current assets	104,072	107,452	(3,380)		111,163	112,994	(1,831)	
LIABILITIES AND SHAREHOLDERS' EQUITY								
Current liabilities:								
Bank loans	44,287	43,812	475 (m)		43,667	43,667	-	
Lease liabilities	3,033	4,280	(1,247) (n)		381	494	(113) (n)	
Trade payables	3,328	3,738	(410) (o)		879	1,229	(350) (o)	
Other payables and accruals	3,874	4,412	(538) (p)		1,941	1,533	408 (p)	
Provisions	420	420	-		84	84	-	
Due to subsidiaries	-	-	-		14,903	12,100	2,803 (i)	
Income tax payable	24	-	24 (g)		-	-	-	
Total current liabilities	54,966	56,662	(1,696)		61,855	59,107	2,748	
Non-current liabilities:								
Bank loans	-	-	-		-	-	-	
Lease liabilities	10,852	9,868	984 (n)		9,637	9,524	113 (n)	
Deferred tax liabilities	10,797	11,369	(572) (q)		10,974	10,926	48 (q)	
Total non-current liabilities	21,649	21,237	412		20,611	20,450	161	
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) (r)		-	-	-	
Currency translation reserve	(722)	(681)	(41) (s)		-	-	-	
Revaluation reserve	60,168	57,803	2,365 (t)		59,229	58,146	1,083 (t)	
Accumulated losses	(24,047)	(24,018)	(29) (u),(t)		(34,558)	(28,736)	(5,822) (u)	
Equity attributable to equity holders of the Company	45,243	43,114	2,129		34,515	39,254	(4,739)	
Non-controlling interests	-	113	(113) (r)		-	-	-	
Total equity	45,243	43,227	2,016		34,515	39,254	(4,739)	
Total liabilities and equity	121,858	121,126	732		116,981	118,811	(1,830)	

im = immaterial

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	31,372	29,892	1,480	(v)
Cost of sales	(12,434)	(10,819)	(1,615)	(v)
Gross profit	18,938	19,073	(135)	
Other operating income	17,185	16,044	1,141	(w)
Administrative expenses	(22,782)	(21,631)	(1,151)	(x)
Other operating expenses	(12,834)	(12,705)	(129)	(y)
Finance cost	(1,929)	(1,910)	(19)	im
Loss before income tax	(1,422)	(1,129)	(293)	
Income tax	822	791	31	im
Loss after income tax	(600)	(338)	(262)	
Other comprehensive income:				
Revaluation of properties	16,327	11,680	4,647	(t)
Deferred tax liability relating to revaluation of properties	(2,739)	-	(2,739)	(t)
Currency translation differences	(4)	57	(61)	im
Total comprehensive income for the year	12,984	11,399	1,585	

im = immaterial

Consolidated Statement of Cash Flows

	Group			
	Audited	Preliminary		
	Financial Statements	Results	Variance	Notes
	S\$'000	S\$'000	S\$'000	
Net cash from operating activities	5,467	1,442	4,025	(z)
Net cash from investing activities	11,032	10,656	376	(aa)
Net cash used in financing activities	(10,071)	(6,189)	(3,882)	(bb)
Cash and cash equivalents at beginning of year	98	1,169	(1,071)	(cc)
Cash and cash equivalents at end of year	6,522	7,084	(562)	(cc)

Notes of explanation on material variances:

- (a) Variance mainly due to the effects of the derecognition of a subsidiary.
- (b) Variance noted at the Company level due to reclassification of balances from equity investments at fair value through profit or loss. Group variances also included reclassifications between trade receivables and intercompany balances.
- (c) Variance noted at the Company level due to the reclassification of deposits for professional services to statement of profit or loss. Group variances also included recognition of deposits as lease payments, reclassifications to non-current deposits, effects of the derecognition of a subsidiary and recognition of deposits received in relation to the disposal of properties.
- (d) The decrease in inventories is due to the derecognition of a subsidiary.
- (e) Reclassification of balances to other receivables.
- (f) Reclassification of property, plant and equipment and investment properties relating to disposal properties to non-current assets classified as held for sale.
- (g) Recognition of income tax recoverable and provision for income tax liabilities based on revised assessments.
- (h) Reclassification of non-current deposits from other receivables and prepayments.
- (i) Variances noted in amounts due from/to subsidiaries arose from the reclassification of balances between due from/to subsidiaries. The decrease in amount due from subsidiaries also included a provision for impairment on amounts due from a subsidiary.
- (j) Provision for impairment was made on the Group's investment in joint venture.
- (k) Variance noted at the Company level relates to adjustments to depreciation expenses. Group variances also included the reclassification of properties held for sale to non-current assets classified as held for sale, and provisions for impairment of certain items of property, plant and equipment.
- (l) Reclassification of investment properties to non-current asset classified as held for sale.

- (m) Reclassification of bank overdraft balances from other payables to bank loans.
- (n) Variance noted at the Company level relates to the reclassifications from current lease liabilities to non-current lease liabilities. Group variances also included adjustments to lease liabilities recognized on right-of-use assets.
- (o) Variance noted at the Company level relates to reclassifications of trade payables to other payables and the write-back of liabilities. Group variances also included the effects of derecognition of a subsidiary and the reclassification of trade payables to intercompany balances.
- (p) Variance noted at the Company level relates to reclassification of balances from trade payables to other payables, and additional accruals for expenses. Group variances also include the reclassification of bank overdraft balances to bank loans, reversal of over-accruals for expenses, and the effects of derecognition of a subsidiary.
- (q) Variance noted at the Company level relates to deferred tax liabilities recognized on adjustments made to revaluation reserves. Group variances also included the recognition of deferred tax liabilities relating to overseas subsidiaries.
- (r) Relates to prior year adjustment to reverse capital reserves and non-controlling interests wrongly recognized in previous financial periods.
- (s) Relates to prior year adjustment in relation to currency translation reserve movements in previous financial periods and effects of currency translation on adjustments made relating to overseas subsidiaries.
- (t) Variance noted at the Company level relates to adjustments made to correct the fair value of the Company's leasehold building. Group variances also included a reclassification between revaluation reserve and accumulated losses. Variances relating to fair value changes are also reflected as variances in other comprehensive income with related movements in deferred tax liabilities.
- (u) Variance noted at the Company level relates to provision for impairment of a subsidiary. Group variances relate to the effects of adjustments made to the statement of profit or loss.
- (v) The increase in revenue and cost of sales is due to the recognition of project revenue and costs which were previously recognized on a net basis. Increase in revenue was offset by reclassifications of revenue to deferred revenue.
- (w) Increase in other operating income was due to gains recognized on the derecognition of a subsidiary, and the reclassification of fair value losses to other operating expenses.
- (x) Increases in administrative expenses were mainly due to the impairment of investments in joint venture and adjustments to depreciation expenses.
- (y) Increases in other operating expenses were mainly due to the reclassification of fair value losses from other operating income.
- (z) As a result of changes to the consolidated statement of comprehensive income and the consolidated statement of financial position, corresponding changes have been made to net cash generated by operating activities.
- (aa) Increase in investing activities was mainly due to reclassification of proceeds from disposal of equity investments, proceeds from disposal of unquoted investments and adjustments on purchase of property, plant and equipment.
- (bb) Increase was mainly due to reclassification of repayment of leases to net cash used in financing activities.
- (cc) Variances in cash and cash equivalents at the beginning and end of the year were due to the exclusion of bank overdraft balances of overseas subsidiaries.

By Order of the Board

Chan Lai Yin
Company Secretary

16 October 2020