



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 2018

	Group		
	Quarter ended 31 March 2018	2017	Increase / (Decrease)
	S\$'000	S\$'000	%
Revenue	12,344	17,272	(28.5)
Cost of sales	(3,640)	(5,579)	(34.8)
Gross profit	8,704	11,693	(25.6)
Other operating income	998	1,149	(13.1)
Administrative expenses	(5,823)	(8,761)	(33.5)
Other operating expenses	(3,212)	(5,367)	(40.2)
Non-operating expenses	-	(300)	N.M.
Finance cost	(349)	(249)	40.2
Profit/(Loss) before income tax	318	(1,835)	N.M.
Income tax	-	437	N.M.
Profit/(Loss) after income tax	318	(1,398)	N.M.
Attributable to:			
Equity holders of the company	306	(1,342)	N.M.
Non-controlling interest	12	(56)	N.M.
	318	(1,398)	N.M.

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 2018

	Group		Increase /
	Quarter ended 31 March		(Decrease)
	2018	2017	%
	S\$'000	S\$'000	
Net profit/(loss) for the period	318	(1,398)	N.M.
Other comprehensive loss:			
Adjustment on revaluation of properties	-	(460)	N.M.
Currency translation differences	(57)	(144)	(60.4)
Total comprehensive income/(loss) for the period	261	(2,002)	N.M.
Attributable to:			
Equity holders of the Company	273	(1,916)	N.M.
Non-controlling interests	(12)	(86)	(86.0)
Total comprehensive income/(loss) for the period	261	(2,002)	N.M.

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

	Group		Increase /
	Quarter ended 31 March		(Decrease)
	2018	2017	%
	S\$'000	S\$'000	
Depreciation on property, plant and equipment	883	1,134	(22.1)
Depreciation on investment property	10	6	66.6
Write off of plant and equipment	-	161	N.M.
Impairment loss on property, plant and equipment	-	411	N.M.
Foreign currency exchange differences (net)	89	37	140.5
Interest expense	349	249	40.2
Interest income	(12)	(12)	-
Subsidy from government	(94)	(83)	13.2
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	
	31/03/2018	31/12/2017	31/03/2018	31/12/2017
	S\$'000	S\$'000	S\$'000	S\$'000
ASSETS				
Current assets:				
Cash and cash equivalents	6,523	7,555	1,970	1,732
Trade receivables	6,071	5,450	1,261	1,849
Other receivables and prepayments	10,286	11,447	2,647	2,941
Inventories	9,546	8,989	3,901	4,121
Held for trading investments	2,821	2,810	2,113	2,113
Income tax recoverable	1,129	1,087	-	-
Total current assets	36,376	37,338	11,892	12,756
Non-current assets:				
Subsidiaries	-	-	10	10
Due from subsidiaries	-	-	28,262	42,141
Joint venture	350	350	-	-
Other investment	201	198	-	-
Property, plant and equipment	73,067	73,747	59,805	60,632
Investment properties	2,961	2,953	-	-
Intangible assets	1,051	726	-	-
Total non-current assets	77,630	77,974	88,077	102,783
Total assets	114,006	115,312	99,969	115,539
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current liabilities:				
Bank loans	52,254	52,870	49,670	50,238
Trade payables	6,495	6,809	3,345	3,082
Other payables and accruals	4,139	4,398	2,495	2,362
Provisions	2,254	2,257	553	621
Due to subsidiaries	-	-	5,463	19,368
Income tax payable	109	59	-	-
Total current liabilities	65,251	66,393	61,526	75,671
Non-current liabilities:				
Bank loans	4,050	4,477	3,350	3,780
Deferred tax liabilities	8,027	8,025	7,900	7,900
Total non-current liabilities	12,077	12,502	11,250	11,680
Capital and reserves:				
Share capital	10,736	10,736	10,736	10,736
Treasury shares	(892)	(892)	(892)	(892)
Reserves	25,192	24,943	17,349	18,344
Equity attributable to equity holders of the company	35,036	34,787	27,193	28,188
Non-controlling interests	1,642	1,630	-	-
Total equity	36,678	36,417	27,193	28,188
Total liabilities and equity	114,006	115,312	99,969	115,539

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

Amount repayable in one year or less, or on demand

As at 31/03/2018		As at 31/12/2017 (Restated)	
Secured	Unsecured	Secured	Unsecured
S\$'000	S\$'000	S\$'000	S\$'000
48,372	3,882	48,573	4,297

Amount repayable after one year

As at 31/03/2018		As at 31/12/2017 (Restated)	
Secured	Unsecured	Secured	Unsecured
S\$'000	S\$'000	S\$'000	S\$'000
4,050	-	4,477	-

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 and short term loans for working capital.

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	
	Quarter ended 31 March	
	2018	2017
	S\$'000	S\$'000
Operating activities		
Profit/(Loss) before income tax	318	(1,835)
Adjustments for:		
Depreciation of property, plant and equipment	883	1,134
Depreciation of investment property	10	6
Amortisation of prepaid lease	-	13
Write-off of property, plant and equipment	-	161
Impairment loss on property, plant and equipment	-	411
Dividend income from held for trading investments	-	(3)
Unrealised foreign exchange gain	(89)	(37)
Interest expense	349	249
Interest income	(12)	(12)
Operating cash flows before movements in working capital	<u>1,459</u>	<u>87</u>
Trade receivables	(621)	1,174
Other receivables and prepayments	1,119	(2,813)
Inventories	(557)	1,077
Trade payables	(314)	(1,671)
Other payables and accruals	(210)	(652)
Cash used in operations	<u>876</u>	<u>(2,798)</u>
Interest paid	(349)	(249)
Interest received	12	12
Income taxes and withholding taxes paid	-	31
Net cash used in operating activities	<u>539</u>	<u>(3,004)</u>
Investing activities		
Purchase of property, plant and equipment	(203)	(572)
Purchase of intangible asset	(325)	-
Investment in associate	-	(15)
Dividend income	-	3
Net cash used in investing activities	<u>(528)</u>	<u>(584)</u>
Financing activities		
Repayment of bank loans	(1,043)	(968)
Net cash (unused in) from financing activities	<u>(1,043)</u>	<u>(968)</u>
Net decrease in cash and cash equivalents	(1,032)	(4,556)
Cash and cash equivalents at beginning of year	7,468	8,708
Effects on exchange rate changes on the balance of cash held in foreign currencies	87	152
Cash and cash equivalents at end of period	<u>6,523</u>	<u>4,304</u>

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, 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
Balance at January 1, 2018	10,736	(892)	166	(1,850)	41,559	(14,932)	34,787	1,630	36,417
Profit for the period						306	306	12	318
Other comprehensive (loss)/income for the period	-	-	-	(113)	56	-	(57)	-	(57)
Balance at March 31, 2018	10,736	(892)	166	(1,963)	41,615	(14,626)	35,036	1,642	36,678
Company									
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
Balance at January 1, 2018	10,736	(892)	-	-	40,744	(22,400)	28,188	-	28,188
Loss for the period	-	-	-	-	-	(995)	(995)	-	(995)
Balance at March 31, 2018	10,736	(892)	-	-	40,744	(23,395)	27,193	-	27,193

- 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.

	Quarter ended 31 March 2018		FY2017	
	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.**

	31/03/2018	31/12/2017
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.

	31/03/2018	31/03/2017
Earnings per ordinary share for the period		
(a) Based on weighted average number of ordinary shares in issue (cents)	0.22	(0.96)
(b) On a fully diluted basis (cents)	0.22	(0.96)

**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	
	31/03/2018	31/12/2017	31/03/2018	31/12/2017
Net asset value per ordinary share based on issued share capital as at the end of period (cents)	25.12	24.52	19.50	20.87

8. Review of the performance of the Group

Financial performance (3M2018 vs 1Q2017)

Group revenue for the quarter ended 31 March 2018 ("3M2018") totalled \$12.3 million, a decrease of 28.5% as compared to \$17.3 million in the corresponding period of the previous year ("1Q2017"). Group revenue decreased as a result of a continuing rationalisation exercise on non-performing outlets in Singapore, coupled with streamlining of Group operations, resulting in reduction of revenue, whilst cost of sales and labour costs have also declined accordingly. Gross profit margin has increased by 2.8%, from 67.7% in 1Q2017 to 70.5% in 3M2018, due to effective management of operations.

Rationalisation and streamlining of Group operations have also resulted in reductions in administrative expenses by 33.5%, from \$8.8 million in 1Q2017 to \$5.8 million in 3M2018. Labour costs decreased significantly by 27.4%, from \$6.2 million in 1Q2017 to \$4.5 million in 3M2018. Other administrative expenses including depreciation charges and other expenses also declined.

Other operating expenses decreased by 40.2%, from \$5.4 million in 1Q2017 to \$3.2 million in 3M2018. Reductions in rental, utilities and other expenses as a result of the rationalisation exercise have contributed to improved margins.

Group profit before tax and net profit after tax came to \$0.3 million in 3M2018, which represented an increase of \$2.1 million and \$1.7 million respectively compared to Group loss before tax of \$1.8 million and net loss after tax of \$1.4 million in 1Q2017.

Financial Position of the Group (3M2018 vs 1Q2017)

Group cash and bank balances as at 3M2018 stood at \$6.5 million compared to \$7.6 million as at 1Q2017. The Group continues its efforts to grow its businesses, including partnering with potential strategic business partners, both locally and globally, for both raw materials supply as well as in business expansion. The Group continues to be cautious and will take reasonable steps to manage its cash flow effectively.

Total trade payables decreased by 4.6%, from \$6.8 million in 1Q2017 to \$6.5 million in 3M2018. Other payables and accruals as well as provisions of the Group have decreased by 3.9%, from \$6.7 million in 1Q2017 to \$6.4 million in 3M2018, following the streamlining of food & beverage businesses.

Shareholders' equity for the Group and Company stood at \$35.0 million and \$27.2 million respectively as at 3M2018, as compared with \$34.8 million and \$28.2 million respectively as at 1Q 2017.

Cash Flow (3M2018 vs 1Q2017)

The Group generated operating cash flow of \$0.5 million in 3M2018, which has improved from a negative operating cash flow of \$3.0 million as at 1Q2017. The Group continues to be cautious in ensuring continuous growth in operations and in managing its operating costs effectively.

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, 10 July 2017, 8 September 2017 and 29 November 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, the Company's Q1-2017 results announcement on 15 May 2017, the Company's Q2-2017 results announcement on 14 August 2017 and the Company's Q3-2017 results announcement on 14 November 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, in relation to Suit 1098, 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.

There was also a dispute between the parties on whether an appeal had 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 objected to that application, which had been fixed for hearing together with the appeal in relation to Suit 1098.

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).

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.

On 21 August 2017, the High Court has ordered that GCM be wound up by consent, and appointed the Company's nominees, Mr Seshadri Rajagopalan and Mr Jotangia Paresh Tribhovan of SR Associates LLP, as liquidators of GCM. GCM's liquidators will now look into the affairs of GCM and bring such claims as they consider appropriate. In light of the High Court's order, the trial of Suit 1099, which was a claim by the Company against ERC Holdings Pte Ltd, Mr Andy Ong, and Mr Ong Han Boon in connection with the affairs of GCM, will no longer proceed.

On 28 November 2017, the appeal in relation to Suit 1098 as well as the application pertaining to Suit 122 was heard by the Honourable Court of Appeal and judgment was reserved.

At the hearing on 28 November 2017, the Court of Appeal was also informed that GCM was withdrawing its appeal.

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.

Due to intense competition within the Food & Beverage 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 Food & Beverage 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 quarter ended 31 March 2018.

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 three months ended 31 March 2018 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 May 2018