



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.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

	Group		
	Quarter ended 30 September	2017	Increase /
	2018	S\$'000	(Decrease)
	S\$'000		%
Revenue	10,408	16,410	(36.6)
Cost of sales	(2,981)	(6,580)	(54.7)
Gross profit	7,427	9,830	(24.4)
Other operating income	938	997	(5.9)
Administrative expenses	(5,064)	(7,605)	(33.4)
Other operating expenses	(2,900)	(2,915)	(0.5)
Non-operating income	-	228	N.M.
Finance cost	(326)	(264)	23.5
Profit before income tax	75	271	(72.3)
Income tax	-	1	N.M.
Profit after income tax	75	272	(72.4)
Attributable to:			
Equity holders of the company	75	206	(63.6)
Non-controlling interest	-	66	N.M.
	75	272	(72.4)

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.

Consolidated Statement of Profit or Loss and Other Comprehensive Income (cont'd)

	Group		Increase / (Decrease) %
	Quarter ended 30 2018 S\$'000	September 2017 S\$'000	
Net profit for the period	75	272	(72.4)
Other comprehensive income:			
Currency translation differences	(68)	25	N.M.
Total comprehensive income for the period	7	297	(97.6)
Attributable to:			
Equity holders of the Company	(51)	231	N.M.
Non-controlling interests	58	66	(12.1)
Total comprehensive income for the period	7	297	(97.6)

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

	Group		Increase / (Decrease) %
	Quarter ended 30 2018 S\$'000	September 2017 S\$'000	
Depreciation on property, plant and equipment	356	902	(60.5)
Depreciation on investment property	6	3	(100.0)
Write off of plant and equipment	-	368	N.M.
Reversal of provision for early termination of leases (net)	-	(1,537)	N.M.
Foreign currency exchange differences (net)	208	21	N.M.
Interest expense	326	264	23.5
Interest income	(19)	(7)	171.4
Subsidy from government	(48)	(75)	(36.0)
Income tax expense			
- Current tax expense	-	11	N.M.
- Adjustments recognised in relation to prior years	-	(12)	N.M.

N.M. – Not Meaningful

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

	Group		Company	
	30/09/2018	30/06/2018	30/09/2018	30/06/2018
	S\$'000	S\$'000	S\$'000	S\$'000
ASSETS				
Current assets:				
Cash and cash equivalents	1,809	4,148	624	1,282
Trade receivables	2,268	3,068	432	205
Other receivables and prepayments	10,791	10,871	3,172	3,158
Inventories	2,294	1,830	76	64
Held for trading investments	2,037	2,046	1,507	1,507
Income tax recoverable	1,244	1,209	-	-
Total current assets	20,443	23,172	5,811	6,216
Non-current assets:				
Other investment	-	105	-	-
Subsidiaries	-	-	10	10
Due from subsidiaries	-	-	19,364	18,897
Associates	10,468	10,468	6,792	6,792
Joint venture	350	350	-	-
Property, plant and equipment	73,335	73,974	61,658	61,733
Investment properties	2,926	2,920	-	-
Intangible assets	322	322	-	-
Goodwill	3,956	3,968	3,225	3,225
Total non-current assets	91,357	92,107	91,049	90,657
Total assets	111,800	115,279	96,860	96,873
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current liabilities:				
Bank loans	50,271	51,125	47,519	48,208
Trade payables	3,153	4,053	791	1,819
Other payables and accruals	2,704	4,161	2,201	2,240
Provisions	704	748	133	133
Due to subsidiaries	-	-	7,298	4,640
Income tax payable	462	463	-	-
Total current liabilities	57,294	60,550	57,942	57,040
Non-current liabilities:				
Bank loans	3,585	3,873	3,585	3,873
Deferred tax liabilities	7,818	7,818	7,818	7,818
Total non-current liabilities	11,403	11,691	11,403	11,691
Capital and reserves:				
Share capital	10,736	10,736	10,736	10,736
Treasury shares	(892)	(892)	(892)	(892)
Reserves	31,855	31,848	17,671	18,298
Equity attributable to equity holders of the company	41,699	41,692	27,515	28,142
Non-controlling interests	1,404	1,346	-	-
Total equity	43,103	43,038	27,515	28,142
Total liabilities and equity	111,800	115,279	96,860	96,873

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

Amount repayable in one year or less, or on demand

As at 30/09/2018		As at 30/06/2018	
Secured	Unsecured	Secured	Unsecured
S\$'000	S\$'000	S\$'000	S\$'000
48,771	1,500	49,625	1,500

Amount repayable after one year

As at 30/09/2018		As at 30/06/2018	
Secured	Unsecured	Secured	Unsecured
S\$'000	S\$'000	S\$'000	S\$'000
3,585	-	3,873	-

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 30 September	
	2018	2017
	S\$'000	S\$'000
Operating activities		
Profit before income tax	75	271
Adjustments for:		
Depreciation of property, plant and equipment	356	902
Depreciation of investment property	6	3
Amortisation of prepaid lease	76	13
Write-off of property, plant and equipment	-	368
Loss on disposal of property, plant and equipment	4	3
Impairment loss recognised on trade receivables	61	-
Fair value loss on held for trading investments	9	-
Reversal of provision for early termination of leases	-	(1,537)
Unrealised foreign exchange loss	208	37
Dividend income	(37)	(3)
Interest expense	326	264
Interest income	(19)	(7)
Operating cash flows before movements in working capital	1,065	314
Trade receivables	739	142
Other receivables and prepayments	4	(1,431)
Inventories	(464)	(439)
Trade payables	(899)	161
Other payables and accruals	(1,445)	539
Cash generated used in operations	(1,000)	(714)
Interest paid	(326)	(264)
Interest received	19	7
Income taxes and withholding taxes paid	(36)	146
Net cash used in operating activities	(1,343)	(825)
Investing activities		
Purchase of property, plant and equipment	-	(68)
Proceeds from disposal of held for trading investments	106	-
Proceeds from disposal of property, plant and equipment	-	(3)
Investment in joint venture	-	(80)
Dividend income	37	3
Net cash generated from (used in) investing activities	143	(148)
Financing activities		
Proceeds from bank loans	-	6,970
Repayment of bank loans	(1,142)	(4,867)
Net cash (used in) generated from financing activities	(1,142)	2,103
Net (decrease) increase in cash and cash equivalents	(2,342)	1,130
Cash and cash equivalents at beginning of period	4,148	6,005
Effects on exchange rate changes on the balance of cash held in foreign currencies	3	(7)
Cash and cash equivalents at end of period	1,809	7,128

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 July 1, 2017	10,736	(892)	166	(2,369)	41,559	(15,235)	33,965	1,547	35,512
Profit for the period						206	206	66	272
Other comprehensive income for the period	-	-	-	25	-	-	25	-	25
Balance at September 30, 2017	10,736	(892)	166	(2,344)	41,559	(15,029)	34,196	1,613	35,809
Balance at July 1, 2018	10,736	(892)	166	(854)	43,035	(10,499)	41,692	1,346	43,038
Profit for the period	-	-	-	-	-	75	75	-	75
Other comprehensive (loss)/income for the period	-	-	-	(68)	-	-	(68)	58	(10)
Balance at September 30, 2018	10,736	(892)	166	(922)	43,035	(10,424)	41,699	1,404	43,103
Company									
Balance at July 1, 2017	10,736	(892)	-	-	40,744	(21,597)	28,991	-	28,991
Profit for the period	-	-	-	-	-	114	114	-	114
Balance at September 30, 2017	10,736	(892)	-	-	40,744	(21,483)	29,105	-	29,105
Balance at July 1, 2018	10,736	(892)	-	-	42,196	(23,898)	28,142	-	28,142
Loss for the period	-	-	-	-	-	(627)	(627)	-	(627)
Balance at September 30, 2018	10,736	(892)	-	-	42,196	(24,525)	27,515	-	27,515

- 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.

	30 September 2018		30 June 2018	
	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.**

	30/09/2018	30/06/2018
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 holding as at 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 30 June 2018.

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.

	30/09/2018	30/09/2017
Earnings per ordinary share for the period		
(a) Based on weighted average number of ordinary shares in issue (cents)	0.05	0.15
(b) On a fully diluted basis (cents)	0.05	0.15

**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	
	30/09/2018	30/06/2018	30/09/2018	30/06/2018
Net asset value per ordinary share based on issued share capital as at the end of period (cents)	29.90	29.89	19.73	20.18

8. Review of the performance of the Group

Financial performance

Group revenue for the quarter ended 30 September 2018 ("1QFY2019") totalled \$10.4 million, a decrease of 36.6% as compared to \$16.4 million in the corresponding period of the previous year ("1QFY2018"). Group revenue decreased as a result of 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 11.5%, from 59.9% in 1QFY2018 to 71.4% in 1QFY2019, due to effective management of operations.

Streamlining of Group operations have also resulted in reductions in administrative expenses by 33.4%, from \$7.6 million in 1QFY2018 to \$5.1 million in 1QFY2019. Labour costs decreased significantly by 22.6%, from \$5.3 million in 1QFY2018 to \$4.1 million in 1QFY2019. Other administrative expenses including depreciation charges and other expenses also declined.

Other operating expenses decreased by 0.5%, from \$2.91 million in 1QFY2018 to \$2.90 million in 1QFY2019. Reductions in operating expenses have resulted in improved margins.

Group profit before tax and net profit after tax came to \$0.1 million in 1QFY2019, which represented an decrease of \$0.2 million respectively compared to Group profit before tax and net profit after tax of \$0.3 million in 1QFY2018.

Financial position and cash flow

Group cash and bank balances as at 1QFY2019 stood at \$1.8 million compared to \$4.1 million as at 30 June 2018 (“FY2018”). 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 22.2%, from \$4.1 million in FY2018 to \$3.2 million in 1QFY2019. Other payables and accruals as well as provisions of the Group have decreased by 30.6%, from \$4.9 million in FY2018 to \$3.4 million in 1QFY2019, following the streamlining of food & beverage businesses.

Shareholders’ equity for the Group and Company stood at \$41.7 million and \$27.5 million respectively as at 1QFY2019, as compared with \$41.7 million and \$28.1 million respectively as at FY2018.

The Group had negative operating cash flow of \$1.3 million in 1QFY2019. The Group continues to be cautious in ensuring continuous growth in operations and in managing its operating costs effectively.

Matters concerning GREIH & GCM

The Board of Directors of the Company (the “**Board**”) refers to the Company’s announcements dated 9 May 2017 and 29 November 2017 concerning the appeals that were filed by:

- (a) ERC Holdings Pte Ltd (“**ERC Holdings**”), Mr Andy Ong Siew Kwee, Mr Ong Han Boon, GCM, ERC Unicampus Pte Ltd, ERC Institute Pte Ltd and ERC Consulting Pte Ltd in CA/CA 87/2017 (“**CA 87**”) against the parts of the High Court’s Judgment of 7 April 2017 that were set out in the annex to the Company’s announcement of 9 May 2017; and
- (b) Mr Ho Yew Kong in CA/CA 86/2017 (“**CA 86**”) against those part of the High Court’s Judgment of 7 April 2017 where adverse findings and/or rulings were made against him.

The Board wishes to announce that on 29 June 2018, the Court of Appeal handed down its Judgment in the appeals.

CA 87

The Court of Appeal dismissed CA 87 save in respect of a “*Share Option Agreement*” which purported to grant ERC Holdings an option to buy additional shares in GREIH.

The Court of Appeal observed that the facts of the present case, taken as a whole, presented a picture of systemic abuse by Mr Andy Ong, the key figure behind all the impugned transactions, and Mr Ong Han Boon in relation to the management of GREIH’s affairs. The Court of Appeal held that Mr Andy Ong and Mr Ong Han Boon misappropriated large sums of money from GREIH without the Company’s knowledge, that the Company had entered the joint venture with Gryphon Real Estate Investment Corporation Pte Ltd as an investor and had partially funded the joint venture, and that it would clearly have been the Company’s legitimate expectation that its

funds would not be mismanaged, much less siphoned away in the way that was done by Mr Andy Ong and Mr Ong Han Boon.

The Court of Appeal also held that as was evident from the numerous sham documents that were fabricated, Mr Andy Ong and Mr Ong Han Boon also engaged in fraudulent schemes to mislead the Company and Mr Douglas Foo and conceal the nature of the transactions from them.

The Court of Appeal also held that while Mr Andy Ong and Mr Ong Han Boon's conduct constituted a wrong against GREIH, it separately amounted to a distinct personal wrong against the Company, a minority shareholder who had let Mr Andy Ong and his team manage GREIH's affairs because of the long-standing friendship between Mr Andy Ong and Mr Douglas Foo, the Chairman of the Board.

The Court of Appeal held that that the Company subscribed for an additional 2,641,975 shares in GREIH because the Company did not know that the Share Option Agreement was a sham and felt compelled to subscribe for the additional shares in order to maintain its percentage shareholding in GREIH. However, the Court of Appeal found that the High Court erred in ordering Mr Andy Ong, rather than GREIH, to pay the Company the sum of S\$2,641,975 and interest thereon as a remedy for Mr Andy Ong's breach of his fiduciary duties and as a remedy for the Company's minority oppression claim in relation to the Share Option Agreement.

In respect of the "*Share Option Agreement*", the Court of Appeal set aside the High Court's Order for Mr Andy Ong to pay the Company the sum of S\$2,641,975 and interest thereon, and made the following Orders:

- (a) The Company's subscription for the additional 2,641,975 shares in GREIH and ERC Holdings' subscription for 8,058,025 shares in GREIH be invalidated;
- (b) GREIH shall repay the Company the sum of S\$2,641,975; and
- (c) The sum paid by ERC Holdings for the 8,058,025 shares in GREIH shall be held by GREIH in escrow, and the Company and ERC Holdings shall have liberty to apply to the Court of Appeal within 30 days of its Judgment for an appropriate Order as to how the sum is to be disbursed.

CA 86

The Court of Appeal allowed CA 86 because it found that while Mr Ho had acted in breach of his duty of care, skill and diligence and negligently, he did not act dishonestly or fraudulently or in breach of his fiduciary duties. The Court of Appeal also held that Mr Ho's breaches of his duty of care, skill and negligence did not amount to commercial unfairness to the Company and was thus not oppressive.

Costs

The Court of Appeal also directed that unless the parties come to an agreement on the costs of the appeals, the parties are to furnish written submissions to the Court of Appeal on the same within 30 days of its Judgment.

On 3 and 4 August 2018, it was reported by the Straits Times, Channel NewsAsia and Today Online that Mr Andy Ong had been charged in court on 3 August 2018 for offences involving more than S\$25 million. It was reported that Mr Andy Ong faces 17 charges, including two counts each of criminal breach of trust and cheating. It was also reported that he had allegedly transferred a total of S\$15.8 million from GREIH's bank account to those belonging to ERC International and ERC Unicampus Pte Ltd, and that he had duped the Company into handing over S\$2,641,975 to GREIH and signed a cheque from GREIH's bank account to transfer S\$8 million to his own account.

It was also reported that Mr Ong Han Boon faces nine charges, comprising two counts of criminal breach of trust, four counts of forgery, two counts of giving false evidence, and one other offence under the Companies Act, for helping Mr Andy Ong to misappropriate the money. It was also reported that Mr Ho Yew Kong faces four charges, comprising two counts of intentionally giving false evidence in a judicial proceeding and two charges for failing to use reasonable diligence when performing his duties as a GREIH director in 2012 and 2013. It was also reported that two other men who were linked to Mr Andy Ong's case, Mr Chua Wei Tat and Mr Wijesekera Mahin Chandika, also face charges for intentionally giving false evidence in judicial proceedings. It was reported that Mr Andy Ong was offered bail of S\$700,000, while Mr Ong Han Boon's bail was set at S\$450,000. It was also reported that the other three men are unrepresented and were offered bail of S\$20,000 each.

With the closure of the above appeal, the Group had written back the impairment loss on its investment in GREIH and GCM that we had previously made full allowance for potential impairment loss. The Group will expeditiously make further announcements on the above matters as and when there are material developments thereon.

Matters concerning sugar trade business

As the Company previously announced on 7 and 21 September 2018, in matters pertaining to the sugar trade business, the Company has since filed a police report in September 2018. Investigations are still on-going and in light of the same, the Company will provide further updates as and when it is appropriate to do so.

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

Not applicable.

(d) Books closure date

Not applicable.

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

No dividend has been declared/recommendeded for the quarter ended 30 September 2018.

13. Disclosure of interested person 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 quarter ended 30 September 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 November 2018