



## 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 2016

	Group					
	2nd Quarter ended			1st Half ended		
	30 June		Increase /	30 June		Increase /
2016	2015	(Decrease)	2016	2015	(Decrease)	
	S\$'000	S\$'000	%	S\$'000	S\$'000	%
Revenue	21,274	24,355	(12.7)	43,543	49,726	(12.4)
Cost of sales	(7,320)	(7,454)	(1.8)	(14,424)	(15,626)	(7.7)
Gross profit	13,954	16,901	(17.4)	29,119	34,100	(14.6)
Other operating income	928	1,131	(17.9)	2,043	2,892	(29.4)
Administrative expenses	(9,778)	(10,407)	(6.0)	(20,668)	(21,375)	(3.3)
Other operating expenses	(6,085)	(6,305)	(3.5)	(11,910)	(12,945)	(8.0)
Non-operating expenses	(889)	(7)	N.M.	(2,317)	(237)	N.M.
Finance cost	(212)	(153)	38.6	(467)	(244)	91.4
(Loss) Profit before income tax	(2,082)	1,160	(279.5)	(4,200)	2,191	(291.7)
Income tax	5	(522)	(101.0)	4	(522)	(100.8)
(Loss) Profit after income tax	(2,077)	638	(425.5)	(4,196)	1,669	(351.5)
Attributable to:						
Equity holders of the company	(2,077)	638	(425.5)	(4,196)	1,669	(351.5)
Non-controlling interest	-	-	N.M.	-	-	N.M.
	(2,077)	638	(425.5)	(4,196)	1,669	(351.5)

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 SECOND QUARTER AND SIX MONTHS ENDED 30 JUNE 2016**

	<b>Group</b>					
	<b>2nd Quarter ended</b>			<b>1st Half ended</b>		
	<b>30 June</b>		<b>Increase / (Decrease)</b>	<b>30 June</b>		<b>Increase / (Decrease)</b>
	<b>2016</b>	<b>2015</b>		<b>2016</b>	<b>2015</b>	
<b>S\$'000</b>	<b>S\$'000</b>	<b>%</b>	<b>S\$'000</b>	<b>S\$'000</b>	<b>%</b>	
Net (loss)/profit for the period	(2,077)	638	(425.55)	(4,196)	1,669	(351.4)
Other comprehensive income:						
Currency translation differences	(595)	(945)	(37.04)	276	(1,090)	(125.3)
<b>Total comprehensive (loss)/income for the period</b>	<b>(2,672)</b>	<b>(307)</b>	<b>770.36</b>	<b>(3,920)</b>	<b>579</b>	<b>(777.0)</b>
Attributable to:						
Equity holders of the Company	(2,672)	(307)	770.36	(3,920)	579	(777.0)
Non-controlling interests	-	-	N.M.	-	-	N.M.
<b>Total comprehensive (loss)/income for the period</b>	<b>(2,672)</b>	<b>(307)</b>	<b>770.36</b>	<b>(3,920)</b>	<b>579</b>	<b>(777.0)</b>

N.M. - Not Meaningful

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

	<b>Group</b>					
	<b>2nd Quarter ended</b>			<b>1st Half ended</b>		
	<b>30 June</b>		<b>Increase / (Decrease)</b>	<b>30 June</b>		<b>Increase / (Decrease)</b>
	<b>2016</b>	<b>2015</b>		<b>2016</b>	<b>2015</b>	
<b>S\$'000</b>	<b>S\$'000</b>	<b>%</b>	<b>S\$'000</b>	<b>S\$'000</b>	<b>%</b>	
Depreciation	1,317	1,601	(17.7)	2,758	2,831	(2.6)
(Gain) on disposal of plant and equipment (net)	-	(3)	N.M.	-	(2)	N.M.
Write off of plant and equipment	1	-	N.M.	3	-	N.M.
Foreign currency exchange differences (net)	56	(4)	N.M.	175	(3)	N.M.
Interest expense	212	153	38.6	467	244	91.4
Interest income	(24)	-	N.M.	(49)	(31)	58.1
Subsidy from government	(6)	(262)	(97.7)	(85)	(980)	(91.3)
Income tax expense						
- Current tax expense	(5)	-	-	(5)	460	(101.1)
- Adjustments recognised in relation to prior years	-	-	-	1	62	(98.4)

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	
	30/06/2016	31/12/2015	30/06/2016	31/12/2015
	S\$'000	S\$'000	S\$'000	S\$'000
<b>ASSETS</b>				
<b>Current assets:</b>				
Cash and cash equivalents	9,601	11,713	4,247	7,228
Trade receivables	2,275	3,609	1,850	2,286
Other receivables and prepayments	10,390	10,304	7,643	7,844
Inventories	3,261	2,698	2,444	1,657
Convertible loan receivable	-	498	-	498
Other investment	996	-	996	-
Held for trading investments	3,030	2,950	2,232	2,170
Income tax recoverable	744	525	-	70
<b>Total current assets</b>	<b>30,297</b>	<b>32,297</b>	<b>19,412</b>	<b>21,753</b>
<b>Non-current assets:</b>				
Other receivables and prepayments	193	195	-	-
Subsidiaries	-	-	10	10
Due from subsidiaries	-	-	17,658	16,688
Associates	-	-	-	-
Property, plant and equipment	73,222	74,646	63,697	64,685
Investment properties	2,965	2,873	-	-
Goodwill	743	718	-	-
<b>Total non-current assets</b>	<b>77,123</b>	<b>78,432</b>	<b>81,365</b>	<b>81,383</b>
<b>Total assets</b>	<b>107,420</b>	<b>110,729</b>	<b>100,777</b>	<b>103,136</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>				
<b>Current liabilities:</b>				
Bank loans	41,777	36,327	41,777	36,327
Trade payables	6,027	7,495	4,117	4,874
Accruals	3,961	6,561	2,309	4,720
Due to subsidiaries	-	-	720	653
Income tax payable	116	65	121	-
<b>Total current liabilities</b>	<b>51,881</b>	<b>50,448</b>	<b>49,044</b>	<b>46,574</b>
<b>Non-current liabilities:</b>				
Bank loans	6,195	7,019	6,195	7,019
Deferred tax liabilities	8,355	8,353	8,286	8,286
<b>Total non-current liabilities</b>	<b>14,550</b>	<b>15,372</b>	<b>14,481</b>	<b>15,305</b>
<b>Capital and reserves:</b>				
Share capital	10,736	10,736	10,736	10,736
Treasury shares	(892)	(892)	(892)	(892)
Reserves	31,189	35,109	27,408	31,413
Equity attributable to equity holders of the company	41,033	44,953	37,252	41,257
Non-controlling interests	(44)	(44)	-	-
<b>Total equity</b>	<b>40,989</b>	<b>44,909</b>	<b>37,252</b>	<b>41,257</b>
<b>Total liabilities and equity</b>	<b>107,420</b>	<b>110,729</b>	<b>100,777</b>	<b>103,136</b>

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

**Amount repayable in one year or less, or on demand**

<b>As at 30/06/2016</b>		<b>As at 31/12/2015</b>	
Secured	Unsecured	Secured	Unsecured
S\$'000	S\$'000	S\$'000	S\$'000
1,827	39,950	1,827	34,500

**Amount repayable after one year**

<b>As at 30/06/2016</b>		<b>As at 31/12/2015</b>	
Secured	Unsecured	Secured	Unsecured
S\$'000	S\$'000	S\$'000	S\$'000
6,195	-	7,019	-

**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			
	2nd Quarter ended 30 June		1st Half ended 30 June	
	2016	2015	2016	2015
	S\$'000	S\$'000	S\$'000	S\$'000
<b>Operating activities</b>				
(Loss) Profit before income tax	(2,082)	1,160	(4,200)	2,191
Adjustments for:	-	-		
Depreciation of property, plant and equipment	1,314	1,601	2,750	2,831
Depreciation of investment property	3	-	8	-
Amortisation of prepaid lease	13	13	26	25
Write-off of property, plant and equipment	1	-	3	-
Gain on disposal of property, plant and equipment	-	(3)	-	(2)
Gain on disposal of quoted share	(1)	-	(3)	-
Net fair value gain on quoted shares	(93)	-	(62)	-
Unrealised foreign exchange (gain) / loss	(108)	53	(175)	53
Dividend income	(21)	(65)	(21)	(65)
Interest expense	212	153	467	244
Interest income	(24)	-	(49)	(31)
Operating cash flows before movements in working capital	(786)	2,912	(1,256)	5,246
Trade receivables	685	(855)	1,334	(785)
Other receivables and prepayments	443	720	700	1,066
Inventories	(440)	(421)	(563)	209
Trade payables	(889)	(1,549)	(1,185)	(1,901)
Accruals	(2,226)	(2,074)	(2,883)	(2,449)
Cash (used in) generated from operations	(3,213)	(1,267)	(3,853)	1,386
Interest paid	(212)	(153)	(467)	(244)
Interest received	24	-	49	31
Income taxes and withholding taxes paid	(297)	(605)	(164)	(854)
Net cash (used in) from operating activities	(3,698)	(2,025)	(4,435)	319
<b>Investing activities</b>				
Dividend income	21	65	21	65
Convertible loan notes issued	(498)	-	(498)	-
Proceeds on disposal of property, plant and equipment	-	360	-	360
Purchase of property, plant and equipment	(237)	(2,326)	(1,092)	(3,201)
Advance to supplier	(328)	1,787	(731)	-
Investment in quoted shares	-	(2,584)	-	(2,584)
Deposits for acquisition of investments	-	(2,033)	-	(2,033)
Proceeds from sale of quoted shares	6	-	14	-
Net cash used in investing activities	(1,036)	(4,731)	(2,286)	(7,393)
<b>Financing activities</b>				
Dividends paid	-	(1,395)	-	(1,395)
Proceeds from bank loans	6,050	6,200	7,450	9,000
Repayment of bank loans	(2,413)	(408)	(2,824)	(817)
Net cash from financing activities	3,637	4,397	4,626	6,788
Net increase in cash and cash equivalents	(1,097)	(2,359)	(2,095)	(286)
Cash and cash equivalents at beginning of period	10,880	13,282	11,713	11,313
Effects on exchange rate changes on the balance of cash held in foreign currencies	(182)	(287)	(17)	(391)
<b>Cash and cash equivalents at end of period</b>	<b>9,601</b>	<b>10,636</b>	<b>9,601</b>	<b>10,636</b>

**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
<b>Group</b>									
Balance at January 1, 2015	10,736	(892)	166	(471)	39,624	2,670	51,833	(44)	51,789
Total comprehensive income for the period	-	-	-	(145)	-	1,031	886	-	886
Balance at March 31, 2015	10,736	(892)	166	(616)	39,624	3,701	52,719	(44)	52,675
Total comprehensive income for the period	-	-	-	(945)	-	638	(307)	-	(307)
Dividends paid	-	-	-	-	-	(1,395)	(1,395)	-	(1,395)
Balance at June 30, 2015	10,736	(892)	166	(1,561)	39,624	2,944	51,017	(44)	50,973
Balance at January 1, 2016	10,736	(892)	166	(2,300)	40,599	(3,356)	44,953	(44)	44,909
Total comprehensive income for the period	-	-	-	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
Total comprehensive income for the period	-	-	-	(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
<b>Company</b>									
Balance at January 1, 2015	10,736	(892)	-	-	38,890	(3,360)	45,374	-	45,374
Total comprehensive income for the period	-	-	-	-	-	274	274	-	274
Balance at March 31, 2015	10,736	(892)	-	-	38,890	(3,086)	45,648	-	45,648
Total comprehensive income for the period	-	-	-	-	-	(65)	(65)	-	(65)
Dividends paid	-	-	-	-	-	(1,395)	(1,395)	-	(1,395)
Balance at June 30, 2015	10,736	(892)	-	-	38,890	(4,546)	44,188	-	44,188
Balance at January 1, 2016	10,736	(892)	-	-	39,820	(8,407)	41,257	-	41,257
Total comprehensive income 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
Total comprehensive income 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

- 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.

	<b>HY2016</b>		<b>FY2015</b>	
	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.**

	<b>30/06/2016</b>	<b>31/12/2015</b>
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, 2015.

**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 2016	3 months ended 30 June 2015	6 months ended 30 June 2016	6 months ended 30 June 2015
Earnings per ordinary share for the period				
(a) Based on weighted average number of ordinary shares in issue (cents)	(1.49)	0.45	(3.01)	1.20
(b) On a fully diluted basis (cents)	(1.49)	0.45	(3.01)	1.20

**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	
	30/06/2016	31/12/2015	30/06/2016	31/12/2015
Net asset value per ordinary share based on issued share capital as at the end of period (cents)	29.42	32.23	26.71	29.58

**8. Review of the performance of the Group**

Financial performance (2Q2016 vs 2Q2015)

Group revenue for the second quarter ended 30 June 2016 ("2Q2016") totalled \$21.3 million, a decrease of 12.7% as compared to \$24.4 million in the corresponding period of the previous year ("2Q2015"). This was due to weaker market sentiments and fierce competition in the F&B sector in the Singapore market, as a result of low entry barrier in Singapore. The weaker exchange rate for Malaysian Ringgit in 2Q2016, as compared to that in 2Q2015, has also caused the contribution of sales from the Malaysian market to be lower, even though in the local currency terms, revenue from the Malaysian market has risen. Other than the Malaysian market, the Group also saw a slight increase in the revenue generated from the China market, due to market expansion.



The rising prices of high quality raw materials has resulted in a decrease in the Group's profit margin to 65.6% in 2Q2016 from 69.4% in 2Q2015.

Lower government grants have been recorded in 2Q2016, causing a decrease of 17.9% in other operating income to \$0.9 million in 2Q2016 from \$1.1 million in 2Q2015.

Administrative expenses was \$9.8 million, a decrease of 6.0% from \$10.4 million in 2Q2015, which resulted from a decrease in labour costs and depreciation charges.

The Group's continuous effort in managing other operating costs resulted in a decrease in operating expenses of 3.5% to \$6.1 million in 2Q2016 from \$6.3 million in 2Q2015.

Higher finance costs at \$0.2 million was recorded in 2Q2016. This represented an increase of 38.6% from 2Q2015, as a result of rising bank borrowings and costs.

Group loss before tax and net loss after tax tallied at \$2.1 million in 2Q2016, represented a decrease of \$3.2 million and \$2.7 million respectively, as compared to the Group's profit before tax of \$1.2 million and net profit after tax of \$0.6 million in 2Q2015.

The Group recorded non-operating expenses of \$0.9 million in 2Q2016, which consisted primarily of legal and professional fees incurred in relation to its associate, Griffin Real Estate Investment Holdings Pte Ltd ("GREIH"). The recorded non-operating expenses in 2Q2015 were minimal.

Excluding the non-operating expenses, the Group's operating loss before tax and net operating loss after tax would be \$1.2 million in 2Q2016 as compared to operating profit before tax of \$1.2 million and net operating profit after tax of \$0.6 million in 2Q2015.

#### Financial performance (1H2016 vs 1H2015)

Group revenue for the first half-year ended 30 June 2016 ("1H2016") totalled \$43.5 million, a decrease of 12.4% as compared to \$49.8 million in the corresponding period of the previous year ("1H2015"). Group revenue decreased due to weaker market sentiments and fierce competition in the F&B sector in the Singapore market, as a result of low entry barrier in Singapore. The weaker exchange rate for Malaysian Ringgit in 1H2016 as compared to that in 1H2015 has also caused the contribution of sales from the Malaysian market to be lower, even though in the local currency terms, revenue from the Malaysian market has risen. Other than the Malaysian market, the Group also saw a slight increase in the revenue generated from the China market, due to market expansion.

The rising prices of high quality raw materials has resulted in a decrease in the Group's profit margin to 66.9% in 1H2016 from 68.6% in 1H2015.

Lower government grants have been recorded in 1H2016, causing a decrease of 29.4% in other operating income to \$2.0 million in 1H2016 from \$2.9 million in 1H2015.

Administrative expenses was \$20.7 million, a decrease of 3.3% from \$21.4 million in 1H2015, which resulted from a decrease in labour costs.

The Group's continuous effort in managing other operating costs resulted in a decrease in operating expenses of 8.0% to \$11.9 million in 1H2016 from \$12.9 million in 1H2015.

Higher finance costs at \$0.5 million was recorded in 1H2016. This represented an increase of 91.4% from 1H2015, as a result of rising bank borrowings and costs.

Group loss before tax and net loss after tax tallied at \$4.2 million in 1H2016, representing a decrease of \$6.4 million and \$5.9 million respectively, as compared to the the Group's profit before income tax of \$2.2 million and net profit after tax of \$1.7 million in 1H2015.

The Group recorded non-operating expenses of \$2.3 million in 1H2016, which consisted primarily of legal and professional fees incurred in relation to its associate, Griffin Real Estate Investment Holdings Pte Ltd (“GREIH”). The recorded non-operating expenses in 1H2015 was \$0.2 million.

Excluding the non-operating expenses, the Group’s operating loss before tax and net operating loss after tax would be \$1.9 million in 1H2016 as compared to operating profit before tax of \$2.4 million and net operating profit after tax of \$1.9 million in 1H2015.

#### Financial Position of the Group

Group cash and bank balances as at 30 June 2016 (“HY2016”) stood at \$9.6 million as compared to \$11.7 million as at 31 December 2015 (“FY2015”). The Group has and will continue its efforts to grow the businesses, including partnering with potential strategic business partners, both locally and globally, for both raw materials as well as business expansion strategy. This has resulted in an increase in other investments and advances made to suppliers, which had been grouped under ‘other receivables and prepayments’.

Inventories balance of the Group has increased by 20.9% to \$3.3 million as at HY2016 from \$2.7 million as at HY2015. This includes inventories from menu items during the recent new menu launch for its Sakae Sushi brand in Singapore just before 30 June 2016.

Group’s trade receivables reduced to \$2.3 million as at HY2016 by 37.0% from \$3.6 million as at FY2015, as a result of the Group’s effort in managing its cash flows. Its trade payables decreased by 19.6% to \$6.0 million as at HY2016 from \$7.5 million as at FY2015, as the Group worked on shorter payment terms so as to enjoy rebates for early repayments, thus reducing its costs.

Group’s accruals decreased by 39.6% to \$4.0 million as at HY2016 from \$6.6 million as at FY2016, as the Group had paid off \$1.5 million in legal fees, as well as other accrued operating expenses during HY2016. In addition, the accrued expenses for HY2016 was only for the corresponding six months of 2016 while the accruals made for FY2015 was for the full financial year of 2015.

Short-term revolving loans increased by 15.0% to \$40.0 million as at HY2016 from \$34.5 million as at FY2015 to fund its working capital and strategic investments needs.

Although the Group and Company were in a negative working capital position of \$21.6 million and \$29.6 million respectively as at HY2016, 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 \$40.0 million) that would be renewable at maturity.

Shareholders’ equity for the Group and Company stood at \$41.0 million and \$37.3 million respectively as at HY2016, as compared with \$44.9 million and \$41.3 million respectively as at FY2015.

#### Cash Flow (2Q2016 vs 2Q2015)

The Group had negative operating cash flows of \$3.7 million in 2Q2016, which included the payment of legal fees in relation to its associate, GREIH, of \$0.9 million.

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.

In line with its investment strategy, the Group had net cash outflow in investing activities. The Group will continue to be cautious in its investment decisions, resulting in a decrease in the net cash used in investing activities of \$1.0 million in 2Q2016 as compared to \$4.7 million in 2Q2015.

The Group continued to obtain financing from banks in addition to tapping on its internal funds generated from operations. Net loans drawn down amounted to \$3.6 million in 2Q2016 as compared to \$4.4 million in 2Q2015.

#### Cash Flow (1H2016 vs 1H2015)

The Group had negative operating cash flows of \$4.4 million in 1H2016, mainly resulted from the payment of legal fees in relation to its associate, GREIH, of \$3.8 million.

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.

In line with the investment strategy, the Group had net cash outflow in investing activities. The Group will continue to be cautious in its investment decisions, resulting in a decrease in the net cash used in investing activities of \$2.3 million in 1H2016 as compared to \$7.4 million in 1H2015.

The Group continued to obtain financing from banks in addition to tapping on its internal funds generated from operations. Net loans drawn down amounted to \$4.6 million in 1H2016 as compared to \$6.8 million in 1H2015.

#### 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 and 1 July 2016 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 and FY2015 on 1 March 2016.

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; 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. The trial of those two Suits concluded on 26 February 2016. All parties have filed their Closing and Reply Closing Submissions by the stipulated timelines. The Company will make the necessary announcement(s) when the Judgment on Suit 122 and Suit 1098 is released.

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 has 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 has done so on the basis that the quantification of the monies raises, among other things, a novel point of law.

That leave application has been fixed for hearing on 31 August 2016.

ERC Unicampus and its lawyers have confirmed to the Company and to the Court that pending the resolution of the Company's leave application and, if leave is granted, the appeal, the sum of \$33 million will remain with ERC Unicampus's lawyers as stakeholders.

The Group would like to reiterate that despite the full allowance for impairment being made in its FY2012 financial statements, the Company had taken all necessary steps to recover the value of its investments in the associates through the above legal actions and will expeditiously make announcements on the above matters as and when there are material developments thereon.

The Company will make further announcements on these matters as and when there are material developments.

**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/recommendeded for the three months and half-year ended 30 June 2016.

**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 six months ended 30 June 2016 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

8 Aug 2016