



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.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

	Group					
	Quarter ended 31 December		Increase / (Decrease)	6 months ended 31 December		Increase / (Decrease)
	2018 (2QFY2019) S\$'000	2017 (2QFY2018) S\$'000		2018 (1HFY2019) S\$'000	2017 (1HFY2018) S\$'000	
Revenue	11,219	18,562	(39.6)	21,627	34,972	(38.2)
Cost of sales	(4,203)	(9,072)	(53.7)	(7,183)	(15,652)	(54.1)
Gross profit	7,016	9,490	(26.1)	14,444	19,320	(25.2)
Other operating income	980	799	22.7	1,918	1,795	6.9
Administrative expenses	(5,386)	(6,937)	(22.4)	(10,394)	(14,541)	(28.5)
Other operating expenses	(2,695)	(2,784)	(3.2)	(5,651)	(5,699)	(0.8)
Non-operating income	-	-	N.M.	-	228	N.M.
Finance cost	(383)	(446)	(14.1)	(709)	(710)	(0.1)
(Loss) Profit before income tax	(468)	122	N.M.	(392)	393	N.M.
Income tax	(48)	(6)	100.0	(48)	(5)	100.0
(Loss) Profit after income tax	(516)	116	N.M.	(440)	388	N.M.
Attributable to:						
Equity holders of the company	(545)	99	N.M.	(469)	305	N.M.
Non-controlling interest	29	17	70.6	29	83	(65.1)
	(516)	116	N.M.	(440)	388	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.

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

	Group					
	Quarter ended 31 December		Increase / (Decrease)	6 months ended 31 December		Increase / (Decrease)
	2018 (2QFY2019)	2017 (2QFY2018)		2018 (1HFY2019)	2017 (1HFY2018)	
	S\$'000	S\$'000	%	S\$'000	S\$'000	%
Net (loss) profit for the period	(516)	116	N.M.	(440)	388	N.M.
Other comprehensive income:						
Currency translation differences	172	493	(65.1)	104	519	(80.0)
Total comprehensive (loss) income for the period	(344)	609	N.M.	(336)	907	N.M.
Attributable to:						
Equity holders of the Company	(315)	592	N.M.	(365)	824	N.M.
Non-controlling interests	(29)	17	N.M.	29	83	(65.1)
Total comprehensive (loss)/income for the period	(344)	609	N.M.	(336)	907	N.M.

N.M. - Not Meaningful

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

	Group					
	Quarter ended 31 December		Increase / (Decrease)	6 months ended 31 December		Increase / (Decrease)
	2018 (2QFY2019)	2017 (2QFY2018)		2018 (1HFY2019)	2017 (1HFY2018)	
	S\$'000	S\$'000	%	S\$'000	S\$'000	%
Depreciation on property, plant and equipment	317	977	(67.6)	749	1,895	(60.5)
Depreciation on investment property	6	-	N.M.	12	-	N.M.
Loss on disposal of plant and equipment (net)	6	18	(66.7)	10	21	(52.4)
Write off of plant and equipment	-	50	N.M.	-	418	N.M.
Impairment loss on property, plant and equipment	-	(322)	N.M.	-	(322)	N.M.
Reversal of provision for early termination of leases (net)	-	-	N.M.	-	(1,537)	N.M.
Interest expense	383	446	(14.1)	709	710	(0.1)
Interest income	14	(11)	N.M.	(5)	(18)	(72.2)
Income tax expense	48	6	100.0	48	5	100.0

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	
	31/12/2018	30/06/2018	31/12/2018	30/06/2018
	S\$'000	S\$'000	S\$'000	S\$'000
<u>ASSETS</u>				
Current assets:				
Cash and cash equivalents	1,613	4,148	436	1,282
Trade receivables	4,008	3,068	358	205
Other receivables and prepayments	10,544	10,871	3,172	3,158
Inventories	3,069	1,830	81	64
Held for trading investments	1,570	2,046	1,046	1,507
Income tax recoverable	1,190	1,209	-	-
Total current assets	21,994	23,172	5,093	6,216
Non-current assets:				
Other investment	-	105	-	-
Subsidiaries	-	-	10	10
Due from subsidiaries	-	-	22,098	18,897
Associates	10,468	10,468	6,792	6,792
Joint venture	350	350	-	-
Property, plant and equipment	73,182	73,974	61,534	61,733
Investment properties	2,842	2,920	-	-
Intangible assets	268	322	-	-
Goodwill	3,958	3,968	3,225	3,225
Total non-current assets	91,068	92,107	93,659	90,657
Total assets	113,062	115,279	98,752	96,873
<u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>				
Current liabilities:				
Bank loans	49,917	51,125	47,179	48,208
Trade payables	5,339	4,053	2,860	1,819
Other payables and accruals	3,095	4,161	2,109	2,240
Provisions	679	748	131	133
Due to subsidiaries	-	-	9,024	4,640
Income tax payable	449	463	-	-
Total current liabilities	59,479	60,550	61,303	57,040
Non-current liabilities:				
Bank loans	3,006	3,873	3,006	3,873
Deferred tax liabilities	7,818	7,818	7,818	7,818
Total non-current liabilities	10,824	11,691	10,824	11,691
Capital and reserves:				
Share capital	10,736	10,736	10,736	10,736
Treasury shares	(892)	(892)	(892)	(892)
Reserves	31,482	31,848	16,781	18,298
Equity attributable to equity holders of the company	41,326	41,692	26,625	28,142
Non-controlling interests	1,433	1,346	-	-
Total equity	42,759	43,038	26,625	28,142
Total liabilities and equity	113,062	115,279	98,752	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 31/12/2018		As at 30/06/2018	
Secured	Unsecured	Secured	Unsecured
S\$'000	S\$'000	S\$'000	S\$'000
48,417	1,500	49,625	1,500

Amount repayable after one year

As at 31/12/2018		As at 30/06/2018	
Secured	Unsecured	Secured	Unsecured
S\$'000	S\$'000	S\$'000	S\$'000
3,006	-	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 31 December		6 months ended 31 December	
	2018 (2QFY2019) S\$'000	2017 (2QFY2018) S\$'000	2018 (1HFY2019) S\$'000	2017 (1HFY2018) S\$'000
Operating activities				
(Loss) Profit before income tax	(468)	122	(392)	393
Adjustments for:				
Depreciation of property, plant and equipment	317	977	749	1,895
Depreciation of investment property	6	-	12	-
Loss on disposal of property, plant and equipment	6	18	10	21
Write-off of property, plant and equipment	-	50	-	418
Impairment loss on property, plant and equipment	-	(322)	-	(322)
Loss on disposal of held for trading investments	25	-	25	-
Dividend income from held for trading investments	(6)	(24)	(43)	(27)
Fair value loss on held for trading investments	-	-	9	-
Reversal of provision for early termination of leases	-	-	-	(1,537)
Unrealised foreign exchange loss (gain)	2	(22)	2	15
Interest expense	383	446	709	710
Interest income	14	(11)	(5)	(18)
Operating cash flows before movements in working capital	279	1,234	1,076	1,548
Trade receivables	(1,740)	(2,681)	(940)	(2,785)
Other receivables and prepayments	449	1,318	451	126
Inventories	(775)	(6,505)	(1,239)	(6,944)
Trade payables	1,977	1,930	1,286	2,237
Other payables and accruals	349	(3,449)	(1,096)	604
Cash from (used) in operations	539	(8,153)	(462)	(5,214)
Interest paid	(383)	(446)	(709)	(710)
Interest received	(14)	11	5	18
Income taxes and withholding taxes (paid) refund	(12)	38	(48)	38
Net cash from (used in) operating activities	130	(8,550)	(1,214)	(5,868)
Investing activities				
Purchase of property, plant and equipment	-	(397)	-	(468)
Proceeds from disposal of property, plant and equipment	109	-	109	-
Purchase of intangible asset	54	-	54	-
Investment in joint venture	-	-	-	(80)
Dividend income from held for trading investments	6	24	43	27
Proceeds from disposal of held for trading investments	435	-	541	-
Net cash generated from (used in) investing activities	604	(373)	747	(521)
Financing activities				
Proceeds from bank loans	-	6,707	-	13,677
Repayment of bank loans	(933)	(860)	(2,075)	(5,727)
Net cash (used in) from financing activities	(933)	5,847	(2,075)	7,950
Net decrease in cash and cash equivalents	(199)	(3,076)	(2,542)	1,561
Cash and cash equivalents at beginning of period	1,810	10,642	4,148	6,005
Effects on exchange rate changes on the balance of cash held in foreign currencies	1	(11)	6	(11)
Cash and cash equivalents at end of period	1,612	7,555	1,612	7,555

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 October 1, 2017	10,736	(892)	166	(2,344)	41,559	(15,029)	34,196	1,613	35,809
Profit for the period						97	97	17	114
Other comprehensive income for the period	-	-	-	494	-	-	494	-	494
Balance at December 31, 2017	10,736	(892)	166	(1,850)	41,559	(14,932)	34,787	1,630	36,417
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
Balance at October 1, 2018	10,736	(892)	166	(922)	43,035	(10,424)	41,699	1,404	43,103
Loss for the period	-	-	-	-	-	(545)	(545)	29	(516)
Other comprehensive income for the period	-	-	-	172	-	-	172	-	172
Balance at December 31, 2018	10,736	(892)	166	(750)	43,035	(10,969)	41,326	1,433	42,759
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 October 1, 2017	10,736	(892)	-	-	40,744	(21,483)	29,105	-	29,105
Loss for the period	-	-	-	-	-	(917)	(917)	-	(917)
Balance at December 31, 2017	10,736	(892)	-	-	40,744	(22,400)	28,188	-	28,188
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
Balance at October 1, 2018	10,736	(892)	-	-	42,196	(24,525)	27,515	-	27,515
Loss for the period	-	-	-	-	-	(890)	(890)	-	(890)
Balance at December 31, 2018	10,736	(892)	-	-	42,196	(25,415)	26,625	-	26,625

- 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.

	31 December 2018		30 June 2018	
	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.**

	31/12/2018	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.

	Quarter ended 31 December 2018 (2QFY2019)	Quarter ended 31 December 2017 (2QFY2018)	6 months ended 31 December 2018 (1HFY2019)	6 months ended 31 December 2017 (1HFY2018)
Earnings per ordinary share for the period				
(a) Based on weighted average number of ordinary shares in issue (cents)	(0.39)	0.07	(0.33)	0.22
(b) On a fully diluted basis (cents)	(0.39)	0.07	(0.33)	0.22

**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	
	31/12/2018	30/06/2018	31/12/2018	30/06/2018
Net asset value per ordinary share based on issued share capital as at the end of period (cents)	29.63	29.89	19.09	20.18

8. Review of the performance of the Group

Financial performance (2QFY2019 vs 2QFY2018)

Group revenue for the quarter ended 31 December 2018 ("2QFY2019") totalled \$11.2 million, a decrease of 39.6% as compared to \$18.6 million in the corresponding period of the previous year ("2QFY2018"). 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 11.4%, from 51.1% in 2QFY2018 to 62.5% in 2QFY2019, due to effective management of operations.

Streamlining of Group operations have also resulted in reductions in administrative expenses by 22.4%, from \$6.9 million in 2QFY2018 to \$5.4 million in 2QFY2019. Labour costs decreased by 14.0%, from \$5.0 million in 2QFY2018 to \$4.3 million in 2QFY2019. Other administrative expenses including depreciation charges and other expenses also declined.

Other operating expenses decreased by 3.2%, from \$2.8 million in 2QFY2018 to \$2.7 million in 2QFY2019. Reductions in operating expenses have resulted in improved margins.

For 2QFY2019, Group loss before tax was \$0.47 million (as compared to Group profit before tax of \$0.12 million for 2QFY2018); and Group net loss after tax was \$0.52 million (as compared to Group net profit after tax of \$0.12 million for 2QFY2018).

Financial performance (1HFY2019 vs 1HFY2018)

Group revenue for the first half-year ended 31 December 2018 ("1HFY2019") totalled \$21.6 million, a decrease of 38.2% as compared to \$35.0 million in the corresponding period of the previous year ("1HFY2018"). 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 11.6%, from 55.2% in 1HFY2018 to 66.8% in 1HFY2019, due to effective management of operations.

Streamlining of Group operations have also resulted in reductions in administrative expenses by 28.5%, from \$14.5 million in 1HFY2018 to \$10.4 million in 1HFY2019. Labour costs decreased by 18.4%, from \$10.3 million in 1HFY2018 to \$8.4 million in 1HFY2019. Other administrative expenses including depreciation charges and other expenses also declined.

Other operating expenses decreased by 0.8%, from \$5.70 million in 1HFY2018 to \$5.65 million in 1HFY2019. Reductions in operating expenses have resulted in improved margins.

For 1HFY2019, Group loss before tax was \$0.39 million (as compared to Group profit before tax of \$0.39 million for 1HFY2018); and Group net loss after tax was \$0.44 million (as compared to Group net profit after tax of \$0.39 million for 1HFY2018).

Financial position of the Group

Group and Company cash and bank balances as at 31 December 2018 ("HY2019") stood at \$1.6 million and \$0.4 million respectively as compared to \$4.1 million and \$1.3 million respectively 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 increased by 29.3%, from \$4.1 million in FY2018 to \$5.3 million in HY2019. Other payables and accruals as well as provisions of the Group have decreased by 22.4%, from \$4.9 million in FY2018 to \$3.8 million in HY2019, following the streamlining of food & beverage businesses.

Total Group and Company bank loan balances have declined due to the repayment of term loans over the period.

Shareholders' equity for the Group and Company stood at \$42.8 million and \$26.6 million respectively as at HY2019, as compared with \$41.7 million and \$28.1 million respectively as at FY2018.

Cash flow of the Group

The Group had operating cash flows of \$0.1 million in 2QFY2019, which has improved from negative of \$8.6 million as at 2QFY2018.

The Group had negative operating cash flows of \$1.2 million in 1HFY2019, which has improved from that of \$5.9 million as at 1HFY2018.

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.

Matters concerning GREIH & GCM

The Company had previously, by way of an announcement on 2 July 2018, provided an update on the outcome of Suit 122, Suit 1098, Suit 1099, Suit 969, CA 87 and CA 86 ("collectively "the legal proceedings").

Pursuant to the outcome of the legal proceedings, the liquidation of Griffin Real Estate Investment Holdings Pte. Ltd. ("GREIH") is on-going, including the adjudication of creditors' claims against GREIH and also the recovery of assets from relevant parties, including under Suit No. HC/S1116/2018 ("said suit"). In the said suit, one of the Defendants, TYN Investment Pte. Ltd. f. k.a. ERC International Pte. Ltd ("TYNI") have joined our Chairman, Mr. Douglas Foo Peow Yong ("Mr Foo"), in his personal capacity, as a third party, to claim contribution or indemnity from Mr Foo, in the event that TYNI is held liable to the Liquidators of GREIH. The third party joinder of Mr Foo does not materially affect the Company's business operations.

The Company will provide the necessary update upon notification of any material development by the Liquidators of GREIH concerning the recovery process pursuant to the legal proceedings.

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 six months ended 31 December 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 six months ended 31 December 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

11 February 2019