

**SAKAE HOLDINGS LTD.**

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

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**RESPONSE TO QUESTIONS IN CONNECTION WITH THE ANNUAL GENERAL MEETING TO BE HELD ON 30 OCTOBER 2020**

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The Board of Directors of Sakae Holdings Ltd. (“Company” or together with its subsidiaries, the “Group”) would like to thank all shareholders of the Company (“Shareholders”) who have submitted their questions in advance of the Company’s Annual General Meeting, which will be convened and held by way of electronic means on Friday, 30 October 2020 at 10.00 a.m.

The substantial and relevant questions received from Shareholders and the respective responses from the Group are set out below in this Announcement. Where the same or similar matter is the subject of multiple questions, the Group has consolidated its replies into one response. Shareholders may wish to refer to the accompanying Annex for the actual questions received.

Please note that the questions in this Announcement, including the Annex, are published as received from Shareholders; and, for the avoidance of doubt, do not necessarily reflect the Group’s acknowledgment, endorsement or acquiescence of the accuracy of any fact or assertion contained therein.

**Question 1**

“I refer to page 11 of the Annual Report about “Our Brands”, particularly Nouvelle Events catering. Is Nouvelle Events a Halal-certified and “Hazard Analysis and Critical Control Point” certified caterer, like Old Chang Kee Catering?”

**Company’s Response**

Nouvelle Events is a “Hazard Analysis and Critical Control Point” certified caterer, while our other subsidiary operating the Hei Sushi brand, is a Halal-certified Japanese sushi restaurant.

**Question 2**

“I refer to a Today Online news article (<https://www.todayonline.com/singapore/homegrown-cafe-chain-bakerzin-goes-liquidation-after-22-years-owes-creditors-some-s41m>) on 16 Oct 2020 titled “Homegrown café chain Bakerzin goes into liquidation after 22 years, owes creditors some S\$41m”. It was stated that “Bakerzin’s central kitchen was located in Sakae’s building at Tai Seng near MacPherson estate.” How is the marketing for lease of Bakerzin’s central kitchen space coming along?”

### **Company's Response**

As of the date of this Announcement, the Company has received several enquiries from prospective tenants. The Company is currently engaging with these prospective tenants and hopes to secure a suitable tenant soon.

### **Question 3**

"I refer to page 85 of the Annual Report about "Trade receivables". It was noted from Sakae's company announcement on 12 Jun 2020 that "No. 3 Jalan Undang Harimau 2, Medan Niaga Kepong" has been sold, and Sakae's company announcement on 3 Jul 2020 that "No. B4 Garden Shoppe @ One City, Jalan USJ 25/1A" has been sold. May I ask the Board how is the marketing for sale of the 2 remaining non-current assets classified as held for sale i.e. Surian Residences Condominium & No. 7 Jalan Undang Harimau (which had been used as office and factory) coming along?"

### **Company's Response**

We refer to the Appendix to the Annual Report on the proposed renewal of the disposal mandate for the proposed disposal of the properties in Malaysia. As mentioned in the Appendix, the Company's marketing agents will continue to market and advertise the sales of the Malaysia Properties, to secure the highest indicative price, amidst the slow market caused by Covid-19, so as to realise the value of the Malaysia properties, thereby improving the liquidity of the Group.

### **Question 4**

"What is the objective of revaluing Sakae Building?"

### **Company's Response**

The revaluation of Sakae Building was done as required for accounting and audit purposes. The Company accounts for its Land and Building using the Revaluation Model as set out in Singapore Financial Reporting Standards (International) 1-16 Property, Plant and Equipment. The Company measures the fair value of its Land and Building annually and recognizes its revalued amounts being the related fair values less any subsequent accumulated depreciation and accumulated impairment losses.

### **Question 5**

"I refer to page 110 of the Annual Report about "Other payables and accruals". Why did "Accrued expenses" increased by 2.6 times from \$593K in 2019 to \$1.529m in 2020?"

### **Company's Response**

The increase in accrued expenses was largely due to (i) incremental accruals for professional fees of about \$360k, relating to the special audit described in Note 2(iii) of the Company's financial statements, as well as higher statutory audit fees for FY2020; and (ii) incremental accruals for operational and administrative expenses due to timing differences of payment between FY2020 and FY2019.

### **Question 6**

"I refer to page 51 of the Annual Report about "Sugar transactions" and Sakae's company announcement on 12 Sep 2019. In that company announcement, it was stated that "The insurer is Ergo Insurance Pte. Ltd." and that "Insurance covering the passage of the sugar stock traded was bought and Company is currently in discussion with the insurers on making an insurance claim." May I ask the Audit Committee is there any updates?"

### **Company's Response**

As stated in the Company's announcement on 30 August 2020 pertaining to updates on the "Sugar transactions" – investigations by the relevant authorities 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.

### **Question 7**

"I refer to page 25 of the Annual Report about "Disclosure on Remuneration" and noted that Gladys Lim Cheng Leng has "resigned on 31 December 2019". I further refer to Sakae's company announcement on 17 Mar 2020. May I check with the Remuneration Committee whether that S\$699,723.66 claim has been accounted/provided for in FY2020?"

### **Company's Response**

As the matter is currently undergoing its due process, the Company will provide further updates as and when it is appropriate to do so.

### **Question 8**

(Consolidated Questions)

Pertaining to:

- a) Business viability of the Company
- b) Future strategic plans for the Company
- c) Pay-outs from Investment in GREIH and GCM

## **Company's Response**

In relation to the Group's business viability, the depreciation of right-of-use-assets is a non-cash related expense that will not affect the Company's cash position. The Company's cash generated from operations has remained healthy and the earnings before interest, income tax, depreciation and amortisation (the "EBITDA") of the Company is positive in FY2020.

As everyone is aware, the Covid-19 is an unpredictable pandemic that has caused an unprecedented economic challenge globally. The business environment has been in much turmoil and the situation is ever evolving. Without commenting specifically on timelines, Management will continue to work hard together with the Board in this business environment to manage and improve operational efficiency, create new businesses and improve business resilience. The Company will stay vigilant in managing its expenses and will channel its existing fixed resources into enhancing efforts for optimising delivery and takeaway revenue across the Group's business. As a Group, we will review opportunities to build on the Group's top line through the strengthening of its digital journey in having more diverse delivery channels and partnerships.

In relation to pay outs from the Group's investment in GREIH and GCM, the Group will continue to provide updates when appropriate to do so.

The Group has and will continue to adopt measures according to the guidelines from the Ministry of Health and other government agencies, to safeguard all stakeholders. We strongly believe that together as one, we will be able to stay united and we will emerge stronger together.

## **By Order of the Board**

Chan Lai Yin  
Company Secretary

29 October 2020

**ANNEX – Consolidated Questions in relation to Question 8**

- a) “I refer to page 115 of the Annual Report about “Loss for the year”. For FY2020, the Group’s revenue is insufficient to cover the Group’s 3 main costs (food cost/ manpower cost/ rental cost), let alone other types of costs.

	<b>2020</b>
	<b>\$'000</b>
<b>Revenue</b>	<b>31,372</b>
Less: Cost of sales	(12,434)
<b>Gross profit</b>	<b>18,938</b>
Less: Employee benefits expense (including directors’ remuneration)	(12,689)
Less: Rental expenses (as included in “other operating expenses”)	(1,972)
Less: Contingent rental expenses of the leased premises included in rental expenses	(76)
Less: Depreciation of right-of-use–assets	(4,625)
<b>Revenue less 3 main costs</b>	<b>(424)</b>

With declining revenue, there will be more & more pressure coming from the remaining ‘unabsorbed’ overheads such as central administration costs and depreciation of Sakae Building. In view that the F&B sector has been one of the most adversely affected industries during Covid, has the Board studied the central administration cost items on a row-by-row item basis & determine any concrete plans to streamline some of the central administration costs (i.e. cost centres) fruitfully?”

- b) “I have been a long term investor of the company and has seen its share price rise to more then \$0.50. It is a bit sad to see the share price lingering at less than \$0.10. at the same time, I have observed the queues at Sakae Sushi outlets becoming shorter or non-existence during peak hours while competitors such as Sushi Tei and Sushi Express having queues even during this season of Covid-19. This is despite the reduction of Sakae Sushi SG outlets. What is the management turnaround plan as well as timeline for Sakae to have more business and becoming profitable again?”
- c) “Sakae has experienced continuous revenue decline in its retail sushi business, with stronger competitors coming up with attractive menus. What is management’s turnaround plans for the business and is there a timeline to achieve this?”
- d) “Much thanks to the management for pursuing the case in relation to GREIH and GCM with positive outcomes from many perspectives. However, the management decisions for the sugar trading and Cocosa Export effectively wiped out quite a fair bit the gains. This does not take

into account the lost of market shares to competitors such as Sushi Tei, Sushi Express, Ichiban Boshi, etc because management attention is diverted away. At the same time, Sakae is onboarding other business and investment activities. If the management is of opinion that the company is likely to continue to burn cash over the foreseeable years, are there plans to do a strategic review of the company in the form of privatization by Mr Douglas Foo at its current NAV/NTA such that some of us can break even our investment?”

- e) “Can the management explain the reason for its share price lingering at less than \$0.10 while it has a Net Asset of \$0.3244 per share?”
- f) “Sakae has lost heavily in new investments when it diversified into new areas. Cocosa is a recent example, where the losses of >\$10m is very high for a company of Sakae's scale. What lessons did management draw from its loss-making ventures? How much does the company expect to receive from the liquidation of GREIH beyond the projected \$10m by Sep 2021? Could the company consider paying some dividends from the profits from the GREIH investment?”
- g) “Is Sakae core business sustainable? If not, do your plans to liquidate and or delist Sakae to cut further losses.”
- h) “Some industries in Singapore (i.e. not other countries) with favourable elements of counter-cyclical & lower-%fixed/higher-%variable cost structures such as Direct Selling (e.g. Best World), pawnbroking/money-lending (e.g. ValueMax/ MoneyMax/ Maxi-Cash) have been performing relatively well. Is the Board open to explore venturing into such better-performing industries?”