

SAKAE HOLDINGS LTD.

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

RESPONSE TO QUERIES FROM SHAREHOLDER ON THE COMPANY'S FULL YEAR RESULTS ANNOUNCEMENT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

The Board of Directors of Sakae Holdings Ltd. (the "**Company**" or together with its subsidiaries, the "**Group**") refers to the queries raised by a shareholder of the Company which was sent to the Singapore Exchange Securities Trading Limited ("**SGX-ST**") in relation to the Company's full year results announcement for the financial year ended 30 June 2019 (the "**FY2019 Results Announcement**") dated 29 August 2019.

The Board of the Company would like to provide the Company's responses to the queries raised, in respect of the FY2019 Results Announcement.

SHAREHOLDER QUERY

Cocosa Export

On page 9 of the attachment, it was stated "As such, the Company has provided a goodwill impairment of \$3.2 million in connection with the purchase of 51% equity interest in Cocosa Export. Along with this, there is an impairment loss of \$2.8 million under other receivables. ... Despite the allowance for impairment loss on other receivables, the Company will continue to work on its recovery."

- a. *Since 30 June 2019, what efforts have the Board and Management made to recover the S\$2.8 million worth of other receivables? How much have been recovered so far?*
- b. *What was the due diligence performed on Cocosa Export S.A. prior to the acquisition?*
- c. *In terms of financial due diligence, what was done? Was this based on the unaudited financials of Cocosa Export S.A.?*
- d. *Who was the owner(s) of Cocosa Export S.A.?*
- e. *With regards to the "goodwill impairment of \$3.2 million", was there a valuation done on Cocosa Export S.A.? What were the key assumptions adopted? Was the Board satisfied with the reasonableness of the assumptions, as well as the valuation methodology? What were the basis?*

COMPANY'S RESPONSE

- a. The Company refers to its announcement dated 9 September 2019. As mentioned in the said announcement, the Board will continue, using its best efforts, to work on the recovery. The Company intends to seek legal advice in Chile to explore the various recovery options, and will provide further updates on its recovery process, as and when appropriate.
- b. The Management did a review of Cocosa Export's audited financial results as at 30 June 2015 and had analysed the past sales trends and cashflow situation (along with sales forecast) and reviewed the return of investments against its purchase considerations. Proper legal and financial due diligence were conducted by professional advisors prior to the acquisition, including but not limited to the verification of the audited financial information such as total assets, value of the Properties and value of net tangible assets,

review of Cocosa Export's legal background, real estate and other assets (tangible and intangible), material contracts, permits and licences, trademarks, insurance, on going litigations and labour matters. The Management was satisfied with the results of the due diligence processes conducted on Cocosa Export. The purchase consideration was also determined based on arm's length negotiations between the parties (on a willing buyer and willing seller basis), taking into account the valuation of the real estate properties in the valuation report dated 14 July 2015.

- c. The financial due diligence comprised the review of:
 - (i) audited financial results as at 30 June 2015;
 - (ii) audited historical financials and unaudited management accounts covering the periods from 1 January 2012 up to 30 June 2015;
 - (iii) financial forecasts prepared by Cocosa Export and reviewed by the Management; and
 - (iv) material contracts and/or agreements
- d. The ultimate owner of Cocosa Export S.A. is a Chilean individual named Mr. Julio Leonardo Perez Gutierrez.
- e. The Company refers to its announcement dated 9 September 2019. As mentioned in the said announcement, given the financial condition of Cocosa Export, the Board, having duly assessed and reviewed the future prospect of Cocosa Export, is of the view that the value of the Group's investment in the long term would be highly unrecoverable. Accordingly, the Board decided to make full impairment on the goodwill and other receivables associated with the said investment. The Board confirmed that all material disclosures have been provided to determine the value of impairment, taking into consideration its recoverability.

SHAREHOLDER QUERY

Matters concerning sugar trade business

On page 10 of the attachment, it was stated that "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."

Furthermore, with regards to our email correspondences (below), it was stated that "Insurance covering the passage of the sugar stock traded was bought and the Company is currently in discussion with the insurers on making an insurance claim."

- a. *What is the status of the CAD investigation?*
- b. *Who are the insurers?*
- c. *Since 2 November 2018, what is the progress of the insurance claims?*

COMPANY'S RESPONSE

- a. The matter is still undergoing police investigation and the Company will provide timely updates on any material development as and when appropriate.
- b. The insurer is Ergo Insurance Pte. Ltd.

- c. The Company is in communications with the insurer and will provide timely updates on any material progress whenever appropriate.

SHAREHOLDER QUERY

Going concern issue

On page 10 of the attachment, it was stated that "..., it continues to operate as a going concern and has since managed to generate positive operating cash flows in 12MFY2019."

However, as at 30 June 2019, Sakae's total current assets is S\$9,111K and total current liabilities is S\$57,008K. In another words, Sakae is in a net current liability position of S\$47,897K.

Furthermore, as at 30 June 2019, Sakae only has cash and cash equivalent of S\$986K but has Finance cost of S\$1,589K for 12MFY2019. In another words, its current cash position maybe insufficient to meet another year's worth of finance cost alone.

Please check with Sakae is there a going concern issue?

COMPANY'S RESPONSE

The Board is of the view that the going concern assumption continues to be appropriate based on the following grounds:

- 1) Ability of the Group to continue to generate sufficient cash flows from its future operations in order to meet its day-to-day expenditure;
- 2) Credit facilities from the Group's lenders to be available over the next twelve months or as and when is required. As at June 30, 2019, the Group and the Company have short-term revolving bank loans of S\$48.8 million which are renewable at maturity and unutilised facilities of S\$3.2 million.

In addition, the partial return of the sum of S\$8,148,148 by the Company's associate company, Griffin Real Estate Investment Holdings Pte Ltd (please refer to the Company's announcement on even date) would help to ease the cashflow of the Company. The Group will continue to be prudent and will take all necessary and reasonable steps to ensure stability and sustainability in its operations in a cost-effective manner.

By Order of the Board

Douglas Foo Peow Yong
Executive Chairman

12 September 2019