

SAKAE HOLDINGS LTD.

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

RESPONSE TO QUESTIONS IN CONNECTION WITH THE ANNUAL GENERAL MEETING TO BE HELD ON 29 OCTOBER 2021

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, 29 October 2021 at 3.00 p.m.

Please note that the questions in this Announcement 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

Please refer to page 43 of the Annual Report about “Investment in and receivables from Cocosa Export S.A. (“Cocosa Export”) and amount due from the non-controlling shareholder of Cocosa Export”. It was stated that “Subsequent to end of the previous financial year, Cocosa Export has been placed under liquidation in accordance with a Chilean court order in August 2020. Consequently, management has assessed that any outstanding receivables from Cocosa Export and its non-controlling shareholder should be fully impaired and an additional loss allowance of \$5,609,000 was made on those receivables ...”

Please also refer to Sakae’s Company announcement titled “Completion of Cocosa Export independent audit and update on intragroup differences” on 12 May 2021. On page 20 of the KPMG report, at Paragraph 2.5.21, it was stated that “At that meeting, it was discussed that Cocosa Export owned land in Chile valued at USD 4 to 5 million, from which the investment could be recovered, if necessary. Minutes record a similar discussion at a Board meeting in February 2018 where it was again questioned whether the Purchase Consideration was recoverable. The former CFO was of the view that the Purchase Consideration could be recovered from the eventual disposal of that land.”

What stage of liquidation is it currently at? Has the liquidator disposed that land in Chile which was “valued at USD 4 to 5 million”?

Company's Response

As stated in the Company's announcement on 29 August 2021 pertaining to updates on "Matters concerning Cocosa Export" – The respective reconciliations and resultant adjustments have been made to the audited financial statements in FY2020, as the announcement relates to FY2019 financial statements. Please refer to the Company announcement dated 12 May 2021 in relation to the completion of the Cocosa Export independent audit and update on Intragroup Differences.

The Company has filed a proof of debt with the liquidator and has been in contact with our lawyer in Chile. We are pending updates from the liquidator and will update shareholders when we receive information from the liquidator.

Question 2

Please refer to page 87 of the Annual Report about "Other receivables and prepayments", particularly the "Amount due from related party" of \$1.337m. Has the Audit Committee considered using a Chilean-based professional Corporate Recovery & Insolvency firm as one of the options to recover this \$1.337m bad debt from Conservas Y Congelados Y Compania Limitada (CYC) ?

Company's Response

The Company has filed a proof of debt with the liquidator and has been in contact with our lawyer in Chile. We are pending updates from the liquidator and will update shareholders when we receive information from the liquidator.

Question 3

Please refer to page 57 of the Annual Report about "Sugar transactions". It was stated that "On 21 September 2018, an Independent Internal Auditor's report ("the Report") was received by the Company which noted no indication of criminal misconduct on the part of the Company, the Group and/or its Officers." and "a full provision of \$5,695,000 of the inventory relating to this Transaction"

Please also refer to 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."

Since there was "no indication of criminal misconduct on the part of the Company, the Group and/or its Officer", has the Independent Directors considered going for a mediation session at Singapore International Mediation

Centre and/or even arbitration at Singapore International Arbitration Centre as one of the options to pursue the insurance claim?

Another SGX-listed company (Straco) has successfully done so, and Straco made a Company announcement titled “Award of insurance claims by the Singapore International Arbitration Centre (“SIAC”) Arbitration Tribunal for the breakdown of the Singapore Flyer on 25 January 2019” on 03 Jun 2021.

Company’s Response

As stated in the Company’s announcement on 29 August 2021, pertaining to “Matters concerning sugar trade business” – Police 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.

Question 4

Please refer to page 82 of the Annual Report about “Other operating income and gains”. Can the Independent Directors share what was the nature of the \$823K “Proceeds from claim settlement”?

Company’s Response

The Company refers to its previous announcements from 8 February 2013, 3 May 2013 and subsequently, on 2 July 2018 in relation to the “Matters concerning the Company’s associate company – Griffin Real Estate Investment Holdings Pte Ltd” (“GREIH”). As stated in the Company’s announcement on 2 July 2018, the appeal results of the legal suits were delivered. Following the successful litigation in court, the Company was awarded legal costs from the legal suits, which was recorded under “Proceeds from claim settlement”.

Question 5

Please refer to page 100 of the Annual Report about “Property, plant and equipment”, particularly about our \$87.0m leasehold building (Sakae Building). On 15 Jan 2021, BreadTalk IHQ Building was divested by BreadTalk Group Pte Ltd for an aggregate consideration of S\$118 million, and BreadTalk Group will subsequently leaseback the property as an anchor tenant for a lease term of 10 years. Has the Board and Management considered a sales-and-leaseback of Sakae Building as one of the options for any possible cashflow needs?

Company's Response

The Board has considered options such as the sale-and-leaseback of Sakae Building and note that the operating costs in the mid to long term would have been higher due to rental. The Company will continue to explore other options to balance business and cashflow needs. The Board will take a prudent approach in managing the finances and assets of the Company during this challenging time brought about by the Covid19 pandemic.

Question 6

- a) Please refer to page 105 of the Annual Report about "Property, plant and equipment". Under point (iv), regarding Sakae Building, it was also stated that "The leasehold building is a 7-storey commercial building with an area of 18,743 sqm, located at 28 Tai Seng Street, Singapore 534106, and used as office, warehouse and central kitchen production. The Group and Company have 100% (2020: 100%) interest in the property. The property is held under a land use term for 30 years with expiry on August 31, 2036, with an option at expiry to extend for a further 30 years." What is occupancy rate of Sakae Building currently?

- b) In the corporate presentation by SGX-listed Koufu Group Limited announced on 10 Aug 2021, the new Koufu Headquarters at 1 Woodlands Height has "GFA of 20,000 sqm", whereby Koufu "Group to occupy 75% of total GFA, of which includes for tenancy: 24 cloud kitchen units, 9 stalls in food court, 132 beds in staff dormitory" and Koufu "Achieved full tenancy for balance 25% GFA (19 central kitchen units". If Sakae Building has not achieved 100% occupancy, have the Board and Management considered an operational & leasing strategy similar to Koufu Headquarters? If not, why not yet?

- c) For another SGX-listed company (GKE Corporation Limited), on page 14 of its 2021 Annual Report, GKE has diversified into agri-tech business (GKE Agritech Pte Ltd) by converted the unutilised office space in one of its Singapore warehouse premises into indoor vegetables cultivation area as rental of office space solely is disallowed under the regulation. If there is unutilised office space within Sakae Building, have the Board and Management considered indoor cultivation (like GKE) in view of our F&B's farm-to-table approach?

Company's Response

The space in Sakae Building is currently fully utilised.

As stated in the Annual Report, the premises are used by the Company as warehouse, central kitchen production and office. The space used for cold chain storage includes walk-in chillers and freezers, as well as, an Automated Storage and Retrieval System (ASRS) that provide seamless ease of access anytime with minimal manpower required. The Company is also pleased to share that it has optimised the usage of the building facilities to improve operational efficiency such as installing a food waste digester machine to treat and recycle food waste in support of the Zero Waste initiative. At the same time, the Company has also utilised the premises to extend delivery logistics for its brands.

Besides the Company's own usage as listed above, all other areas able to be tenanted are currently tenanted. The Company will continue to explore other viable options to maximise the use and value of Sakae Building.

Question 7

Please refer to page 129 of the Annual Report about "Geographical segments". Revenue from Malaysia has declined by as much as 65.5% from \$9.919m in 2020 to \$3.424m in 2021. I understand that during the period of movement controls in Malaysia, footfalls in malls have decreased much more than standalone and drive-through stores. Other than "channel its existing fixed resources into enhancing efforts for optimising delivery and takeaway revenue" in Malaysia, has the Board and Management also considered having some standalone and drive-through outlets?

Company's Response

The Covid-19 situation in Malaysia has been and continues to be volatile, as the country continues its battle to contain the infection rate. The changes in governmental measures which evolve with the pandemic situation are unpredictable. Together with the prolonged period of time in which these measures have been implemented, the Company's operations in Malaysia have been significantly impacted. In such uncertain business conditions, the Company decided to progressively reduce the number of physical stores so as to manage its business risks. The Group will continue to review and recalibrate its business strategy and direction for its operations in Malaysia prudently.

Question 8

Please refer to page 86 of the Annual Report about “Trade receivables”. While the Group’s revenue has declined by 32.6% from \$31.372m in 2020 to \$21.149m in 2021, can the Audit Committee share why “allowance for impairment loss” has increased 3.4 times from \$99K in 2020 to \$332K in 2021?

Company’s Response

An increase of allowance for impairment loss was mainly derived from the outstanding rental owing from a former tenant who has since entered into liquidation.

The Company has held discussions with the liquidator. The Company has proactively secured new tenants for the space vacated by the former tenant.

Question 9

Please refer to page 18 of the Annual Report about “Operation of the 2021 PSS”. It was stated that “In determining whether to issue New Shares or to purchase existing Shares for delivery to Participants upon vesting of their Awards, the Company will take into account factors such as (but not limited to) the number of Shares to be delivered, the prevailing market price of the Shares and the financial effect on the Company of either issuing New Shares or purchasing existing Shares.”

As the prevailing market price of the Shares is far below the NAV-per-share, issuance of New Shares will be both NAV-dilutive and EPS-dilutive to existing shareholders. Will the Committee please consider exhausting the use of “(b) delivery of existing Treasury Shares” or “(c) purchase of existing Shares” reasonably possible first, while using “(a) issue of New Shares” as the last resort?

Company’s Response

The PSS 2021 is currently only at the proposal stage pending shareholders’ review and approval. Thereafter, the Company can proceed to administer the 2021 PSS with shareholders’ approval.

In administering the 2021 PSS, the Company would be guided by working towards aligning the interests of its stakeholders with the best interests of the Company. It is also pertinent to note that page A-10 of the 2021 PSS Rules states that “any proposed issue of New Shares will be subject to there being in

force at the relevant time the requisite Shareholders' approval under the Companies Act for the issue of Shares."

Question 10

Please refer to page 26 of the Annual Report about "Details of the financial effects of the 2021 PSS". Under paragraph (b), it was stated that "If New Shares are issued under the 2021 PSS, the NTA of the Group and the Company would decrease by the amount charged." If New Shares are issued, at what price per New Share will the New Share be issued at?

Company's Response

The PSS 2021 is currently only at the proposal stage pending shareholders' review and approval. Thereafter, the Company can proceed to administer the 2021 PSS with shareholders' approval.

The price can only be determined after the modality of the administration of the 2021 PSS has been discussed and decided.

Question 11

- a) Please refer to page 19 of the Annual Report about "Administration of the 2021 PSS". It was stated that "Examples of Performance Targets to be set include targets based on criteria such as sales growth, growth in earnings and return on investment." Does "growth in earnings" refer to "growth in operating earnings"?

- b) Can the Committee confirm there is no non-operating condition in the Performance Targets e.g. revaluation gains/ write-backs/ government grants (like in recent Lian Beng news case)/ etc?

Company's Response

The PSS 2021 is currently only at the proposal stage pending shareholders' review and approval. Thereafter, the Company can proceed to administer the 2021 PSS with shareholders' approval.

The details in Performance Targets can only be determined after the modality of the administration of the 2021 PSS has been discussed and decided.

By Order of the Board

Chan Lai Yin
Company Secretary

28 October 2021