

SAKAE HOLDINGS LTD.

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

RESPONSE TO SGX QUERIES

The Board of Directors of Sakae Holdings Ltd. (“Company” or together with its subsidiaries, the “Group”) refers to the queries raised by the Singapore Exchange Securities Trading Limited (“SGX-ST”) on 22 February 2021, relating to the Company’s Half-Year Results Announcement on 11 February 2021, for the financial period ended 31 December 2020 (“HY2021”). The Company’s replies to the queries are as stated below:

SGX-ST QUERY

1. Please explain why the interest income amounted to only S\$1,000 during HY2021 when the Group has significant cash and bank balance amounting to S\$8,719,000.

COMPANY’S RESPONSE

Interest income is derived from cash placed in interest bearing bank accounts with local and foreign banks. Given the global economic uncertainty brought about by the Covid-19 pandemic coupled with the low interest rates offered by banks, Management assessed, giving consideration to the nature and operating requirements of the bank accounts, that it would be prudent in the interest of keeping the Company agile for contingency, to have more liquidity. The interest income amounted to only S\$1,000 due to the low interest rate paid by the banks for cash deposits.

SGX-ST QUERY

2. Please provide details of the other payables and accruals amounting to S\$3,717,000.

COMPANY’S RESPONSE

A breakdown of the other payables and accruals is as follows:-

	31 December, 2020 S\$'000
Deposits	1,757
Professional fees	615
Deferred income	492
Accrual for outlets maintenance	580
Accrual for salaries and related costs	218
Others	55
	<u>3,717</u>

SGX-ST QUERY

3. Please explain why the trade and other payables amounted to S\$7,014,000 when revenue for HY2021 amounted to only S\$11,126,000, as compared to the trade and other payables amounted to S\$7,202,000 recorded against a revenue of S\$18,618,000 for the financial half year ended 31 December 2019.

COMPANY'S RESPONSE

With the Covid-19 pandemic, Group revenue has decreased significantly by S\$7,492,000, from S\$18,618,000 in HY2020 to S\$11,126,000 in HY2021. This is mainly due to store closures as leases expired, weaker market sentiment and consumer demand.

Further, with various time periods of implementation of the Movement Control Order (MCO) to curb the spread of the Covid-19 virus in Malaysia, the Group manage to seek longer credit terms from suppliers, thus resulting in higher trade accruals, despite the low revenue.

SGX-ST QUERY

4. We note the Group's significant current liabilities of \$47,901,000, deficit in working capital of S\$31,486,000, and cash and bank balance of \$8,719,000. Please disclose and elaborate on the Board's assessment of (i) whether the Company will be able to meet the Company's short term liabilities of \$47,901,000, as and when they fall due, and (ii) how the Company intends to fulfil its significant payment obligations in the next 12 months.

COMPANY'S RESPONSE

The Group has adopted short term bank borrowings as part of its cash management, due to its flexibility and low interest rates. Current liabilities including short term bank borrowings, are fully secured against the Group's property in Singapore, last valued at S\$78,000,000 in FY2020. Accordingly, the Group will be able to continue to roll over its short term revolving bank borrowings and such credit facilities from the Group's lenders will continue to be available. As at 31 December 2020, the Group and the Company have short term revolving bank borrowings of S\$32.11 million which are renewable at maturity. The Group has rolled over the short term revolving bank borrowings on a monthly or quarterly basis with the latest roll over in February 2021 for 1 month.

With internally generated funds, expected proceeds from the disposal of the Group's Malaysian properties, expected capital return from the liquidator of GREIH, expected proceeds from government grants in response to the impact of Covid-19 on businesses and the ability to continue to roll over short term revolving bank borrowings and having access to unutilised credit facilities, the Board of Directors concluded that the Group and the Company will have sufficient financial resources to enable the Group and the Company to fulfil its significant payment obligations in the next 12 months.

SGX-ST QUERY

5. What are the steps that have been/will be taken to resolve the outstanding audit issues in relation to the Company's investment in GREIH and matters concerning Cocosa Export, that resulting in the auditor's qualified opinion on the Group's financial statements for FY2020.

COMPANY'S RESPONSE

The Company has been working closely with the auditors of the following issues:-

(i) Investment in GREIH

As at 30 June 2020, management has adjusted the carrying amount of equity investment in GREIH based on fair value through profit or loss. This issue has been resolved with the statutory auditor and the carrying amount as of 30 June 2020 was not qualified by the statutory auditor. The qualified opinion in FY2020 auditor's report relates to consolidated profit or loss and opening retained earnings in which the auditor was unable to determine whether adjustments made as of 30 June 2020 might have any impact on the opening retained earnings. The Group will continue to account for the equity investment at fair value through profit or loss for the GREIH investment in FY2021.

(ii) Matters concerning Cocosa Export

As at 30 June 2020, management has provided for full impairment loss in relation to the investment and receivables from Cocosa Export S.A. and amount due from the non-controlling shareholder of Cocosa Export S.A. This issue has been resolved with the statutory auditor and the carrying amounts as of 30 June 2020 were not qualified by the statutory auditor. The qualified opinion in FY2020 auditor's report relates to consolidated profit or loss and opening retained earnings in which the auditor was unable to determine whether adjustments made as of 30 June 2020 might have any impact on the opening retained earnings. These matters will not have any impact on the profit or loss for FY2021, subject to the final findings by the Special Auditor.

By Order of the Board

Chan Lai Yin
Company Secretary

24 February 2021