

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 20 October 2022, relating to the Company’s Annual Report and Related Documents Announcement on 16 October 2022. The Company’s replies to the queries are as stated below:

SGX-ST QUERY

1. It is stated at page 36 of the Annual Report that the remuneration of Mr Foo Kia Hee, father of Mr Douglas Foo and Ms Foo Lilian falls between S\$100,000 and S\$150,000. Note 7 of the financial statements however state that the remuneration paid to immediate family members of the CEO is S\$161,000. Please explain the discrepancy.

COMPANY’S RESPONSE

In compliance with Provision 8.2 of the 2018 Code of Corporate Governance, the Company discloses the names and remuneration of employees who are substantial shareholders of the Company, or are immediate family members of a director, the CEO or a substantial shareholder of the Company, and whose remuneration exceeds S\$100,000 during the year, in bands no wider than S\$100,000 in its annual report.

Accordingly, in Note 7 of the financial statements, the amount of S\$161,000 was for the remuneration of Mr Foo Kia Hee and Ms Foo Lena, respectively the father and sister of Mr Douglas Foo and Ms Foo Lilian. Page 36 of the FY2022 Annual Report was for the remuneration of Mr Foo Kia Hee, which falls between S\$100,000 and S\$150,000.

SGX-ST QUERY

2. As required under Rule 1207(10), please disclose the Board's comment, and the Audit Committee's (“AC”) concurrence, on the adequacy and effectiveness of the issuer's internal controls (including financial, operational, compliance and information technology controls) and risk management systems. Where material weaknesses are identified by the board or the AC, they must be disclosed together with the steps taken to address them.

COMPANY’S RESPONSE

The Board notes that the system of internal controls (including financial, operational, compliance and information technology controls) is designed to manage rather than eliminate the risk of failure to achieve business objectives, and, can provide only reasonable and not absolute assurance against material misstatement or loss. Nonetheless, the Board acknowledges that it is responsible for reviewing the adequacy and effectiveness of the Group’s risk management and internal control systems (including financial, operational, compliance and information technology controls). The Board also recognizes its responsibility in ensuring a sound system of internal controls (including financial, operational, compliance and information technology controls) to safeguard shareholders’

interests and the Group's assets. The Board reviews the adequacy and effectiveness of the Company's internal control systems (including financial, operational, compliance and information technology) and risk management systems.

The external auditors will highlight any material weaknesses in financial controls over the areas that are significant to the audit. Such material internal control weaknesses noted during their audit and recommendations, if any, are reported to the AC. Subsequently, the AC will follow up to review the actions taken by the Management to address the weaknesses based on the said recommendations of the external auditors.

The Board and AC has reviewed reports submitted by the internal and external auditors relating to the effectiveness of the Group's internal controls including the adequacy and effectiveness of the Group's financial, human resources, operational, compliance and relevant communications as part of their audit for FY2022. No material findings were identified or noted.

Based on the reports presented, the Board is satisfied that the system of internal controls (including financial, operational, compliance and information technology controls) and risk management systems were adequate and effective to meet the needs of the Group in its current business environment. The AC concurred with the Board's comments as aforementioned.

SGX-ST QUERY

3. As required in Listing Rule 704(6), please provide an explanation for the significant variance in the Cash Flow Statement between the amounts disclosed in the Full Year Results and Annual Report for the following items:
 - a. depreciation of property, plant and equipment - S\$2.2 million in Full Year Result and S\$2.3 million in Annual Report
 - b. property, plant and equipment write off - S\$175,000 in Full Year Results and S\$100,000 in Annual Report
 - c. reversal of impairment on property, plant and equipment - 0 in Full Year Results and S\$114,000 in Annual Report
 - d. unrealised foreign currency exchange loss/(gain) - S\$7,000 in Full Year Results and -S\$177,000 in Annual Report
 - e. other payables and accruals - S\$1.1 million in Full Year Results and S\$1 million Annual Report
 - f. interest paid - S\$1.06 million in Full Year Results and S\$1.11 million in Annual Report
 - g. income tax and withholding taxes refunded - S\$295,000 in Full Year Results and S\$12,000 in Annual Report
 - h. Grant received for acquisition of property, plant and equipment - 0 in Full Year Results and S\$49,000 in Annual Report
 - i. repayment of leases - S\$2.3 million in Full Year Results and S\$2.1 million in Annual Report
 - j. effects of exchange rate changes on cash and cash equivalents - -S\$7,000 in Full Year Results and S\$66,000 in Annual Report

COMPANY'S RESPONSE

Since the release of the Full Year Results, the audit of the consolidated financial statements of the Group and the financial statements of the Company for FY2022 has been completed.

Set out below are the variances in the Consolidated Statement of Cash Flows of the Group as compared to the Full Year Results:

Consolidated Statement of Cash Flows

	Full Year Results	Audited Financial Statements	Variance	Explanatory Note
	S\$'000	S\$'000	S\$'000	
Consolidated Statement of Cash Flows				
Cash flows from operating activities				
Profit before tax	768	767	1	
Adjustments for:			-	
Depreciation of property, plant and equipment	2,200	2,328	(128)	(a)
Depreciation of right-of-use assets	2,023	2,073	(50)	
Loss on disposal of property, plant and equipment, net	-	21	(21)	
Gain on disposal of investment in joint venture	(400)	(400)	-	
Gain on disposal of non-current assets classified as held for sale	(56)	(56)	-	
Rental rebate on leases	(80)	(80)	-	
Property, plant and equipment written off	100	175	(75)	(b)
Impairment loss on property, plant and equipment written off	-	(114)	114	(c)
Impairment loss on trade receivables	9	9	-	
Dividend income from equity investments	-	(1)	1	
Fair value gain on equity investments in FVTPL, Net	(2,310)	(2,310)	-	
Unrealised foreign currency exchange loss/(gain)	7	(177)	184	(d)
Interest expense	1,114	1,114	-	
Interest income	(6)	(6)	-	
Operating cash flows before working capital changes	3,369	3,343	26	
			-	
Trade receivables	(305)	(305)	-	
Other receivables and prepayments	531	531	-	
Inventories	(59)	(59)	-	
Trade payables	(274)	(274)	-	
Other payables and accruals	(1,080)	(1,031)	(49)	(e)
Cash from operations	2,182	2,205	(23)	
			-	
Interest paid	(1,064)	(1,114)	50	(f)
Interest received	6	6	-	
Income tax and withholding taxes refunded/(paid), net	295	12	283	(g)
Grant received for acquisition of property, plant and equipment		49	(49)	(h)
Net cash from operating activities	1,419	1,158	261	

Cash flows from investing activities				
Purchase of property, plant and equipment	(412)	(423)	11	
Receipts of partial liquidation proceeds	7,654	7,654	-	
Proceeds from disposal of property, plant and equipment	34	43	(9)	
Proceeds from disposal of non-current assets classified as held for sale	3,670	3,670	-	
Dividend income from equity investments	-	1	(1)	
Proceeds from disposal of equity investments at FVTPL	5	5	-	
Proceeds from disposal of joint venture	400	400	-	
Net cash from investing activities	11,351	11,350	1	
Cash flows from financing activities				
Repayment of leases	(2,311)	(2,122)	(189)	(i)
Repayment of bank loans	(3,719)	(3,719)	-	
Dividend paid	(1,674)	(1,674)	-	
Net cash used in financing activities	(7,704)	(7,515)	(189)	
Net increase /(decrease) in cash and cash equivalents	5,066	4,993	73	
Cash and cash equivalents at beginning of financial year	2,672	2,672		
Effects of exchange rate changes on cash and cash equivalents	(7)	66	(73)	(j)
Cash and cash equivalents at financial year	7,731	7,731	-	

Explanatory Note:

- (a) The difference was due to reclassification of property, plant and equipment movements.
- (b) The difference was due to reclassification of property, plant and equipment movements.
- (c) The difference was due to reclassification of property, plant and equipment movements.
- (d) The difference was due to reclassification of foreign currency revaluation impact from repayment of leases.
- (e) The difference was due to reclassification of foreign currency revaluation impact from other payables and accruals.
- (f) The difference was due to reclassification of interest amount from depreciation of right-of-use assets.
- (g) The difference was due to reclassification of deferred tax impact on property depreciation.
- (h) The difference was due to reclassification of grant received from property depreciation.
- (i) The difference was due to reclassification of foreign currency revaluation impact from repayment of leases.

- (j) The difference was due to reclassification of foreign currency revaluation impact from property, plant and equipment movements.

Accordingly, the Board is of the opinion that these differences are mainly reclassifications which do not have any material impact on the Statement of profit or loss and financial results.

SGX-ST QUERY

4. Please provide details of the partner in Messrs Virtus Assure Pte Ltd that is in charge of the internal audit of the Company and his/her relevant experience conducting internal audit of listed companies in the industries that the Company operates in. Please also disclose the size and composition of the internal audit team.

COMPANY'S RESPONSE

As disclosed on Page 40 of the FY2022 Annual Report, the Company has appointed Messrs Virtus Assure Pte Ltd ("Virtus Assure") as the Company's Internal Auditor ("IA") for the purposes of reviewing the effectiveness of the Company's material internal controls. The internal auditor, Messrs Virtus Assure Pte Ltd, meets the standards for the Professional Practice of Internal Auditing set by The Institute of Internal Auditors.

Virtus Assure has been engaged by clients across many industries, from manufacturing, business services to transportation, to provide services including Internal Audit, Enterprise Risk Management, Corporate Governance Advisory Services, Sustainability Reporting, Whistleblowing Services, Information Technology & Cyber Security and Control Self-Assessment.

Virtus Assure's Managing Director is Mr. Joshua Siow, who has many years of audit and management experience in operations, business systems, information technology, finance and accounting with various companies in many countries. He has helped exchanges, depositories and listed firms: to establish their internal audit function; develop their enterprise risk management framework; assess their risk/control environments; strengthen their systems of internal controls; and evaluate their internal audit performance. Mr. Siow is a Member of the Institute of Singapore Chartered Accountants, Fellow Member of the Association of Certified Chartered Accountants and Member of the Institute of Internal Auditors Inc.

The engagement team is led directly by Mr. Joshua Siow, who is assisted by Audit Director, Mr. Alvin Tan, who has more than 10 years of audit and compliance experience and a team of suitably qualified auditors. Mr. Alvin Tan is a Certified Internal Auditor and Certified Risk Management Assurance Professional with the Institute of Internal Auditors Inc.

The AC is satisfied that the appointed IA meets and has carried out its function according to the standards set by internationally recognised professional bodies including the Standards for the Professional Practice of Internal Auditing set by the Institute of Internal Auditors Inc.

SGX-ST QUERY

5. Please elaborate on how the specific disclosure of the remuneration details of Mr Douglas Foo Peow Yong, the founder and controlling shareholder of the Company, and Foo Lilian, who is his sister, would be prejudicial to the Company for competitive reasons given the nature of their relationship to the Company.

COMPANY'S RESPONSE

The Company sets remuneration packages to ensure that it is competitive and sufficient to attract, retain and motivate Directors and key management personnel of the required experience and expertise to run the Company successfully.

The Board has a formal and transparent procedure for developing policies on director and executive remuneration, and for fixing the remuneration packages of individual directors and key management personnel. No director is involved in deciding his or her own remuneration.

As the Group operates in a highly competitive industry, the specific disclosure of the remuneration details of each individual director, including controlling shareholder and the immediate family members of a director, CEO or substantial shareholder and key management personnel would adversely impact the Company's operations and business due to the sensitive nature and confidentiality of such information. Accordingly, the Company did not disclose specific details of the remuneration of each individual Director and key management personnel as such disclosures will be prejudicial to the interests of the Company as well as our employees.

Furthermore, there is keen competition for talent in the Food and Beverage Industry and it is important that the Company retains its competent and committed key personnel, regardless of their positions including controlling shareholder and the immediate family members of a director, CEO or substantial shareholder and key management personnel, in order to ensure the stability and continuity of business and operations of the Group. Thus, having a consistent disclosure of the remuneration details for all key personnels is important in aligning, retaining and motivating all key personnels of the required experience and expertise, thus promoting the long-term success of the Company. It also takes into account the risk policies of the Company, and to be symmetric with risk outcomes and sensitive to the time horizon of the risks.

By Order of the Board

Chan Lai Yin
Company Secretary

25 October 2022