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 5 September 2019 relating to the Company's Full Year Results Announcement for the financial year ended 30 June 2019 ("FY2019 Results Announcement") released on 29 August 2019. The Company wishes to provide clarification as follow:

SGX-ST QUERY

1. During the financial year ended 30 June 2019 (FY2019), there was an increase in trade payables, despite the 52.8% decrease in revenue in FY2019. Please disclose:

   a. The reason(s) why there was an increase in trade payables, notwithstanding the significant decrease in revenue in FY2019;
   b. The nature of the trade payables;
   c. Provide a breakdown of the trade payables.

COMPANY'S RESPONSE

a. An increase in trade payables is mainly due to higher trade accruals as a result of longer credit term provided by the major suppliers, the Sales & Service Tax ("SST") which commenced on 1 September 2018 in Malaysia and new marketing strategy on the sales of Sakae Gift card. An increase of $0.3 million in deferred revenue is attributable to the sales of Sakae Gift Card from March 2019.

b. The component of trade payables has been listed in part (c) below. The outside parties under trade payables refers to the Group's food service suppliers. Please refer to part (c) below on the breakdown of the trade payables.

c. A breakdown of the trade payables is as follows:

	June 30, 2019 $'000	June 30, 2018 $'000
Outside parties	3,354	3,311
GST	205	183
SST	140	-
Deferred revenue	735	559
	4,434	4,053

SGX-ST QUERY

2. In paragraph 8, the Company disclosed that "Group revenue decreased as a result of streamlining of the Group's operations, resulting in reduction of revenue, whilst cost of sales and labour costs have declined accordingly." Please elaborate on these actions which resulted in the decline of gross profit by 50.5% to $27.9 million.

COMPANY'S RESPONSE

The decline in gross profit by 50.5% to $27.9 million was a result of direct comparison of gross profit for 18 months ended 30 June 2018 (18MFY2018) with 12 months ended 30 June 2019 (12MFY2019). Gross profit margin has in fact increased by 2.9% due to streamlining of the Group's operations. The breakdown for comparison of gross profit margin is as follows:

Period	Revenue ($'000)	Cost of sales ($'000)	Gross profit ($'000)	Gross profit margin (%)
12MFY2019	44,419	16,515	27,904	62.8
18MFY2018	94,154	37,743	56,411	59.9

SGX-ST QUERY

3. The Company disclosed at paragraph 8 that "the Group has assessed the business performance and future prospects of Cocosa Export, and is of the view that the value of the investment, in longer term, may not be recoverable. As such the Group has provided a goodwill impairment of $3.2 million in connection with the purchase of 51% equity interest in Cocosa Export.

a. Please elaborate on the business performance of Cocosa Export and the basis how the Board of Directors concluded that the value of the investment in the long term may not be recoverable;

b. To elaborate on how the $3.2 million goodwill impairment was decided and quantified.

COMPANY'S RESPONSE

a. Cocosa Export is a company incorporated in Chile which is primarily engaged in the production and trading of canned and frozen seafood. As credit lines are critical in the trading business, Cocosa Export has relied on bank loans or credit lines and advances from the Group for its operations. However, heavy operational costs with low credit support have not allowed Cocosa Export to operate its business profitably. The Group had relied heavily on the partner of Cocosa Export to manage its operations and finances. The Group was aware that banks have not granted more credit lines over the years to Cocosa Export due to its declining sales and gloomy future prospects.

   In March 2019, the partner of Cocosa Export informed the Group that the bank has given a final deadline for Cocosa Export to make partial repayments of its bank loans or else face liquidation procedure or be wound up. Given the financial condition of Cocosa Export, the Board duly assessed and reviewed the future prospect of Cocosa Export, and concluded 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 investment.

b. The Company after having assessed and reviewed the situation of Cocosa Export, as mentioned in 3(a) above, decided to make full impairment on the goodwill and receivables associated with the investment.

SGX-ST QUERY

4. The Company further disclosed in paragraph 8 that "there is an impairment loss of $2.8 million under other receivables".

a. Please disclose how the impairment loss was determined;
b. Please disclose what were the reasons for impairment;
c. Please disclose the nature of these "other receivables" that had been impaired;
d. To disclose whether these debtors are major customers and whether the Group continues to transact with them;
e. Please provide the Board's opinion on the reasonableness of the methodology used to determine the value of impairment;
f. To disclose what were the action(s) taken by the Board to recover the "other receivables".

COMPANY'S RESPONSE

a. In determining the recoverability of other receivables, management considers any change in the credit quality of the other receivables from the date credit was initially granted up to the reporting date.

b. An impairment is based on an estimation of the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive. As mentioned in 3(b) above, the Board has assessed and reviewed the future prospects of Cocosa Export and concluded that receivables relating to Cocosa Export were credit impaired. Accordingly, full allowance has been made.

c. The other receivables relate to Cocosa Export as a single debtor which owed monies to the Group due to advances given for Cocosa Export's business operation costs, such as procurement of raw materials as well as the production of trading products.

d. Debtors mentioned here refer to Cocosa Export, a subsidiary of the Group. Cocosa Export is not a major customer of the Group (which carried out a trading business in FY2019). The Group has ceased to provide advances to Cocosa Export since February 2019.

e. The Board confirmed that all material disclosures have been provided to determine the value of impairment, taking into consideration its recoverability.

f. Despite the allowance for impairment loss on other receivables, the Board will continue to work on their recovery. The Company intends to seek legal advice in Chile and explore recovery accordingly. The Company will continue to monitor the situation of Cocosa Export and will provide further updates as and when appropriate.

By Order of the Board

Douglas Foo Peow Yong
Executive Chairman
9 September 2019