

Sakae Holdings Ltd.

ANNUAL REPORT 2012 //

Sakae takes a big leap towards its vision to build global brands



In working towards our vision of being a global brand, Sakae has expanded its footprint through organic growth and strategic alliances. Locally in Singapore, our footprint has expanded with the opening of several new outlets. Abroad, our growth in Malaysia has increased aggressively towards the goal of seeing Sakae outlets in every Malaysian state and entry into Chengdu, China allows us to venture further. Our most recent efforts also contributed to the opening of inaugural Sakae Sushi outlets in Medan, Indonesia and New Delhi, India. In addition, Sakae's upcoming strategic alliances will boost a big leap towards its vision to build global brands.



To learn more about the company, download a free QRcode app on your SmartPhone and scan this code.

Contents >>

01	Corporate Profile
02	An Insight on Sakae Food Chain
04	Message to Shareholders
06	Corporate Structure
07	Global Presence
08	Operations Review
11	Financial Highlights
12	Our Innovations
13	Our Brands
18	Corporate Social Responsibility
20	Board of Directors
22	Key Management
25	Corporate Governance Report
37	Financial Reports
90	Statistics of Shareholdings
92	Notice of Annual General Meeting
97	Notice of Books Closure
	Proxy Form

We are “The Innovative Food People” and a public-listed Singapore-based food and beverage company that is on the fast track of global growth.

Our Vision

To build global brands.

Our Mission

To provide safe quality food with excellent service at the best value.

Our Core Values

- E** - Excellence is our minimum standard
- P** - Productivity in everything we do
- I** - Innovation to simplify and compete
- C** - Compassion to all

Corporate Profile »

“When people mention **Sushi**, we want them to think of **Sakae**.”

Since inception in 1996, Sakae Holdings Ltd. has developed an outstanding portfolio of popular brands – Sakae Sushi, Sakae Teppanyaki, Sakae Delivery, Hei Sushi, Senju, Crepes & Cream, Sakae Express, Sachi and Nouvelle Events – all synonymous with quality dining. These milestones have been made possible through our constant technological innovations and our dedicated team of Innovative Food People!

Our flagship brand, Sakae Sushi was introduced in the midst of the 1997 Asian financial crises. Despite various challenges, we have brought the same dedication and commitment to food quality and safety that we hold strongly till today.

We constantly expand our food sources to find high-quality ingredients at better prices thus enabling us to keep selling prices affordable. We work very closely with our suppliers and we go on regular farm visits to ensure that our sources provide safe and fresh food / raw materials. We also send our products for weekly laboratory tests for bacteria count. This farm-to-table approach clearly distinguishes us as a leader in the region for food and service excellence.

In 2011, our Central Kitchen was relocated to our Sakae Building in Tai Seng and in 2012, focus was placed on fully integrating and optimising its capabilities to better serve our business lines as well as clients. This strategic move has not only created greater synergy and resulted in significant costs savings, but has also enhanced productivity and provided efficient operation flow in ensuring food quality and safety.

As we continue to embark on our journey in making Sakae a global brand, we constantly seek to understand and capitalise on the varying preferences in the local and international markets while improving operational efficiency and maintaining high service standards. We strongly believe that through our farm-to-table approach to ensure food safety and quality as well as through driving innovation, we can create strong brand loyalty, while delivering value to our customers and shareholders, and help build an eco-friendly environment for future generations.

With these strategies and values in place, we will continue to forge towards our Vision to be the global brand recall for Sushi – “Think Sushi, Think Sakae”.



An Insight On Sakae Food Chain »

1 On a regular basis, we make farm visits to ensure that our food sources are safe.



2 Our food supplies are sent to our Central Kitchen located in Sakae Building which houses all our operations.



Our palette of delicious food is ready to be served!

6 Our chefs prepare the food with their hearts to ensure customers dine with a peace of mind.



3 We send our products for weekly laboratory tests for bacteria count.



4 Our sushi rice is enriched with Vitamin E for added health benefits to our customers.



5 State-of-the-art technology that brings great convenience and food safety to our customers.





MESSAGE TO SHAREHOLDERS

Dear Shareholders,

Financial Year 2012 (“FY2012”) was an exciting year for the Group. Looking back, we are glad that we have once again risen above the challenges of another trying year of global economic uncertainties and fragile consumer confidence, while we continue our journey towards building a global brand.

Financial Year in Review

In FY2012, we secured higher Group revenue of S\$95.9 million, which entailed an increase of 7.5% as compared to S\$89.2 million in FY2011 and our profits from operations has doubled to S\$6.1 million in FY2012 from S\$3.1 million in FY2011.

The Group’s continuous emphasis on food safety, ceaseless efforts in offering a new range of quality dining experiences and interesting changes in dishes, demonstrated through our unremitting efforts in the sourcing of new and interesting products as well as periodic launches of new menus, have contributed to our turnover growth, allowing us to achieve a 5% increase in same store sales growth in FY2012.

However, there have been recent developments in relation to the Company’s associate company, Griffin Real Estate Investment Holdings Pte Ltd (“GREIH”), further details of which can be found in the Company’s announcements titled “Matters concerning the Company’s associate company – Griffin Real Estate Investment Holdings Pte Ltd”. There exists uncertainty in relation to the developments and outcome of the present litigation involving GREIH and the Company’s report on this matter to the Commercial Affairs Department. Moreover, given that the Company does not have any control over or access to the affairs and bank accounts of GREIH, it is not able to ensure that the monies in GREIH are safeguarded. As such, the Company has decided to adopt a conservative and prudent approach in the financial statements and made a full allowance for potential impairment of \$10.5 million on its recorded carrying amount of investments in associates in FY2012.

Despite the full allowance for impairment being made in the financial statements, the Company is committed to continue to pursue the present litigation vigorously and take all necessary steps to recover the value of its investments in the associates. The Company will make further announcements on this matter as and when there are material developments.

With the recorded allowance for impairment in investments in associates, the Group reported a loss before income tax and net loss of S\$4.4 million and S\$6.8 million (which included additional tax charges of S\$0.6 million adjusted from prior years) respectively for FY2012.

Creating Milestones, Building Presence

Our journey to expand our “frog prints” on the world map reached new milestones. In January 2013, we entered into a legally binding memorandum of understanding (“MOU”) to have a 51.22% stake in MP Holdings Co. Ltd (“Marinepolis”), which currently manages and operates 99 and 11 conveyor belt sushi chain restaurants in Japan and United States of America (“US”) respectively. With this strategic alliance, we believe that the parties can come together to share technology, industry knowledge and resources to improve our productivity and operational efficiency. We look forward to leveraging on Marinepolis’ strong presence and reputation in Japan and the US, thereby reaping synergistic benefits while moving closer to our goal of creating a global brand in the F&B industry.

During the year, we have continued to grow new sites in Malaysia besides Klang Valley and Penang and have opened our first outlets in Ipoh, Johor Bahru and Kuching. In February 2013, we have also expanded beyond Jakarta and made our debut in Medan, Indonesia. In March 2013, we further extended our footprint with the inaugural opening in New Delhi, India.

Currently, we have more than 100 outlets in Singapore, China, India, Indonesia, Malaysia, Philippines, Thailand and Vietnam. We believe that with the proposed strategic alliance with Marinepolis, we are taking fine steps towards being a global brand by forming global alliances. We will continue to develop and have synergistic alliance with like-minded partners to realise our shared vision in building brands synonymous with Japanese food, globally.

Capitalising on our Core Competencies

Sakae’s success and ability to weather the challenges has to be attributed to the collective efforts of our staff and the management team. We recognise the importance of developing and growing our people. The Group has an integrated human capital strategy to recruit, develop and motivate employees. Our consistent focus on building our talent pool ensures that we have depth in our management bench.

We remain committed to enlarging our talent pool, while developing our leadership and management teams. At Sakae, young talent, mid-career professionals and older staff are part of our inclusive three-pronged approach towards human capital, which targets the individual, family and community, and takes a long-term view on talent attraction and development. We adopt a holistic approach to human resource development which allows our staff to feel that they are an integral part of the company, for which we call “a brand with soul”. We will also seek to continually engage our talents, to align their aspirations to the Company’s global dream, and to keep all staff well-prepped for the next phase of growth of the Group.

We continue to provide training and development opportunities to equip employees for the competitive

business environments internationally, through programmes conducted by our own in-house Approved Training Organisation (ATO) pursuant to Workforce Skills Qualifications (WSQ) programmes accredited by the Singapore Workforce Development Agency and by an external professional culinary related training institute located at our Sakae Building.

We have also continued to offer Scholarship programmes to groom future leaders for succession planning. We are also exploring the use of overseas training centres to equip our employees with the skills required for our overseas operations, to identify talents for greater responsibilities and key leadership roles, as well as to alleviate the manpower shortage with the tightening of the foreign worker inflow by the Government. With the guidance of the Board, we believe that we can chart the course of Sakae’s future.

Our Commitment

Our assurance and commitment towards food safety and quality has continued to reassure our customers. Since the move of our Headquarters (“HQ”) into the Sakae Building in 2011, we have put in much effort in ensuring that our HQ is fully equipped. Our Central Kitchen as well as our newly developed customised Automated Storage Retrieval System (“ASRS”) cold-rooms play a pivotal role in ensuring food safety and quality. The centralised functions, high-technology equipment and our rigorous “cold chain” supply processes complement our stringent laboratory examinations and are part of our constant quest to scout for and secure reliable food sources at affordable prices, thereby reducing the risk of over-reliance on only one food source in the event of its exposure to contamination.

Furthermore, with more young families coping with inflation, and a rise in demand for healthy lifestyles, we continued to leverage on our market position as a mid-range sushi brand offering affordable Japanese cuisine to the mass market casual dining crowd. The Group’s consistent efforts towards a fully integrated and more productive use of resources, coupled with our healthy cash position of S\$8.8 million, will keep us well-positioned for future opportunities that may arise in these challenging times.

Special Thanks

On behalf of the Board of Directors, I would like to convey our heartfelt appreciation to our valued shareholders for their sustained interest and unwavering confidence in the Group. I would also like to express my sincere thanks to our business partners and associates for their loyal support and trust in us. Last but not least, I would also like to thank the management and staff for their relentless contributions and dedication. In this new year, as our journey to building global brands continues, we look forward to your encouragement and support.

DOUGLAS FOO
Executive Chairman

Corporate Structure



- **Sakae Sushi**
- **Hei Sushi**
- **Sakae Teppanyaki**
- **Sakae Express**
- **Sachi**
- **Crepes & Cream**
- **Nouvelle Events**
- **Innotech Consulting**

**Apex-Pal
Investment Pte. Ltd.**



Global Presence >>



Operations Review



A Significant Year

During the year, the Group reported revenue of S\$95.9 million, which entailed a 7.5% increase as compared to S\$89.2 million in the preceding year, and pre-tax operating profits of S\$6.1 million which has doubled from \$3.1 million in FY2011. We also recorded a 5% increase in same store sales growth in FY2012 in comparison to FY2011. This is a strong motivational boost to the Group, as we continue to extend our reach into new markets such as India, Japan and the US to fulfil our vision of building global brands. The Group's continuous emphasis on food safety, incessant efforts in offering a new range of quality dining experiences and interesting changes in dishes, through our unremitting efforts in the sourcing of new and interesting products as well as periodic launches of new menus, have contributed to the strong revenue growth. We have managed to attain a strong 97.5% growth in our pre-tax operating profits to achieve a result of S\$6.1 million in FY2012, through: (i) the Group's continuous efforts towards a fully integrated and more productive use of resources, which have also seen a reduction of cost of sales over sales percentage from 29.6% in FY2011 to 28.3% in FY2012; and (ii) more stringent and effective controls carried out on our expenses.

However, due to certain developments that concern the Company's associate company, GREIH, the Group has made full allowance for a potential impairment of \$10.5 million on the recorded carrying amount of investments in associates in FY2012. This is a conservative and prudent approach adopted by the Group, bearing in mind that the uncertainty in relation to the developments and outcome of the present litigation involving GREIH, and the Company's report on this matter to the Commercial Affairs Department. Moreover, given that the Company does not have any control over, or access to, the affairs and bank accounts of GREIH, it is not able to ensure that the monies in GREIH are safeguarded. Despite the full allowance for impairment being made in the financial statements, we are committed to continuing with the pursuance of the present litigation vigorously and taking all necessary steps to recover the value of the Company's investments in the associates. The Company will make further announcements on this matter as and when there are any material developments.

With the recorded allowance for impairment in investments in associates, the Group reported a loss before income tax and a net loss of S\$4.4 million and S\$6.8 million (which included additional tax charges of S\$0.6 million adjusted from prior years) respectively for FY2012.



The group's flagship Sakae Sushi continues to establish itself as a global brand. Since its inception, the business has grown and innovated constantly.

DRIVING INNOVATION & PRODUCTIVITY

In FY2012, we continued driving innovation and integrating technological inventions into our operations. We have created a second-tier belt in-house at our pilot-run outlet in Marina Square, which delivers the orders directly to customers. We are currently working on improving the design and mechanism of the second-tier belt before implementing it at the rest of our outlets.

We are implementing the Sakae Automated Teller Machine ("ATM") at more outlets, which allows customers the flexibility and convenience to order and make payment for take-away orders. Upon completion of payment, customers can return at a stipulated time to pick up their orders. This definitely provides customers-on-the-go a great option of convenience anytime at our outlets, especially during the peak hours.

On top of our patented Interactive Menu ("IM") system, which is currently being upgraded on the iPads at all our outlets in phases and which allows our customers to browse through the menu and place orders at their fingertips, iPod Touch is also being used by our service crew

to take orders efficiently from customers. Both technologies assist in sending the orders to the kitchen automatically, which shortens the customers' waiting time.

At our HQ in the Sakae Building, our in-house customised ASRS cold-rooms allow our raw materials to be retrieved from the deep freezer mechanically and eliminate the need for workers to enter the freezer to retrieve these goods, thus increasing productivity. Together with our Central Kitchen, the centralised functions, high-technology equipments and our rigorous "cold chain" supply processes complement our stringent weekly laboratory examinations and are part of our quest to scout for and secure reliable food sources at affordable prices.

We also believe that through our emphasis on continuous innovation, we can continue to drive productivity as we forge forward to scale greater heights.

BUILDING A GLOBAL ALLIANCE

Our recently announced proposed strategic alliance with Marinepolis, which has more than 100 sushi conveyor belt restaurants in Japan and the US, marked another milestone for us. Through this alliance, we will come together to share technology, industry knowledge and resources to improve our productivity and operational efficiency. We look forward to leveraging on Marinepolis' strong footing in Japan and the US to carve out new market share. This proposed strategic alliance with Marinepolis marks our first step in creating a global alliance and we will continue to develop and have synergistic alliances with like-minded partners to realise our shared vision of building global sushi brands.

OUR ESTABLISHED BRANDS IN SINGAPORE & BEYOND

Sakae's vast presence in Singapore is further encouraged by its extensive presence in the region. Already suitably located in India, Indonesia, China, Malaysia, the Philippines, Thailand and Vietnam, the Group will continue to establish Sakae brands in more locations where new market opportunities can be seized and maximised.

Sakae Sushi, the Group's flagship brand, continued to grow both locally and overseas. During the year, we have continued to grow new sites in Malaysia besides Klang Valley and Penang and have opened our first outlets in Ipoh, Johor Bahru and Kuching. In February 2013, we have also expanded beyond Jakarta and made our debut in Medan, Indonesia. In March 2013, we further extended our footprint with the inaugural opening in New Delhi, India.

Currently, we have more than 100 outlets in Singapore, China, India, Indonesia, Malaysia, the Philippines, Thailand and Vietnam. With this, Sakae Sushi has achieved an outstanding

performance with a rise in profits by more than 70% in FY2012.

Revenue contribution from our operations outside Singapore has continued to grow from 27.3% in FY2011 to 32.0% in FY2012. As we continued with our global expansion journey, the contribution from our overseas operations will continue to grow.

Sakae has also continued with our venture into schools to capture the discerning appetites of youth. Named as Sakae Express at our outlet in the National University of Singapore campus, we reinvented fresh and innovative dining experiences at pocket-friendly prices to suit the needs of trendy youngsters. We believe our creative ability will boost our efforts at elevating Sakae's status in the Singapore youth landscape.

In addition, we have launched a new brand, named Sachi, a Japanese kiosk in the food court during FY2012. With this new brand,



we hope to bring different styles of how Japanese food can be created and developed to our customers and thus draw Sakae closer to the public at large.

To constantly meet the requirements of astute customers, Sakae constantly sources for good quality and interesting products and innovatively creates and develops new menus for all brands every year. In FY2012, we included over 40 newly created items in Sakae Sushi's menu. Just to name a few, we have included Zuwaigani (Snow Crab), a spread of salmon themed dishes like Salmon Craze Maki, Hana Maki, Salmon Kaminabe, directly air-flown Hokkaido Hotate, Uni and healthy choices like Sumi Udon (Charcoal Udon) that are usually found in high-end Japanese restaurants into our menu. This move has not only provided our customers with an enhanced dining experience, but also enabled our delivery business that is conducted through a call centre and online web ordering to grow, and looks set to expand our presence in the near future.

Our various brands also posted steady performance in FY2012. Sakae Teppanyaki has grown to ten outlets in Singapore and Malaysia, seven of which are located within our Sakae Sushi outlets. Sakae Teppanyaki offers tantalising "teppanyaki griddle" cuisine with live seafood options at affordable prices, complementing Sakae Sushi's offerings. Sakae Teppanyaki has also achieved a remarkable rise in profits by more than 70% in FY2012.

Nouvelle Events, our catering and Central Kitchen distribution arm, also achieved steady growth in FY2012. Being the only sushi caterer capable of bringing a patented portable conveyor belt to a party and together with its specially created "live" stations, Nouvelle Events continues to be a popular choice amongst corporate clients as our B2B and B2C performance increased by more than 10%. During the year, Nouvelle Events has expanded to source for more raw materials directly and centrally from suppliers, thus creating greater synergies and achieving costs savings for the Group. With this, the Group is poised to be able to bring a wide range of new and fresh products to our customers.

In the Philippines, Crepes and Cream, a quick sweet and savoury crepes concept has 14 outlets. It will continue to achieve healthy revenue growth in FY2012.

Hei Sushi in Singapore has created a niche on its own – bringing halal Japanese food to the Muslim community. It will continue to grow its presence among this group of customers, through its menu which is specially designed with the preferences of the local Muslim community in mind.

Another brand, Senjyu, which is set up in Malaysia serves to bring a contemporary Japanese dining experience to our customers by delighting them with air-flown seafood choices along with exquisite liquor, wine and beer selections. It will continue to create a growing presence by providing customers with quality food and services that are catered specially to the tastes of our customers.

Forging Ahead, Sustaining Growth

Moving forward, labour costs will continue to rise and the Group expects that this, together with acute labour shortages and high rental costs, will impact the Group's profitability. In addition to the assistance of government agencies, the Group will persist

with continued innovation and explore how we can manage manpower more effectively and improve productivity so as to achieve operational efficiency.

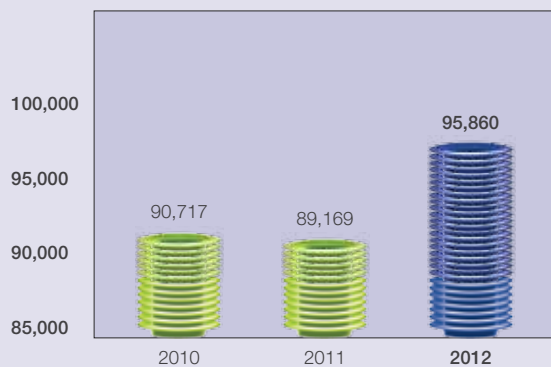
The Group will also continue with its efforts to drive revenue growth and manage operational costs in both the

local and overseas markets, while seeking opportunities that may arise. We believe that with our constant hard work and continuous search for strategic partners, we are moving towards building Sakae into a global brand - synonymous with Japanese food - not just in Singapore.

Financial Highlights

RESULTS	2010 \$'000	2011 \$'000	2012 \$'000
Revenue	90,717	89,169	95,860
Profit before associates and tax ("Operating profits before tax")	3,289	3,075	6,073
Profit before tax	3,289	6,752	(4,395)
Profit attributable to shareholders	2,531	5,501	(6,751)
Non-current assets	28,538	47,690	65,813
Non-current liabilities	9,536	14,645	18,377
Total equity / Net tangible assets ("NTA")	21,211	27,195	37,948
Net assets per share (cents)	14.94	19.15	26.72
Earnings per share ("EPS") (cents)	1.78	3.87	(4.75)

REVENUE (\$'000)



OPERATING PROFITS BEFORE TAX (\$'000)



NTA (\$'000)



EPS (CENTS)



Our Innovations >>



SAKAE AUTOMATED TELLER MACHINE (ATM)

Sakae ATM allows customers the flexibility and convenience to place orders and make payments for take-away orders. Upon completion of payment, customers can return at a stipulated time to pick up their orders. This seamlessly provides customers-on-the-go a great option of convenience, anytime at our outlets, especially during the peak hours.



USAGE OF HIGH-TECHNOLOGY EQUIPMENTS

We utilise high-technology and sophisticated equipments at our Central Kitchen and outlets for our food production to ensure that high quality food is produced to satisfy the taste buds of our valuable customers while achieving productivity.



NEW TECHNOLOGY ADOPTION

Our patented Interactive Menu (IM) system on iPads receives regular updates and improvements. The interactive user experience has been well accepted by diners and is able to display more, in a fun and interactive manner than conventional menus.

We have created our own mobile application on iPod Touch, allowing service crew to take orders efficiently from customers which are automatically sent to the kitchen.

Our enhanced delivery website and mobile website, allows customers to place orders and make payment online, bringing greater convenience to our customers, anytime, anywhere, even on the go with their mobile phones.



RADIO FREQUENCY IDENTIFICATION SYSTEM (RFID)

Being the first F&B company to pioneer the adaptation of the RFID system, commonly used in the military field, Sakae Sushi assures customers of the freshness and integrity of sushi served on the conveyor belt.



SECOND TIER BELT

Our Second Tier Belt has been successfully installed and pioneered in one outlet as a pilot test to increase productivity and heighten our diners' experience. The second tier belt is placed on top of the current belt that allow sushi varieties to be paraded before it get picked up by the customers. This additional belt will deliver customers' desired dishes directly to the customers' table that it was ordered from, allowing chefs to have items delivered straight to the customers, bringing efficiency and excitement to our customers.



PORTABLE CONVEYOR BELT

Designed in-house, this patented portable conveyor belt allows us to bring the kaiten (conveyor belt) sushi experience to your office, home or garden, delighting your clients, family, friends and guests.



AUTOMATED STORAGE RETRIEVAL SYSTEM (ASRS)

Our ASRS which was installed in our building, is an automated warehousing management system. Comprising of conveyor tracks, bi-directional forklifts and a computer system which tracks goods with a first in, first out principal, this system services our cold rooms where temperatures are -22°C. Storage is also optimised vertically to make the best use of space. This system allows us to be more productive as our colleagues need not enter spaces of cold temperature (-22°C) and moving the goods out, thus creating efficiency in our work processes. Instead, these colleagues are allocated other tasks, reducing manpower requirement. On time tracking and accurate movement of goods are achieved at all times too.

Our Brands



Sakae Sushi

Sakae Sushi, 15 years on, has become a household name synonymous with a fun filled, value for money dining experience. Our flagship brand, is a trendy quick service kaiten (conveyor belt) sushi concept that is loved by young and old alike.

Our never ending commitment and passion drives us towards our vision of building Sakae Sushi into a global brand synonymous with sushi,

The largest kaiten sushi chain in Singapore, Sakae Sushi's simple three-tier pricing system offers diners a no-frills, enjoyable dining experience. With over 200 gastronomic creations by our chefs, customers can indulge guilt-free from our healthy spread, which include Vitamin E enriched rice for the added health benefits. Across sushi, sashimi, teppanyaki and even our bi-monthly Sakae Signature dishes delicately created, customers can expect to be spoilt for choice.

Our restaurant name constantly delights our customers with unique technology and innovation at the heart of our operations such as our patented Interactive Menu (IM) on iPads that facilitate a hassle-free ordering experience and self service hot water taps built into each table. Our Sakae Automated Teller Machine (ATM) provides greater convenience for customers for self-ordering and payments for take-away with a tap on touch screen monitors. After which, customers can return later to pick up the prepared food at a stipulated time.

To ensure integrity of food freshness and quality, Radio Frequency Identification (RFID) tags are embedded under each sushi plate, registered with the central computer. The system tracks the duration of each plate on the belt and those about to expire are "taken off" automatically. The lifespan for cooked food is two hours and one hour for raw food, the dishes are then removed as they are about to expire.

Sakae Sushi has become a benchmark for excellence where quality and service is concerned. Apart from using top quality ingredients, our sushi rice is also enriched with Vitamin E for our customers added health benefits. We also make frequent farm visits to ensure the safety and traceability of our food sources as ingredients such as our salmon is flown in on a regular basis. These initiatives have been recognised and the brand has been conferred numerous awards including the Singapore Promising Brand Award, CitiBusiness-SPBA Regional Brand Award, Singapore Innovation Award and Singapore Service Class.



Sakae Delivery

Sakae Delivery began operations in 2007 and was the first in the market to deliver healthy Japanese meals. Having been conceived from a vision to deliver and offer accessibility to every one for quick, healthy Japanese meals, our delivery service is available island wide, including Jurong Island. Year on year, we see healthy growth in terms of demand, especially during festive seasons.

Japanese food lovers and health conscious customers can now enjoy their favourite dishes from the comfort of their homes by using our online delivery website, mobile website or by simply calling our call center hotline where our customer service personnel attend to them.

The enhanced and easy to use Sakae Delivery website provides customers with the convenience of online ordering and making payments more efficiently. Thus getting us a step closer to customers' convenience of having sushi anytime, anywhere.



Sakae Teppanyaki

Sakae Teppanyaki has brought a previously expensive dining affair to the masses with its affordable gastronomic experience. With a contemporary elegance, large teppanyaki griddle and classy open dining concept, Sakae Teppanyaki dishes out only the best from our team of experienced chefs. Serving a wide range of dishes that include fresh and live seafood such as live lobsters, bamboo clams and oysters, high quality meats and wide selections of mushrooms and vegetables, its unique healthy menu will create an unforgettable unique dining experience.

Sakae Teppanyaki has received rave reviews and is fast becoming a hot favourite among food lovers. Since its debut in January 2007, our teppanyaki menu is available across ten outlets.



Sakae Express

Sakae Express is modelled after Sakae Sushi and caters to busy individuals on the go who's health conscious as well. Unlike fast food, Sakae Express brings the convenience of grab-and-go with healthy Japanese variety.

With the inaugural outlet opening in the National University of Singapore, Sakae Express has brought its gastronomic offerings to the staff and students of the university as well as visitors and campus residents. From main courses like ramen (noodles) to don (rice bowls) and all time favourite items such as chawanmushi (steamed egg) and assorted sushi and sashimi, there's something for everyone.





Hei Sushi

Launched as a Halal restaurant in 2007 and accredited by MUIS, Hei Sushi has been serving the Muslim community as well as customers who value a kaiten sushi restaurant experience with Halal menu. Hei Sushi bridges the gap for good Halal certified Japanese cuisine at unbelievably good value.

Prior to Hei Sushi, there was simply no available choice for affordable Japanese Halal cuisine. Hei Sushi, modelled after its sister brand Sakae Sushi, bridges this gap for good quality Halal certified Japanese cuisine.

Diners get to choose from an extensive menu with over 200 varieties of delectable Japanese dishes at Hei Sushi. Besides sushi, there are yakimono items grilled to perfection, nabemono (paper steamboat dishes), don or rice dishes, and value-for-money bento sets. Kids are also able to enjoy kiddy sets created specially for them. Furthermore, customers can enjoy dishes designed with the preferences of the local Muslim community in mind, such as Hotate Spicy (half shell scallop with spicy mayonnaise) and Spicy Seafood Ramen. With delicious choices like these, there's something for everyone.



Senjyu

Senjyu which means 'eternity of life' conveys a lifelong passion in serving the freshest and finest Japanese food. Inspired by the truest traditions of Japanese cuisine and infused with the imagination of contemporary tastes brings sophistication without excessive price tags.

Serving customers since 2008 in Malaysia, Senjyu is an upscale Japanese restaurant targeted at Japanese food lovers seeking to add a touch of sophistication and class to their palettes. Here, diners can savour premium Japanese cuisine prepared with the freshest and finest air-flown ingredients, including signature selections of Wagyu beef, giant scallops and live oysters.

The omakase dining experience, where customers entrust the chef to prepare an entire meal catered specifically to their tastes is one not to be missed either. Complementing each meal, Senjyu offers an eclectic and exquisite liquor, wine and beer selection that includes the delicate and fragrant ginjo, the full-bodied daiginjo or the rich, viscous kubota senjyu sake.

Such insistence on quality, freshness and the best gourmet disciplines craft the ideal balance between authenticity and modernity. Savour the best of both worlds, perfected with a touch of elegance and creativity. It all adds up to a dining experience that's distinctly Senjyu.



Nouvelle Events

Set up in 2001, Nouvelle Events has become one of Singapore's premier Food & Beverage consultants. Today, it remains the only specialist caterer in Singapore that can offer a unique kaiten (conveyor belt) sushi experience. This has been made possible by an award-winning patented portable conveyor belt that can bring the kaiten experience into any venue, be it a corporate function room or the garden in your backyard.

Our very dedicated team of chefs and consultants spare no efforts in making your private or corporate event exciting and enjoyable for the guests. Besides offering excellent buffet fare, 'live' stations like Teppanyaki station, Crepes station and many others can be set up to serve up appetizing local or international favourites prepared instantly by our chefs.

With the integration of the Central Kitchen into our HQ – Sakae Building, Nouvelle has been better able to provide greater support to the restaurants in the Sakae family and also extending their B2B arm to distribute sushi and air-flown salmon to major hotels and restaurants more effectively and efficiently.





Sachi

Our flagship outlet in Marina Bay Financial Center serves up satisfying hot dishes as well as providing a wide range of sushi, sashimi and chinmi assortments. Bringing the food court experience to the next level, Sachi is where casual dining, quality and value meet. Sachi offers a unique assortment of Japanese dishes that will pleasantly surprise and tantalise tastebuds while giving sight a visual treat.

Delivery service around the vicinity and online ordering through the website and through the hotline is provided.



Crepes & Cream

Diners with a craving for something sweet are delighted with our mouth watering ingenious treats using premium ingredients such as Bud's Ice Cream of San Francisco and fresh fruits. The specialty of Crepes & Cream is its ingenious and inventive crepes. More than just desserts, Crepes & Cream specialises in sweet and savoury crepes. Its aromatic, wafer thin crepes are from a custom blended crepe mixture unique to Crepes & Cream.

Reflecting its international appeal, its savoury crepes come in an assortment of fillings that cut across various cuisines including Japanese and Italian. With fourteen outlets in Philippines, Crepes & Cream has proven itself to be a hip and trendy space where customers can sit back and enjoy a quick snack or hangout with friends.



Corporate Social Responsibility »



Only through giving back to the society, we can establish a socially responsible corporate culture that paves the way for long-term development of the enterprise, the society, the environment and the economy as a whole.



GIVING BACK TO THE COMMUNITY

Sakae Foundation is our very own charitable non-profit organisation that was established in 2011, dedicated to providing support to various charities, communities and causes. At Sakae,

we have always believed in serving and giving from the heart. In the same spirit, helping the disadvantaged in the community is a cause that is deeply rooted in our organisation. We

have inculcated a culture of sharing and giving through one of our core values – Compassion to All. We have been focusing on helping the elderly and intellectually disabled youths and have been doing so through our adopted beneficiaries; MINDS or Movement for the Intellectually Disabled of Singapore, Radin Mas Senior Citizens' Home, Cannosian School, Fernvale Gardens School and Community Chest.

Through several initiatives such as the volunteering of time to help out at our beneficiaries' premises, monetary donations as well as campaigns to raise donations of food, we believe we have been able to touch the lives of the less fortunate. This feeling of satisfaction through benevolence has been a highly gratifying reward for us all and moving forward, we hope to be able to provide the same assistance in future and to become a more socially responsible corporate citizen.

At Sakae, we believe in serving and giving from the heart. Even as we continue to grow, we hope to give back to society and make a difference to the lives of the less fortunate in Singapore.

A practice that has been kept in place as a further effort is giving staff more flexibility and to encourage more participation, we give staff a one-day voluntary leave if they choose to help out at a charity of their choice. Even as Sakae continues to grow, we hope to give back to society and make a difference to the lives of the less fortunate in Singapore.

Some of the social initiatives carried out in past years include pledging our support for Singapore's Total Defense Day where we roped in the community to help raise 2000 bentos (lunch boxes). For every 5 Sakae Signatures bought, Sakae would donate a bento for the beneficiaries' perusal. By doing so, the community was encouraged to lend a helping hand and be activated for a good cause.

Another initiative was to get our customers to be involved in folding Sakae frog-shaped or heart-shaped origami when they dine in our outlets. Upon every set of 10 origami completed, we matched it with a set meal for our beneficiaries. Our customers responded very well with such initiatives and were very encouraged by how we have connected them with our efforts in giving back to the community. We also extended an invitation to the Residents of Radin Mas Senior Citizens' Home for a hearty

meal in our Hei Sushi outlet in our Sakae Building. Over lunch, our colleagues had the opportunity to befriend and socialise with them. The residents were also given goody bags with basic necessities.

Another key initiative that we took part in was mentoring the students of Broadrick Secondary School. Time was set aside to meet up with the students to consult for entrepreneurial ideas to nurture them into realistic prototypes that are marketable and feasible for commercial implementation. Real life experience and advice was shared to help several groups of students improve on their ideas and production of prototype gadgets that would facilitate daily operations in the F&B industry.

Students were also coached on public speaking and presentation for the big day at ACE Week where student presented ideas to the SPRING panel and Minister of State, Mr Teo Ser Luck. Through our mentoring and coaching, several projects had received recognition and press coverage and the students of Broadrick gained a deeper understanding of entrepreneurship, the F&B industry as well as greater development of personal skills.

ECO-FRIENDLY SAKAE BUILDING

As part of our strong commitment to safeguard our environment, we constantly explore the types of Go Green facilities that will enhance our operations at our Sakae Building HQ.

Building on past years' initiative and other previous efforts, we've taken a step further in taking Go Green initiatives seriously. Our Central Kitchen is outfitted with state of the art, high technology equipment and appliances which produce less ambient heat and very low carbon emissions while having lower energy consumption levels. Our previously installed solar panel project, with 1400 solar panels for a 270 kilowatt-peak solar energy system, has been optimised and fully integrated. On an average day with low cloud cover, the solar panels are able to generate and retain 20% to 30% of our building's

energy consumption which is in the long run a very substantial figure.

Lighting used in our Sakae Building was installed with motion-sensor devices to help cut down electricity usage, where it is utilised only when required. We have also adopted the use of LED lighting in the stores for power saving and environment friendly purposes for reduction of hot load and energy.

All these efforts are topped off with our rainwater irrigation system at the water fountain feature in front of our Sakae Building for landscaping purposes.

Our Go Green efforts will not stop here and we will continue to explore and reinforce various ways to contribute to the sustainability of our community and environment.



Board Of Directors »



STANDING FROM LEFT TO RIGHT:

CHAN WING LEONG, DOUGLAS FOO, FOO LILIAN, NANDAKUMAR PONNIYA, LIM CHEE YONG

DOUGLAS FOO CHAIRMAN AND
CHIEF EXECUTIVE OFFICER

As the founder of the Group, Mr Douglas Foo undertakes overall management, strategic planning and business development functions.

Mr Foo is the recipient of a string of illustrious accolades and awards. He was presented the prestigious ASEAN Youth Award in 2004, recognising his contributions to youth and entrepreneurship in the region. He was also accorded the Singapore Youth Award (Medal of Commendation) in 2008 and the Singapore Youth Award in 2003 –

the nation's highest youth accolade – for his exceptional entrepreneurial achievements and notable service to the community. He has received recognition through various awards including the Rotary-ASME Entrepreneur of the Year 2002 by the Association of Small and Medium Enterprises (ASME) and the Rotary Club of Singapore, Top Outstanding Young Person Award 2002 by the Junior Chamber of Singapore and the Yazhou Zhoukan Chinese Entrepreneur Award 2002 (Merit Award) by Yazhou Zhoukan Limited. For his outstanding management action in the Food & Beverage industry, Mr Foo was presented

the International Management Action Award by the Chartered Management Institute, Singapore in 2007, the WSQ Champion Award 2010 by the Singapore Workforce Development Agency (WDA) for his notable contributions in promoting the WSQ (Workforce Skills Qualifications) system, the Asean-China Young Entrepreneur Award 2011 and more recently the MCYS Volunteers Award 2012.

Mr Foo holds a Bachelor's Degree in Business Administration (Finance) from the Royal Melbourne Institute of Technology.

FOO LILIAN EXECUTIVE DIRECTOR

Ms Foo Lilian was appointed as our Executive Director on 2 May 2002 and is responsible for the general management of the Company. Ms Foo handles the Group's leasing, business development aspects and operations of the businesses. She is also responsible for the consultancy, maintenance and research and development work for all IT-related matters of the Group. In 1997, Ms Foo joined the Central Provident Fund Board where she was a database administrator until February 2000. She subsequently joined Keppel TatLee Bank

Limited in March 2000 as an assistant manager. Ms Foo left Keppel TatLee Bank Limited in December 2000 to join our Company in January 2001. She holds a Graduate Diploma in Marketing from The Chartered Institute of Marketing in the United Kingdom, Bachelor's Degree in Science (Information Systems & Computer Science) from the National University of Singapore and a Master's Degree in Business Administration from Leicester University in the United Kingdom.

CHAN WING LEONG LEAD INDEPENDENT DIRECTOR

Mr Chan Wing Leong was appointed as Independent Director on 30 April 2005. Mr Chan holds an honours degree in Economics from the University of Singapore. He started his career in the Administrative Service in 1981, in the Ministry for Trade and Industry, and joined the Economic Development Board, as well as worked in several Government-linked Corporations thereafter. Mr Chan was an investment banker from 1988 to 1995 at Schroders PLC and Bankers Trust Corp in both Singapore and Hong Kong, and returned to Singapore in 1995 to

take up the appointment of CFO and President (New Businesses) at Sembawang Corporation until 2001. At SembCorp, he held concurrent positions as Chairman of SembMedia, SembFoods, Pacific Internet and Delifrance, and was a board member of Jurong Shipyard. He was also Chairman and CEO of EasyCall Limited from 2001 to 2002. He is currently Deputy President and CFO of the Singapore Institute of Technology, and is a director of NTUC Link Pte Ltd.

LIM CHEE YONG INDEPENDENT DIRECTOR

Mr Lim Chee Yong was appointed as our Independent Director on 14 July 2003. From October 1982 to April 1987, Mr Lim served as a senior corporate banking officer in Overseas Union Bank Limited. In May 1987, he joined Banque Paribas, Singapore Branch as a deputy manager of banking, where he stayed until April 1989. He was appointed an executive director of Alliance Technology and Development Limited, a company listed

on the Main Board of the SGX-ST, in May 1989. Mr Lim left Alliance Technology and Development Limited in March 2000. Mr Lim is also an independent director of Twinwood Engineering Limited, a company listed on the SGX-CATALIST, from 1997 to 2007. Mr Lim holds a Bachelor's Degree (Honours) in Banking, Insurance and Finance from the University of Wales, United Kingdom and is currently President & CEO of China Oceanis Group of Companies.

NANDAKUMAR PONNIYA INDEPENDENT DIRECTOR

Mr Nandakumar Ponniya was appointed as our Independent Director on 14 March 2011. Mr Ponniya is a partner at the international law firm of White & Case in Singapore. His key practice is in international arbitration, handling commercial and corporate matters, as well as major construction disputes. Mr Ponniya obtained his law degree from the National University of Singapore and was admitted to practice in Singapore in 1996. Beyond his

work with clients, Mr Ponniya serves on the Inquiry Panel of the Law Society of Singapore and is an accredited Associate Mediator of the Singapore Mediation Centre. He is also admitted to practice in England and Wales, and in New York. In addition to his professional work, he teaches at the Faculty of Law of the National University of Singapore, where he is an adjunct assistant professor.

Key Management »

GLADYS LIM CHENG LENG

VICE PRESIDENT – NOUVELLE EVENTS

Ms Gladys Lim joined the Group in May 1999 and has been our Vice President (Nouvelle Events) since 2002. Other than the operations of Nouvelle Events, Ms Lim also oversees the warehousing, purchasing, trading as well as call centre operational areas of the Group. Ms Lim graduated from the CBS (Accounting) Course from ITE College.



VOON SZE YIN

VICE PRESIDENT – GROUP FINANCE & ADMINISTRATION

Ms Voon Sze Yin is responsible for the Group's overall financial accounting, tax and administration matters. Ms Voon holds a Bachelor Degree in Commerce (Accounting and Finance) from the University of Melbourne and she is currently a Chartered Accountant of The Institute of Chartered Accountants in Australia. Prior to joining our Group in April 2011, Ms Voon was a senior audit manager with Deloitte & Touche LLP, Singapore.

KAREN TEO

HUMAN RESOURCE MANAGER

Ms Karen Teo joined the group in mid 2012 and is responsible for the full spectrum of human resource functions including recruitment and retention, employee welfare and performance management. Ms Teo graduated from with a Diploma in Business Administration from the PSB Academy and is experienced in business studies as well as human resource management. Prior to joining the organisation, Ms Teo was with Crescendas Group in a multi spectrum management role.

Corporate Information »



Board of Directors

DOUGLAS FOO PEOW YONG

(CHAIRMAN AND CHIEF EXECUTIVE OFFICER)

FOO LILIAN

(EXECUTIVE DIRECTOR AND EXECUTIVE VICE PRESIDENT)

CHAN WING LEONG

(NON-EXECUTIVE AND LEAD INDEPENDENT DIRECTOR)

LIM CHEE YONG

(NON-EXECUTIVE AND INDEPENDENT DIRECTOR)

NANDAKUMAR PONNIYA

(NON-EXECUTIVE AND INDEPENDENT DIRECTOR)

Audit Committee

LIM CHEE YONG (CHAIRMAN)

CHAN WING LEONG

NANDAKUMAR PONNIYA

Nominating Committee

LIM CHEE YONG (CHAIRMAN)

CHAN WING LEONG

DOUGLAS FOO PEOW YONG

Remuneration Committee

CHAN WING LEONG (CHAIRMAN)

LIM CHEE YONG

DOUGLAS FOO PEOW YONG

Company Secretary

CHAN LAI YIN (ACIS)

Registered Office

28 TAI SENG STREET

SAKAE BUILDING, LEVEL 7

SINGAPORE 534106

COMPANY REGISTRATION NO. 199604816E

TEL: (65) 6438 6629

FAX: (65) 6438 6639

Share Registrar

BOARDROOM CORPORATE & ADVISORY
SERVICES PTE. LTD.

50 RAFFLES PLACE, #32-01

SINGAPORE LAND TOWER

SINGAPORE 048623

Auditors

DELOITTE & TOUCHE LLP

CERTIFIED PUBLIC ACCOUNTANTS

6 SHENTON WAY, #32-00

DBS BUILDING TOWER TWO

SINGAPORE 068809

PARTNER-IN-CHARGE: ARIC LOH SIANG KHEE

DATE OF APPOINTMENT: 26 NOVEMBER 2010

Principal Bankers

UNITED OVERSEAS BANK LIMITED

DBS BANK LTD

STANDARD CHARTERED BANK



Freshness

Our ingredients are air flown daily to serve you fresh, quality dishes.



Vitamin E

Since day 1, we've enriched our rice with Vitamin E as an added service for our diners.



People

Everyone is vital and has a part to play in forming our brand, so we value our people.



Sustainability

Our sustainable practices help us to care for the environment and community.



Innovation

We use innovation to make your dining experience fun and seamless.



Sakae Foundation

Our foundation focuses on corporate social responsibility, through giving back to the community.

« Corporate Governance Report

Sakae Holdings Ltd. (the “Company”) and together with its subsidiaries, (the “Group”) is continuously committed to maintain a high standard of corporate governance and has put in place self-regulatory corporate practices to protect the interests of its shareholders and enhance long-term shareholder value.

The Board of Directors (the “Board”) is pleased to report compliance of the Company with the benchmark set by the Code of Corporate Governance 2005 (the “Code”), except where otherwise stated. Although the Code of Corporate Governance 2012 (“Code 2012”) will only take effect for the Company in respect of financial year commencing 1 January 2013, the Board has complied with some of the principles of the Code 2012 and will continue to improve with developments in corporate governance by enhancing its principles and framework.

BOARD MATTERS

Principle 1: Board’s Conduct of its Affairs

Apart from its statutory duties and responsibilities, the Board oversees the management and affairs of the Group. It focuses on strategies and policies, with particular attention paid to growth and financial performance. It delegates the formulation of business policies and day-to-day management to the Executive Directors. The Board is also responsible for considering sustainability issues relating to the environment and social factors as part of the strategic formulation of the Group. All Directors objectively make decisions at all times as fiduciaries in the interests of the Company.

The principal functions of the Board are:

- (a) to approve the Group’s key business strategies and financial objectives;
- (b) to approve major investments and divestments, and funding proposals;
- (c) to oversee the processes for evaluating the adequacy of internal controls, risk management, financial reporting and compliance, including safeguarding of shareholder’s interests and the Company’s assets; and
- (d) to assume responsibility for corporate governance.

The Board discharges its responsibilities either directly or indirectly through Board Committees such as Nominating Committee, Remuneration Committee and Audit Committee. These committees function within clearly defined and written terms of references and operating procedures, which are reviewed on a regular basis. The effectiveness of each committee is also constantly reviewed by the Board. The ultimate responsibility for the final decision on all matters lies with the entire Board.

Every Executive Director receives appropriate training to develop individual skills in order to discharge his or her duties. The Group also provides extensive information about its history, mission and values to the Directors.

The Board holds at least two scheduled meetings each year to review and deliberate on the key activities and business strategies of the Group, including reviewing and approving acquisitions, financial performance, and to endorse the release of the interim and annual financial results. Where necessary, additional meetings may be held to address significant transactions or issues. The Company’s Articles of Association permits a Board meeting to be conducted by way of tele-conference and video-conference.

Corporate Governance Report »

The number of Board and Board Committee Meetings held in FY2012 and the attendance of each member of the Board is presented below. Minutes of all Board Committee and Board meetings are circulated to members for review and confirmation. These minutes could also enable Directors to be kept abreast of matters discussed at such meetings.

Name of Director	Board		Audit Committee	
	No. of Meetings Held	No. of Meetings Attended	No. of Meetings Held	No. of Meetings Attended
Douglas Foo Peow Yong	3	3	–	–
Foo Lilian	3	3	–	–
Lim Chee Yong	3	3	4	4
Andy Ong Siew Kwee	3	3	–	–
Chan Wing Leong	3	3	4	4
Nandakumar s/o Ponniya	3	3	4	4

Name of Director	Remuneration Committee		Nominating Committee	
	No. of Meetings Held	No. of Meetings Attended	No. of Meetings Held	No. of Meetings Attended
Douglas Foo Peow Yong	1	1	1	1
Foo Lilian	–	–	–	–
Lim Chee Yong	1	1	1	1
Andy Ong Siew Kwee	–	–	–	–
Chan Wing Leong	1	1	1	1
Nandakumar s/o Ponniya	–	–	–	–

New Directors, upon appointment, are briefed on the Company's business, operations, policies and governance practices.

During the financial year, the Directors received updates on regulatory changes to the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST") and changes to the Financial Reporting Standards. The Directors also received updates on the business of the Group through regular presentations and meetings.

Principle 2: Board Composition and Guidance

The Board comprises the following Executive and Non-Executive Directors:

Executive Directors:

Douglas Foo Peow Yong *(Executive Chairman and Chief Executive Officer)*
 Foo Lilian *(Executive Director)*

Non-Executive Directors:

Lim Chee Yong *(Non-Executive and Independent Director)*
 Chan Wing Leong *(Non-Executive and Independent Director)*
 Nandakumar s/o Ponniya *(Non-Executive and Independent Director)*

Mr Andy Ong Siew Kwee was removed as a Non-Executive and Non-Independent Director, pursuant to the ordinary resolution passed by 100% of the valid votes of the Company's shareholders (including proxies) who were present and who had voted at the Extraordinary General Meeting held on 18 March 2013.

The Directors appointed are qualified professionals who possess a diverse range of expertise, qualifications, skills and experience. These include experiences in information technology, management, accounting, banking, finance and law. Key information regarding the Directors' academic and professional qualifications and other appointments is set out on pages 20 to 21 of the Annual Report.

« Corporate Governance Report

There is a strong and independent element on the Board with Independent Directors forming at least half of the Board where the Chairman of the Board and Chief Executive Officer is the same person. The independence of each Director is reviewed by the Nominating Committee. The Nominating Committee adopts the definition of what constitutes an Independent Director from the Code.

The Board has examined its size and is of the view that it is an appropriate size for effective decision-making, taking into account the scope and nature of the operations of the Company. The composition of the Board will be reviewed on an annual basis by the Nominating Committee to ensure that the Board has the appropriate mix of expertise and experience.

The Board believes that there is a good balance of power and authority as all critical committees are chaired by the Independent Directors.

Principle 3: Role of Chairman and Chief Executive Officer (“CEO”)

The Group's Chairman and CEO is Mr Douglas Foo Peow Yong, who is responsible for the day-to-day operations of the Group, as well as monitoring the quality, quantity and timeliness of information flow between the Board and the management. As Chairman, Mr Foo ensures that Directors receive accurate and timely information and effective communication with shareholders. Mr Foo is the founder of the Group and has played a key role in developing the Group's business. Through the Group's successful development these few years, Mr Foo has demonstrated his vision, strong leadership and enthusiasm in this business.

The Board is of the view that it is in the best interests of the Group to adopt a single leadership structure, i.e. where the roles of the CEO and Chairman of the Board rests on the same person, to ensure effective decision-making process and efficient implementation of policies within the Group.

The Board has considered and is of the view that there are sufficient safeguards and checks to ensure that there is a good balance of power and authority. No individual or small group of individuals dominates the Board's decision-making process. The Board seeks to ensure that decisions are made collectively. Furthermore, all the Board committees are chaired by Independent Directors of the Company.

Mr Chan Wing Leong has been appointed as the lead Independent Director of the Company and he is available to shareholders where they have concerns which contact through the normal channels of the Chairman or CEO has failed to resolve or for which such contact is inappropriate.

BOARD COMMITTEE

Nominating Committee (“NC”)

Principle 4: Board Membership

The NC comprises Mr Lim Chee Yong as Chairman, Mr Chan Wing Leong and Mr Douglas Foo Peow Yong as members. The majority of whom, including the Chairman of the NC, are Independent Non-Executive Directors. The Chairman of the NC is not associated in any way with any substantial shareholders of the Company. Mr Chan Wing Leong, the lead Independent Director, is a member of the NC.

The Board has approved written terms of reference of the NC. The NC is responsible for:-

- (a) reviewing and making recommendations to the Board on all candidates nominated for appointment to the Board;
- (b) reviewing all candidates nominated for appointment as senior management staff;
- (c) reviewing and recommending to the Board on an annual basis, the Board structure, size and composition, taking into account the balance between Executive and Non-Executive, Independent and Non-Independent Directors and having regard at all times to the principles of corporate governance and the Code;

Corporate Governance Report »

- (d) making recommendations to the Board on the continuation of the services of any Director who has reached the age of 70;
- (e) identifying and making recommendations to the Board as to which Directors are to retire by rotation and to be put forward for re-election at each Annual General Meeting (“AGM”) of the Company, having regard to the Directors’ contribution and performance, including Independent Directors;
- (f) determining whether a Director is independent (taking into account the circumstances set out in the Code and other salient factors);
- (g) proposing a set of objective performance criteria to the Board for approval and implementation, to evaluate the effectiveness of the Board as a whole and the contribution of each Director to the effectiveness of the Board; and
- (h) considering board succession plan for its Chairman and CEO.

PARTICULARS OF DIRECTORS AS AT 31 DECEMBER 2012

Name of Director	Date of first appointment	Date of last re-election	Nature of appointment	Membership of Board committees	Directorship and Chairmanship both present and those held over the preceding three years in other listed companies and other major appointments.
Douglas Foo Peow Yong	17 February 1997	20 April 2012	Chairman and Chief Executive Officer	Member of Nominating Committee and Remuneration Committee	None
Foo Lilian	2 May 2002	20 April 2012	Executive Director / Executive Vice President	None	None
Lim Chee Yong	14 July 2003	18 April 2011	Non-Executive and Independent Director	Chairman of Audit Committee and Nominating Committee, Member of Remuneration Committee	None
Chan Wing Leong	30 April 2005	18 April 2011	Non-Executive and Lead Independent Director	Chairman of Remuneration Committee, Member of Audit Committee and Nominating Committee	None

« Corporate Governance Report

Name of Director	Date of first appointment	Date of last re-election	Nature of appointment	Membership of Board committees	Directorship and Chairmanship both present and those held over the preceding three years in other listed companies and other major appointments.
Nandakumar s/o Ponnaiya	14 March 2011	18 April 2011	Non-Executive and Independent Director	Member of Audit Committee	Aussino Group Ltd.
Andy Ong Siew Kwee ⁽¹⁾	14 July 2003	19 April 2010	Non-Executive and Non-Independent Director	None	Shun Thai Rubber Gloves Industry Public Co., Ltd

Note:

- (1) Mr Andy Ong Siew Kwee was removed as a Non-Executive and Non-Independent Director, pursuant to the ordinary resolution passed by 100% of the valid votes of the Company's shareholders (including proxies) who were present and who had voted at the Extraordinary General Meeting held on 18 March 2013.

Other key information of the Directors is set out on pages 20 and 21 of this Annual Report.

All Directors are subject to the provisions of the Company's Articles of Association whereby one-third of the Directors are required to retire and subject themselves to re-election by shareholders at every AGM.

The NC recommended to the Board that Mr Lim Chee Yong and Mr Chan Wing Leong be nominated for re-appointment at the forthcoming AGM. In making the recommendation, the NC had considered the Directors' overall contribution and performance.

When a vacancy arises under any circumstances, or where it is considered that the Board would benefit from the services of a new Director with particular skills, the NC, in consultation with the Board, determines the selection criteria and identifies candidates with the appropriate expertise and experience for the position. The NC then nominates the most suitable candidate to be appointed to the Board. Under the Company's Articles of Association, any Director appointed by the Board shall hold office until the conclusion of the next AGM and shall then be eligible for re-election at that meeting.

There was no alternate director who shall bear all the duties and responsibilities of a director.

The NC considered an Independent Director as one who has no relationship with the Company, its related companies or its officers that could interfere with the exercise of the Director's independent judgment, which is in the best interests of the Company. On an annual basis, each Director is required to submit a return as to his independence to the Company Secretary. The NC shall review the returns and determine whether the Director is to be considered independent.

During the year, the NC had reviewed and determined that Mr Lim Chee Yong, Mr Chan Wing Leong and Mr Nandakumar s/o Ponnaiya are Independent Directors of the Company.

Corporate Governance Report »

Principle 5: Board Performance

On an annual basis, the NC in consultation with the Chairman of the Board, will review and evaluate the performance of the Board as a whole and its board committees, taking into consideration the attendance record at the meetings of the Board and Board Committees and also the contribution of each Director to the effectiveness of the Board.

The Board has a formal process for assessing the effectiveness of the Board as a whole with objective performance criteria and contribution of each individual Director to the effectiveness of the Board. The NC conducted an assessment of the functions and effectiveness of the Board as a whole and the contribution of each Director to the effectiveness of the Board in the financial year 2012. The assessment report was reviewed by the Board and the recommendations were discussed with a view to improve the overall effectiveness of the Board. The assessment concentrated on a number of factors, including achieving financial targets, performance of the Board, performance of each Director vis-à-vis attendance and contributions during board meetings.

Each member of the NC shall abstain from voting on any resolution in respect of the assessment of his performance or re-nomination as a Director.

Principle 6: Access to Information

To assist the Board in fulfilling its responsibilities, the Board is provided with management reports containing complete, adequate and timely information, including board papers and related materials with background and explanatory notes required to support the decision-making process. The Board is also provided with updates on the relevant new laws, regulations and changing commercial risks in the Company's operating environment. Orientation to the Company's business strategies and operations is conducted as and when required.

All Directors have separate and independent access to senior management and to the Company Secretary. The Company Secretary attends all Board meetings and prepares minutes of meetings, and assists the Chairman in ensuring that Board procedures are followed and reviewed so that the Board functions effectively, and the Company's Articles of Association and relevant rules and regulations, including requirements of the Companies Act and the Listing Manual of SGX-ST, are complied with. In addition, the Company Secretary's responsibilities include advising the Board on all governance matters. Board shall decide on appointment and removal of Company Secretary.

In the event that the Directors, whether as a group or individually, require independent professional advice in the furtherance of their duties, the cost of such professional advice will be borne by the Company.

Remuneration Committee ("RC")

Principle 7: Procedures for Developing Remuneration Policies

The RC comprises Mr Chan Wing Leong as Chairman and Mr Lim Chee Yong and Mr Douglas Foo Peow Yong as members. The majority of whom, including the Chairman of the RC, are Independent and Non-Executive Directors.

The Board recognises that the composition of the RC does not comprise entirely of Non-Executive Directors. However, the Board is of the view that the current composition of the RC is able to provide the necessary objective inputs to the various decisions made by the Board. Mr Douglas Foo Peow Yong, a member of the RC and an Executive Director is abstained from all discussions, deliberations and decision of his own remuneration.

The Board has approved written terms of reference of the RC. The RC is responsible for :-

- (a) recommending to the Board a framework of remuneration for the Board and the key executives of the Group covering all aspects of remuneration such as Director's fees, salaries, allowances, bonuses, options and benefits-in-kind;
- (b) proposing to the Board, appropriate and meaningful measures for assessing the performance of the Executive Directors;

« Corporate Governance Report

- (c) determining the specific remuneration package for each Executive Director;
- (d) considering the eligibility of Directors for benefits under long-term incentive schemes; and
- (e) considering and recommending to the Board the disclosure of details of the Company's remuneration policy, level and mix of remuneration and procedure for setting remuneration and details of the specific remuneration packages of the Directors and key executives of the Company to those required by law or by the Code.

In carrying out the above responsibilities, the RC may obtain independent external legal and other professional advice as it deems necessary. The expenses of such advice shall be borne by the Company.

The RC's recommendations are made in consultation with the Chairman of the Board and submitted to the entire Board for endorsement. The remuneration of the Non-Executive and Independent Directors is in the form of a fixed fee. The payment of fees to Non-Executive Directors is subject to approval at the AGM of the Company. The remuneration of the Executive Directors and CEO as well as key executives are reviewed by the RC.

The Directors are not involved on deciding their own remuneration. The members of the RC do not participate in any decisions concerning their own remuneration.

Principle 8: Level and Mix of Remuneration

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

In setting remuneration packages, the RC takes into consideration the pay and employment conditions within the industry and in comparable companies. As part of its review, the RC ensures that the performance-related elements of remuneration form a significant part of the total remuneration package of the Executive Directors and is designed to align the Directors' interest with those of shareholders and promote long-term success of the Company and link rewards to corporate and individual performance.

The Company has renewed the service agreements with the two Executive Directors namely Mr Douglas Foo Peow Yong and Ms Foo Lilian respectively on 1 July 2012 for another year. The service agreements cover the terms of employment, specifically salaries and bonuses.

Corporate Governance Report »

Principle 9: Disclosure on Remuneration

The following tables show a breakdown of the remuneration of Directors and key executives for 2012.

Remuneration band & name of director	Salary	Bonus	Directors' Fees	Incentive and other benefits	Total
	%	%	%	%	%
\$500,000 and above					
Douglas Foo Peow Yong	64.8	5.5	–	29.7	100
\$250,000 to below \$500,000					
Foo Lilian	66.0	4.1	–	29.9	100
Below \$250,000					
Lim Chee Yong	–	–	100	–	100
Andy Ong Siew Kwee	–	–	100	–	100
Chan Wing Leong	–	–	100	–	100
Nandakumar s/o Ponniya	–	–	100	–	100

Remuneration band & name of key executive	Salary	Bonus	Incentive and other benefits	Total
	%	%	%	%
Below \$250,000				
Lim Cheng Leng, Gladys	58.7	4.8	36.5	100
Voon Sze Yin	86.8	4.3	8.9	100
Karen Teo	80.5	–	19.5	100

For the financial year ended 31 December 2012, the Company does not have any employees who are immediate family members of a Director or the Chief Executive Officer, whose remuneration exceeded \$150,000.

The Company has a share option scheme known as Sakae Employee Share Option Scheme (the “ESOS”) which was approved by shareholders of the Company. The ESOS complies with the relevant rules as set out in Chapter 8 of the Listing Manual. The ESOS will provide eligible participants with an opportunity to participate in the equity of the Company and to motivate them towards better performance through increased dedication and loyalty. The ESOS is administered by the RC. No options were granted under the ESOS during the financial year ended 31 December 2012.

The Company also has a performance share scheme known as Sakae Performance Share Scheme (the “Scheme”) which was approved by shareholders of the Company on 21 April 2008. The Scheme is to complement the ESOS. This will increase the Company’s flexibility and effectiveness in its continuing efforts to reward, retain and motivate employees to achieve superior performance. The Scheme will further strengthen the Company’s competitiveness in attracting and retaining local and foreign talent. Persons who are controlling shareholders or Associates of a controlling shareholder would not be eligible to participate in the Scheme. The Committee (as defined in the circular dated 28 March 2008), being designated as the committee responsible for the administration of the Scheme, comprises of the 3 Directors namely Mr Chan Wing Leong, Mr Douglas Foo Peow Yong and Mr Lim Chee Yong. As at the date of this Annual Report, no awards have been granted under the Scheme.

« Corporate Governance Report

Audit Committee (“AC”)

Principle 11: Audit Committee

As at 31 December 2012, the AC comprises of Mr Lim Chee Yong, Mr Chan Wing Leong and Mr Nandakumar s/o Ponniya. The Chairman of the AC is Mr Lim Chee Yong. All of the AC including the Chairman of the AC, are Independent and Non-Executive Directors.

The Board has approved the written terms of reference of the AC. Its functions are as follows:-

- (a) review and evaluate financial and operating results and accounting policies;
- (b) review audit plan of internal and external auditors, their evaluation of the system of internal accounting controls and their audit report;
- (c) review the Group's financial results and the announcements before submission to the Board for approval;
- (d) review the assistance given by the management to internal and external auditors;
- (e) consider the appointment/re-appointment of internal and external auditors;
- (f) review the adequacy of the Company's internal controls;
- (g) review the effectiveness of the Company's internal audit function;
- (h) review interested person transactions; and
- (i) other functions as required by law or the Code.

The members of the AC, collectively, have expertise or experience in financial management and are qualified to discharge the AC's responsibilities.

The AC meets regularly and also holds informal meetings and discussions with the management from time to time. The AC has full discretion to invite any Director or executive officer to attend its meetings.

The AC has been given full access to and obtained the co-operation from the management of the Company. The AC has reasonable resources to enable it to discharge its functions properly.

The AC has met with the external auditors without the presence of the management to review matters that might be raised privately. The AC also met with the external auditors to discuss the results of their examinations and their evaluations of the systems of internal accounting controls. During the year, the AC has reviewed the scope and quality of their audits and the independence and objectivity of the external auditors as well as the cost effectiveness. The AC is satisfied that the Company's auditors are still able to meet the audit requirements and statutory obligation of the Company.

The AC has reviewed the volume of all audit and non-audit services to the Group by the external auditors. Please refer to page 85 for details of the audit and non-audit fees. The AC is satisfied that the nature and extent of such services will not prejudice the independence and objectivity of the external auditors. The AC is pleased to recommend the re-appointment of Messrs. Deloitte & Touche LLP as the Company's external auditors at the forthcoming Annual General Meeting.

The AC shall continue to monitor the scope, cost effectiveness and result of the audit.

The AC and the Board are satisfied that the appointment of different auditors for its Singapore-incorporated subsidiaries would not compromise the standard and effectiveness of the audit of the Company. The Company therefore is in compliance with Rule 716 of the Listing Manual of the SGX-ST. The Company has also engaged suitable auditing firm for its foreign-incorporated subsidiaries.

Corporate Governance Report »

The AC had established a whistle blowing policy and had formed a Whistle Blowing Committee which consists of two Independent Non-Executive Directors of the Company, i.e. Mr Chan Wing Leong and Mr Lim Chee Yong, as channel for persons employed by the Group to report in confidence any possible corporate improprieties in matters of financial reporting or non-compliance with regulations, policies and fraud, etc, without any prejudicial implications for these employees. The Whistle Blowing Committee and the AC is vested with the power and authority to receive, investigate and enforce appropriate action when any such non-compliance matter is brought to its attention.

Principle 12: Internal Controls

The Board is cognizant of its responsibility for maintaining a sound system of internal controls to safeguard the shareholders' investments and the Group's assets and business. The system of internal controls provides reasonable, but not absolute assurance that the Group will not be adversely affected.

The Company's external auditors, Deloitte & Touche LLP, will carry out, in the course of their statutory audit, a consideration of the effectiveness of the Company's internal controls relevant to the audit, annually to the extent of their scope as laid out in their audit plan. Material non-compliance and internal control weaknesses noted during their audit, and the auditors' recommendations, are reported to the AC members.

The Board, through the AC, reviews the adequacy of the Group's risk management framework and internal controls, to ensure risk management and internal controls are in place. In this aspect, the AC reviews the audit plans, and the findings of the auditors and ensures that the Group follows up on auditors' recommendations raised, if any, during the audit process. The AC guides management to check and ensure the adequacy of the internal controls.

Based on the internal controls and risk management framework established and maintained by the Group, work performed by the internal and external auditors and reviews performed by management, various Board Committees and the Board, with the concurrence of the Audit Committee, are of the opinion that the Group's internal controls, addressing financial, operational and compliance risks, were adequate as at 31 December 2012.

Principle 13: Internal Audit

KPMG Services Pte Ltd was the Company's internal auditors for the purposes of reviewing the effectiveness of the Company's material internal controls.

The AC has reviewed the internal audit programme, the scope and results of internal audit procedures and is satisfied that the internal audit function is adequately resourced and has appropriate standing within the Company.

The internal auditors, KPMG Services Pte Ltd meets the standards for the Professional Practice of Internal Auditing set by The Institute of Internal Auditors.

COMMUNICATION WITH SHAREHOLDERS

Principle 10: Accountability

The Board is accountable to the shareholders and is mindful of its obligations to furnish timely information and to ensure full disclosure of material information to shareholders in compliance with statutory requirements and the Listing Manual.

The Board provides the shareholders with a detailed and balanced explanation and analysis of the Group's performance, position and prospects on a half-yearly basis.

The management provides the Board with appropriately detailed management accounts of the Group's performance, position and prospects on a half-yearly basis. Board takes adequate steps to ensure compliance with legislative and regulatory requirements.

« Corporate Governance Report

Principles 14 and 15: Communication with Shareholders

The Company does not practice selective disclosure. Information on any new initiatives is disseminated via SGXNET, news releases and the Company's website. The Company always updates its website at www.sakaeholdings.com through which shareholders can access information on the Group. Price-sensitive information is publicly released on an immediate basis where required under the Listing Manual. Where an immediate announcement is not possible, the announcement is made as soon as possible to ensure that shareholders and the public have a fair access to the information.

The AGM of the Company is a principal forum for dialogue and interaction with all shareholders. All shareholders will receive the Annual Report and the notice of AGM. Notice of AGM is dispatched to shareholders together with explanatory notes or circular on items of special business (if necessary), at least 14 days before the meeting. At the AGM, shareholders will be given the opportunity to voice their views and to direct questions regarding the Group to the Directors including the chairpersons of each of the Board committees. The external auditors are also present to assist the Directors in addressing any relevant queries from the shareholders. Shareholders are encouraged to attend the AGM of the Company to ensure a high level of accountability and to stay informed of the Company's strategy and goals. Minutes of general meetings include substantial and relevant queries or comments from shareholders relating to the agenda of the meeting and responses from the Board and management. These minutes would be available to shareholders upon their request.

The Company ensures that there are separate resolutions at general meetings on each distinct issue.

The Company's Articles of Association allow a member of the Company to appoint one or two proxies to attend and vote at general meetings.

RISK MANAGEMENT

(Listing Manual Rule 1207(4)(b)(iv))

The Company does not have a Risk Management Committee. However, the management regularly reviews the Company's business and operational activities to identify areas of significant business risks as well as appropriate measures to control and mitigate these risks. The management reviews all significant control policies and procedures and highlights all significant matters to the Directors and the AC.

SECURITIES TRANSACTIONS

(Listing Manual Rule 1207(19))

The Company has adopted an internal code on dealings in securities which is applicable to all Directors and employees of the Group and its subsidiaries with regards to dealing in the Company's securities.

The Company issues circulars to its Directors, officers and employees of the Group to inform them not to deal in the Company's shares on short term considerations or whilst they are in possession of unpublished material price sensitive information and during the period commencing one month before the announcement of the Company's half year and full year financial results and ending on the date of the announcement of such financial results.

Corporate Governance Report »

MATERIAL CONTRACTS

(Listing Manual Rule 1207(8))

Save for the following, there were no material contracts of the Company or its subsidiaries involving the interest of any Director or controlling shareholders subsisting as at the financial year ended 31 December 2012.

1. The service agreements dated 18 July 2003, with the compensation component being replaced by the new compensation package approved by the Remuneration Committee on 17 December 2010, between the Executive Directors and the Company.
2. The Original Management Agreement dated 23 February 2010 entered into by GCM and GREIH and as amended by supplemental agreements dated 3 September 2010 and 20 December 2010 pursuant to which GCM agreed to provide GREIH with general strategic and financial planning services, management and administration services and other services relating to the business and operations of the Property held by GREIH.

INTERESTED PERSON TRANSACTIONS

(Listing Manual Rule 907)

The Company has established procedures to ensure that all transactions with interested persons are reported in a timely manner to the AC and that the transactions are on an arm's length basis.

The aggregate value of interested person transactions entered into during the financial year ended 31 December 2012 is as follows:

Name of interested person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than \$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than \$100,000)
Griffin Real Estate Investment Holdings Pte. Ltd. ("GREIH")	Not applicable.	\$2,641,975

Note: The Company has acquired additional shares in GREIH, in conjunction with GREIH's allotment of shares to ERC Holdings Pte. Ltd., so as to maintain its shareholdings at 24.69%, whereby their controlling shareholder, Mr Andy Ong Siew Kwee, was also a Non-Executive and Non-Independent Director of the Company.

In accordance with the announcement made by the Company on 18 March 2013, Mr Andy Ong Siew Kwee has been removed as a Non-Executive and Non-Independent Director, pursuant to the ordinary resolution passed by 100% of the valid votes of the Company's shareholders (including proxies) who were present and who had voted at the Extraordinary General Meeting held on 18 March 2013.

« Report of the Directors

The directors present their report together with the audited consolidated financial statements of the Group and balance sheet and statement of changes in equity of the Company for the financial year ended December 31, 2012.

1 DIRECTORS

The directors of the Company in office at the date of this report are:

Douglas Foo Peow Yong
 Foo Lilian
 Lim Chee Yong
 Chan Wing Leong
 Nandakumar Ponniya

2 ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE BENEFITS BY MEANS OF THE ACQUISITION OF SHARES AND DEBENTURES

Neither at the end of the financial year nor at any time during the financial year did there subsist any arrangement whose object is to enable the directors of the Company to acquire benefits by means of the acquisition of shares or debentures in the Company or any other body corporate.

3 DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

The directors of the Company holding office at the end of the financial year had no interests in the share capital and debentures of the Company and related corporations as recorded in the register of directors' shareholdings kept by the Company under Section 164 of the Singapore Companies Act except as follows:

Name of directors and Company in which interests are held	Shareholdings registered in name of director		Shareholdings in which directors are deemed to have an interest	
	At beginning of year	At end of year	At beginning of year	At end of year
The Company	Ordinary shares			
Douglas Foo Peow Yong	91,926,740	77,926,740	100	14,000,100
Andy Ong Siew Kwee (Removed on March 18, 2013) *	1,804,400	1,804,400	–	–
Foo Lilian	100	100	–	–

* Removed pursuant to the ordinary resolution passed by 100% of the valid votes of the Company's shareholders (including proxies) who were present and who had voted at the Extraordinary General Meeting held on March 18, 2013.

By virtue of Section 7 of the Singapore Companies Act, Douglas Foo Peow Yong is deemed to have an interest in the Company and all the related corporations of the Company.

The directors' interests in the shares of the Company at January 21, 2013 were the same at December 31, 2012.

Report of the Directors »

4 DIRECTORS' RECEIPT AND ENTITLEMENT TO CONTRACTUAL BENEFITS

Since the beginning of the financial year, no director of the Company has received or become entitled to receive a benefit which is required to be disclosed under Section 201(8) of the Singapore Companies Act, by reason of a contract made by the Company or a related corporation with the director or with a firm of which he is a member, or with a company in which he has a substantial financial interest except as disclosed in the financial statements.

5 SHARE OPTIONS

- (a) The Sakae Employees' Share Option Scheme ("the ESOS") was approved by the shareholders of the Company at an Extraordinary General Meeting held on July 14, 2003.

The committee administering the Scheme comprises:

Chan Wing Leong (Chairman)
Lim Chee Yong
Douglas Foo Peow Yong

Under the Share Option Scheme, an option entitles the option holder to subscribe for a specific number of new ordinary shares in the Company comprised in the option at the subscription price per share determined with reference to the market price of the shares at the time of grant of the option. The Share Option Committee may at its discretion, fix the subscription price at a discount up to 20% off market price. Options granted with the subscription price set at the market price shall only be exercised after the first anniversary of the date of grant of that option. Options granted with the market price set at a discount to the market price shall only be exercised after the second anniversary. The shares under option may be exercised in whole or in part on the payment of the relevant subscription price. Options granted under the ESOS will have a life span of ten years.

There were no unissued shares of the Company under options granted pursuant to the Share Option Scheme.

- (b) The Sakae Performance Share Scheme ("PSS") was approved by the shareholders of the Company at an Extraordinary General Meeting held on April 21, 2008.

The committee administering the PSS comprises:

Chan Wing Leong (Chairman)
Lim Chee Yong
Douglas Foo Peow Yong

The Performance Share Scheme complements the ESOS as it increases the Company's flexibility and effectiveness in its continuing efforts to reward, retain and motivate employees to achieve superior performance. Shares will be awarded based on pre-determined dollar amounts such that the quantum of shares is dependent on the closing price of shares transacted on the market day the award is vested. The PSS shall continue in force at the discretion of the Committee, up to a maximum of ten years.

There were no shares issued to employees of the Company during the financial year.

- (c) During the financial year, no option to take up unissued shares of the Company or its subsidiaries was granted and there were no shares of the Company or its subsidiaries issued by virtue of the exercise of an option to take up unissued shares.
- (d) At the end of the financial year, there were no unissued shares of the Company or its subsidiaries under option.

« Report of the Directors**6 AUDIT COMMITTEE**

The Audit Committee of the Company, consisting all non-executive directors, is chaired by Mr Lim Chee Yong and other members include Mr Chan Wing Leong and Mr Nandakumar Ponnaya. The Audit Committee has met four times since the last Annual General Meeting (“AGM”) and has reviewed the following, where relevant, with the executive directors and the external and internal auditors of the Company:

- (a) the audit plans and results of the internal auditors’ examination and evaluation of the Group’s systems of internal accounting controls;
- (b) the Group’s financial and operating results and accounting policies;
- (c) the financial statements of the Company and the consolidated financial statements of the Group before their submission to the Board of Directors of the Company and the external auditors’ report on those financial statements;
- (d) the half-yearly and annual announcements as well as the related press releases on the results and financial position of the Company and the Group;
- (e) the co-operation and assistance given by the management to the Group’s internal and external auditors; and
- (f) the re-appointment of the internal and external auditors of the Group.

The Audit Committee has full access to and co-operation of the management and has been given the resources required for it to discharge its function properly. It also has full discretion to invite any director and executive officer to attend its meetings. The external and internal auditors have unrestricted access to the Audit Committee.

The Audit Committee has recommended to the directors the nomination of Deloitte & Touche LLP for re-appointment as external auditors of the Group at the forthcoming AGM of the Company.

7 AUDITORS

The auditors, Deloitte & Touche LLP, have expressed their willingness to accept re-appointment.

ON BEHALF OF THE DIRECTORS

Douglas Foo Peow Yong

Foo Lilian

March 27, 2013

Statement of Directors »

In the opinion of the directors, the consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company as set out on pages 43 to 89 are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at December 31, 2012, and of the results, changes in equity and cash flows of the Group and changes in equity of the Company for the financial year then ended and at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts when they fall due.

ON BEHALF OF THE DIRECTORS

Douglas Foo Peow Yong

Foo Lilian

March 27, 2013

« Independent Auditors' Report TO THE MEMBERS OF SAKAE HOLDINGS LTD.

Report on the Financial Statements

We have audited the accompanying financial statements of Sakae Holdings Ltd. (the "Company") and its subsidiaries (the "Group") which comprise the balance sheets of the Group and the Company as at December 31, 2012, the income statement, statement of comprehensive income, statement of changes in equity and cash flow statement of the Group and the statement of changes in equity of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 43 to 89.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of financial statements that gives a true and fair view in accordance with the provisions of the Singapore Companies Act (the "Act") and Singapore Financial Reporting Standards and for devising and maintaining a system of internal accounting controls sufficient to provide reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss accounts and balance sheets and to maintain accountability of assets.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for Qualified Opinion on the Financial Statements

As disclosed in Note 2 to the financial statements, the Company did not apply the equity accounting method to account for its share of results and net assets of its associates, Griffin Real Estate Investment Holdings Pte Ltd ("GREIH") and Gryphon Capital Management Pte Ltd ("GCM"), for the financial year ended December 31, 2012 and has made a full provision for impairment loss on its investment in GREIH amounting to \$6,642,000 and \$10,099,000 respectively at the Company level and the Group level and its investment in GCM amounting to \$150,000 and \$369,000 respectively at the Company level and the Group level as at December 31, 2012.

The non-equity accounting of its investment in the associates, GREIH and GCM, for the financial year ended December 31, 2012 is not in accordance with FRS 28 *Investments in Associates*.

As only unaudited management accounts of GREIH and GCM were made available to the Company as described in Note 2, we have not been able to obtain sufficient appropriate audit evidence to enable us to determine what the Company's share of results and net assets of GREIH and GCM and the related disclosures under FRS 28 should have been had the equity accounting method been applied.

As disclosed in Note 2 to the financial statements, given the uncertainty in relation to the developments and outcome of (a) the present litigation involving GREIH and (b) the Company's reporting this matter relating to GREIH to the Commercial Affairs Department, we have not been able to obtain sufficient appropriate audit evidence to enable us to determine whether any provision for impairment loss is required, and if made, the amount of impairment loss that is required to be provided, on the investments in GREIH and GCM at the Company level and the Group level as at December 31, 2012.

Independent Auditors' Report »

TO THE MEMBERS OF SAKAE HOLDINGS LTD.

Opinion

In our opinion, except for the effect of the matters referred to in the Basis for Qualified Opinion paragraphs on the Financial Statements, the consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at December 31, 2012 and of the results, changes in equity and cash flows of the Group and changes in equity of the Company for the year ended on that date.

Report on Other Legal and Regulatory Requirements

In our opinion, except for the effect of the matter referred to in the Basis for Qualified Opinion on the Financial Statements, the accounting and other records required by the Act to be kept by the Company and by the subsidiary incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

DELOITTE & TOUCHE LLP
Public Accountants and
Certified Public Accountants
Singapore

March 27, 2013

« Balance Sheets

AS AT 31ST DECEMBER 2012

	Note	Group		Company	
		2012	2011	2012	2011
		\$'000	\$'000	\$'000	\$'000
ASSETS					
Current assets					
Cash and cash equivalents	7	8,754	6,099	2,447	2,871
Trade receivables	8	2,069	1,839	1,447	1,620
Other receivables and prepayments	9	7,087	7,042	4,836	4,739
Inventories		1,590	1,721	1,034	1,228
Total current assets		19,500	16,701	9,764	10,458
Non-current assets					
Subsidiaries	10	–	–	–	–
Due from subsidiaries	10	–	–	14,027	11,782
Associates	11	–	7,827	–	4,150
Property, plant and equipment	12	62,898	38,924	52,710	29,647
Investment property	13	1,923	–	–	–
Goodwill	14	992	939	–	–
Total non-current assets		65,813	47,690	66,737	45,579
Total assets		85,313	64,391	76,501	56,037
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current liabilities					
Bank loans	15	15,162	11,757	15,162	11,757
Trade payables	16	7,397	6,334	5,357	4,665
Accruals		5,339	3,577	2,902	2,220
Due to subsidiaries	10	–	–	156	3
Income tax payable		1,136	928	977	928
Total current liabilities		29,034	22,596	24,554	19,573
Non-current liabilities					
Bank loans	15	12,241	12,304	12,241	12,304
Deferred tax liabilities	17	6,136	2,341	6,042	2,170
Total non-current liabilities		18,377	14,645	18,283	14,474
Capital and reserves					
Issued capital	18	10,736	10,736	10,736	10,736
Currency translation reserve		(491)	(362)	–	–
Revaluation reserve	19	27,604	7,841	27,033	7,841
Accumulated profits (losses)		99	8,980	(4,105)	3,413
Equity attributable to equity holders of the Company		37,948	27,195	33,664	21,990
Non-controlling interests		(46)	(45)	–	–
Total equity		37,902	27,150	33,664	21,990
Total liabilities and equity		85,313	64,391	76,501	56,037

See accompanying notes to the financial statements.

Consolidated Income Statement »

YEAR ENDED 31ST DECEMBER 2012

	Note	Group	
		2012 \$'000	2011 \$'000
Revenue	20	95,860	89,169
Cost of sales		(27,116)	(26,359)
Gross profit		68,744	62,810
Other operating income	21	1,878	2,645
Administrative expenses		(39,427)	(36,708)
Other operating expenses		(24,710)	(25,373)
Share of losses of associates	11	–	(54)
Excess of interests in the net fair value of associates' identifiable net assets over cost of investment	11	–	3,731
Impairment loss on investments in associates	11	(10,468)	–
Finance costs - interest expense on bank loans		(412)	(299)
(Loss) Profit before income tax		(4,395)	6,752
Income tax expense	22	(2,357)	(1,296)
(Loss) Profit for the year	23	<u>(6,752)</u>	<u>5,456</u>
(Loss) Profit attributable to:			
Equity holders of the Company		(6,751)	5,501
Non-controlling interests		(1)	(45)
		<u>(6,752)</u>	<u>5,456</u>
Basic and diluted (losses) earnings per share (cents)	24	<u>(4.75)</u>	<u>3.87</u>

See accompanying notes to the financial statements.

« Consolidated Statement of Comprehensive Income

YEAR ENDED 31ST DECEMBER 2012

	Note	Group	
		2012 \$'000	2011 \$'000
(Loss) Profit for the year	23	(6,752)	5,456
Other comprehensive income:			
Revaluation of property	19	23,662	2,545
Deferred tax liability relating to revaluation of property	17	(3,899)	(505)
Currency translation differences		(129)	(137)
Other comprehensive income for the year, net of tax		19,634	1,903
Total comprehensive income for the year		12,882	7,359
Total comprehensive income attributable to:			
Equity holders of the Company		12,883	7,404
Non-controlling interests		(1)	(45)
		12,882	7,359

See accompanying notes to the financial statements.

Statements of Changes in Equity »

YEAR ENDED 31ST DECEMBER 2012

	Issued capital	Currency translation reserve	Revaluation reserve	Accumulated profits(losses)	Attributable to equity holders of the Company	Non- controlling interests	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Group							
Balance at January 1, 2011	10,736	(225)	5,801	4,899	21,211	–	21,211
Total comprehensive (loss) income for the year	–	(137)	2,040	5,501	7,404	(45)	7,359
Dividends paid (Note 25)	–	–	–	(1,420)	(1,420)	–	(1,420)
Balance at December 31, 2011	10,736	(362)	7,841	8,980	27,195	(45)	27,150
Total comprehensive (loss) income for the year	–	(129)	19,763	(6,751)	12,883	(1)	12,882
Dividends paid (Note 25)	–	–	–	(2,130)	(2,130)	–	(2,130)
Balance at December 31, 2012	10,736	(491)	27,604	99	37,948	(46)	37,902
Company							
Balance at January 1, 2011	10,736	–	5,801	3,453	19,990	–	19,990
Total comprehensive income for the year	–	–	2,040	1,380	3,420	–	3,420
Dividends paid (Note 25)	–	–	–	(1,420)	(1,420)	–	(1,420)
Balance at December 31, 2011	10,736	–	7,841	3,413	21,990	–	21,990
Total comprehensive income (loss) for the year	–	–	19,192	(5,388)	13,804	–	13,804
Dividends paid (Note 25)	–	–	–	(2,130)	(2,130)	–	(2,130)
Balance at December 31, 2012	10,736	–	27,033	(4,105)	33,664	–	33,664

See accompanying notes to the financial statements.

« Consolidated Cash Flow Statement

YEAR ENDED 31ST DECEMBER 2012

	Group	
	2012	2011
	\$'000	\$'000
Operating activities		
(Loss) Profit before income tax	(4,395)	6,752
Adjustments for:		
Depreciation of property, plant and equipment	5,237	4,460
Amortisation of prepaid lease	38	–
(Gain) Loss on disposal of property, plant and equipment, net	(16)	7
Write-off of property, plant and equipment	218	795
Write-back of impairment of property, plant and equipment	(652)	–
Share of losses of associates (Note 11)	–	54
Excess of interests in the net fair value of associates' identifiable net assets over cost of investment (Note 11)	–	(3,731)
Impairment loss on investments in associates (Note 11)	10,468	–
Impairment loss recognised on trade receivables	700	–
Unrealised foreign exchange (gain) loss	(47)	77
Interest expense	412	299
Interest income	(80)	(79)
Operating cash flows before movements in working capital	11,883	8,634
Trade receivables	(930)	(387)
Other receivables and prepayments	581	(860)
Inventories	131	34
Trade payables	1,063	(2,175)
Accruals	1,110	460
Cash generated from operations	13,838	5,706
Interest paid	(412)	(299)
Interest received	80	79
Income taxes and withholding taxes paid	(2,104)	(518)
Net cash from operating activities	11,402	4,968
Investing activities		
Proceeds on disposal of property, plant and equipment	20	47
Purchase of property, plant and equipment (Note 12 (vi))	(7,209)	(14,166)
Investments in associates (Note 11)	(2,641)	(4,150)
Net cash used in investing activities	(9,830)	(18,269)
Financing activities		
Dividends paid	(2,130)	(1,420)
Proceeds from bank loans	15,943	12,684
Repayment of bank loans	(12,601)	(4,252)
Net cash from financing activities	1,212	7,012
Net increase (decrease) in cash and cash equivalents	2,784	(6,289)
Cash and cash equivalents at beginning of year	6,099	12,525
Effects on exchange rate changes on the balance of cash held in foreign currencies	(129)	(137)
Cash and cash equivalents at end of year	8,754	6,099

See accompanying notes to the financial statements.

Notes To The Financial Statements »

31ST DECEMBER 2012

1 GENERAL

The Company (Registration No. 199604816E) is incorporated in Singapore with its principal place of business and registered office at 28 Tai Seng Street, Singapore 534106. The Company is listed on the Singapore Exchange Securities Trading Limited. The financial statements are expressed in Singapore dollars.

The principal activities of the Company consist of the business of operating restaurants, kiosks and cafes, trading, sushi processing and operating as caterer and franchiser.

The principal activities of the subsidiaries and associates are disclosed in Note 10 and Note 11 to the financial statements respectively.

The consolidated financial statements of the Group and balance sheet and statement of changes in equity of the Company for the year ended December 31, 2012 were authorised for issue by the Board of Directors on March 27, 2013.

2 INVESTMENTS IN ASSOCIATES (GREIH and GCM)

- a) The Company invested in associates, Griffin Real Estate Investment Holdings Pte Ltd (“GREIH”) and Gryphon Capital Management Pte Ltd (“GCM”), pursuant to a Subscription and Joint Venture Agreement (the “JVA”) dated September 3, 2010, which the Company and other companies, including a company owned by an ex-Non-Executive (and also Non-Independent) Director of the Company (the “Company’s ex-NED”), are parties thereto. The Company presently holds a 24.69% equity stake in GREIH. The Company invested \$4,000,000 and \$2,642,000 in GREIH in January 2011 and June 2012 respectively. The details of GREIH are described in Note 11 to the financial statements.
- b) The Company is represented on the board of GREIH by the Company’s Executive Chairman and Chief Executive Officer (the “Company’s CEO”), who has recently appointed a reputable international firm of accountants to inspect the accounting records and report on the financial affairs of GREIH (the “Accountants’ Report”), arising from concerns over certain transactions undertaken in GREIH which had come to the notice of the Company’s CEO. The findings in the Accountants’ Report states that various financial transactions undertaken in GREIH may appear to be irregular and in breach of the Singapore Companies Act (the “Act”) and the JVA (the “Subject Transactions”), and may also adversely affect the Company’s interests and value of its investments in GREIH. The Subject Transactions include payments of substantial sums of monies that have been made by GREIH and apparent contracts which purport to oblige GREIH to make substantial payments to companies related to senior management of GREIH that had not been properly disclosed to the Company or to the Company’s representative in the board of GREIH in breach of the JVA.
- c) The Company has through its lawyers made a report to the Commercial Affairs Department (the “CAD”) in view of the findings in the Accountants’ Report. The Company and the Company’s CEO (the “Plaintiffs”) have also filed an application in the High Court of Singapore against GREIH *viz* an Originating Summons pursuant to Section 216A of the Act, for leave to bring a statutory derivative action in the name and on behalf of GREIH against the Company’s ex-NED and the other director of GREIH, for *inter alia*, breaches of their duties owed to the GREIH. The Plaintiffs have also applied for such necessary interlocutory orders to secure the assets of GREIH, pending the determination of the Section 216A action. The Company has also commenced an action in the High Court against the Company’s ex-NED in respect of alleged breaches of his duties *qua* director of the Company.
- d) The Subject Transactions have been recognised in the unaudited management accounts for the financial year ended December 31, 2012 (the “Management Accounts”) of GREIH which were provided to the Company. As the GREIH’s Management Accounts included the questionable Subject Transactions identified in the Accountants’ Report, the reliability of the associates’ Management Accounts is being questioned by the Company. The Company has thus not relied on the Management Accounts of GREIH and GCM for equity accounting purposes, and its share of associates’ results in GREIH and GCM for the current financial year ended December 31, 2012 has therefore not been accounted for.

« Notes To The Financial Statements

31ST DECEMBER 2012

2 INVESTMENTS IN ASSOCIATES (GREIH and GCM) (cont'd)

- e) There exists uncertainty in relation to the developments and outcome of (a) the present litigation involving GREIH and (b) the Company's report on this matter relating to GREIH to the CAD. Moreover, given that the Company does not have any control over, or access to, the affairs and bank accounts of GREIH, it is not able to ensure that the monies in GREIH are safeguarded. As such, the Company has decided to adopt a conservative and prudent approach in the financial statements and made full allowance for potential impairment loss on its investment in GREIH amounting to \$6,642,000 and \$10,099,000 at the Company level and the Group level respectively and its investment in GCM amounting to \$150,000 and \$369,000 at the Company level and the Group level respectively as shown in Note 11 to the financial statements.
- f) Despite the full allowance for impairment loss being made in the financial statements, the Company is committed to continue to pursue the present litigation vigorously and will take all necessary steps to recover the value of its investments in the associates. The estimated legal fees to be incurred by the Company with respect to the proceedings highlighted in points above are in the region of \$1,050,000. The Company will make further announcements on this matter as and when there are any material developments.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING - The financial statements have been prepared in accordance with the historical cost basis except as disclosed in the accounting policies below, and are drawn up in accordance with the provisions of the Singapore Companies Act and Singapore Financial Reporting Standards ("FRS").

ADOPTION OF NEW AND REVISED STANDARDS - In the current financial year, the Group has adopted all the new and revised FRSs and Interpretations of FRS ("INT FRS") that are relevant to its operations and effective for annual periods beginning on or after January 1, 2012. The adoption of these new/revised FRSs and INT FRSs does not result in changes to the Group's and Company's accounting policies and has no material effect on the amounts reported for the current or prior years.

At the date of authorisation of these financial statements, the following FRSs, INT FRSs and amendments to FRS that are relevant to the Group and the Company were issued but not effective:

- *Amendments to FRS 1 Presentation of Financial Statements - Amendments relating to Presentation of Items of Other Comprehensive Income*
- *FRS 27 (Revised) Separate Financial Statements*
- *FRS 110 Consolidated Financial Statements*
- *FRS 112 Disclosure of Interests in Other Entities*
- *FRS 113 Fair Value Measurement*

The management anticipates that the adoption of the above FRSs, INT FRS and amendments to FRS in future periods will not have a material impact on the financial statements of the Group and of the Company in the period of their initial adoption.

Amendments to FRS 1 Presentation of Financial Statements - Amendments relating to Presentation of Items of Other Comprehensive Income ("OCI")

The amendment on Other Comprehensive Income ("OCI") presentation will require the Group to present in separate groupings, OCI items that might be recycled i.e., reclassified to profit or loss (e.g. those arising from cash flow hedging, foreign currency translation) and those items that would not be recycled (e.g. revaluation gains on property, plant and equipment under the revaluation model). The tax effects recognised for the OCI items would also be captured in the respective grouping, although there is a choice to present OCI items before tax or net of tax.

Changes arising from these amendments to FRS 1 will take effect from financial years beginning on or after July 1, 2012, with full retrospective application.

Notes To The Financial Statements »

31ST DECEMBER 2012

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

FRS 110 Consolidated Financial Statements and FRS 27 Separate Financial Statements

FRS 110 replaces the control assessment criteria and consolidation requirements currently in FRS 27 and INT FRS 12 *Consolidation - Special Purpose Entities*.

FRS 110 defines the principle of control and establishes control as the basis for determining which entities are consolidated in the consolidated financial statements. It also provides more extensive application guidance on assessing control based on voting rights or other contractual rights. Under FRS 110, control assessment will be based on whether an investor has (i) power over the investee; (ii) exposure, or rights, to variable returns from its involvement with the investee; and (iii) the ability to use its power over the investee to affect the amount of the returns. FRS 27 remains as a standard applicable only to separate financial statements.

FRS 110 will take effect from financial years beginning on or after January 1, 2014, with full retrospective application.

When the Group adopts FRS 110, entities it currently consolidates may not qualify for consolidation, and entities it currently does not consolidate may qualify for consolidation.

FRS 112 Disclosure of Interests in Other Entities

FRS 112 requires an entity to provide more extensive disclosures regarding the nature of and risks associated with its interest in subsidiaries, associates, joint arrangements and unconsolidated structured entities.

FRS 112 will take effect from financial years beginning on or after January 1, 2014.

FRS 113 Fair Value Measurement

FRS 113 is a single new Standard that applies to both financial and non-financial items. It replaces the guidance on fair value measurement and related disclosures in other Standards, with the exception of measurement dealt with under FRS 102 *Share-based Payment*, FRS 17 *Leases*, net realisable value in FRS 2 *Inventories* and value-in-use in FRS 36 *Impairment of Assets*.

FRS 113 provides a common fair value definition and hierarchy applicable to the fair value measurement of assets, liabilities, and an entity's own equity instruments within its scope, but does not change the requirements in other Standards regarding which items should be measured or disclosed at fair value.

FRS 113 will be effective prospectively from annual periods beginning on or after January 1, 2013. Comparative information is not required for periods before initial application.

BASIS OF CONSOLIDATION - The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

« Notes To The Financial Statements

31ST DECEMBER 2012

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Non-controlling interests in subsidiaries are identified separately from the Group's equity therein. The interest of non-controlling shareholders may be initially measured (at date of original business combination) either at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement basis is made on an acquisition-by-acquisition basis. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for (i.e. reclassified to profit or loss or transferred directly to accumulated profits) in the same manner as would be required if the relevant assets or liabilities were disposed of. The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under FRS 39 *Financial Instruments: Recognition and Measurement* or, when applicable, the cost on initial recognition of an investment in an associate or jointly controlled entity.

In the Company's financial statements, investments in subsidiaries are carried at cost less any impairment in net recoverable value that has been recognised in profit or loss.

BUSINESS COMBINATIONS - Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the acquisition-date fair values of assets given, liabilities incurred by the Group to the former owners of the acquiree, and equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition-date fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments (see below). The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with FRS 39 *Financial Instruments: Recognition and Measurement*, or FRS 37 *Provisions, Contingent Liabilities and Contingent Assets*, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

Where a business combination is achieved in stages, the Group's previously held interests in the acquired entity are remeasured to fair value at the acquisition date (i.e. the date the Group attains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

Notes To The Financial Statements »

31ST DECEMBER 2012

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under the FRS are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with FRS 12 *Income Taxes* and FRS 19 *Employee Benefits* respectively;
- liabilities or equity instruments related to the replacement by the Group of an acquiree's share-based payment awards are measured in accordance with FRS 102 *Share-based Payments*; and
- assets (or disposal groups) that are classified as held for sale in accordance with FRS 105 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see below), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as of the acquisition date and is subject to a maximum of one year from acquisition date.

The accounting policy for initial measurement of non-controlling interests is described above.

FINANCIAL INSTRUMENT - Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial instrument and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial instrument, or where appropriate, a shorter period. Income and expense is recognised on an effective interest basis.

Financial assets

Loans and receivables

Trade receivables and other receivables including amounts due from subsidiaries that have fixed or determinable payments that are not quoted in an active market are classified as "loans and receivables". Loans and receivables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method less impairment. Interest is recognised by applying the effective interest method, except for short-term receivables when the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

« Notes To The Financial Statements

31ST DECEMBER 2012

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 45 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables where the carrying amount is reduced through the use of an allowance account. When a trade or other receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Financial liabilities and equity instrumentsClassification as debt or equity

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments are recorded at the proceeds received, net of direct issue costs.

Trade payables and other payables

Trade payables and other payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest method except for short-term payables when the recognition of interest would be immaterial.

Bank loans

Interest-bearing bank loans are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the Group's accounting policy for borrowing costs.

Notes To The Financial Statements >>

31ST DECEMBER 2012

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

LEASES - Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease unless another systematic basis is more representative of the time pattern in which use benefit derived from the leased asset is diminished. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss. Contingent rentals are recognised as expenses in the periods in which they are incurred.

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease unless another systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

INVENTORIES - Inventories comprising beverages and food supplies, are stated at the lower of cost (first-in first-out method) and net realisable value. Cost comprises direct materials, and where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

PROPERTY, PLANT AND EQUIPMENT – Land and building held for use in the production or supply of goods or services, or for administrative purposes, are stated in the balance sheet at the revalued amount, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the end of the reporting period.

Any revaluation increase arising on the revaluation of the land and building is recognised in other comprehensive income and accumulated in revaluation reserve, except to the extent that it reverses a revaluation decrease for the asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously charged. A decrease in carrying amount arising on the revaluation of the land and building is charged to profit or loss to the extent that it exceeds the balance, if any, held in the property revaluation reserve relating to a previous revaluation of the asset.

Plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

« Notes To The Financial Statements

31ST DECEMBER 2012

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Depreciation is charged so as to write off the cost or valuation of assets, other than freehold land and construction-in-progress, over their estimated useful lives, using the straight-line method, on the following bases:

Building on freehold land	-	1.00%
Leasehold building	-	1.67%
Restaurant equipment	-	20%
Renovation	-	20%
Furniture and fitting	-	20%
Computers	-	100%
Motor vehicles	-	20%
Office equipment	-	20%

Assets under construction-in-progress are not depreciated as these assets are yet available for use. Depreciation will commence when these assets are available for their intended use.

The estimated useful lives and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

Fully depreciated assets still in use are retained in the financial statements.

The gain or loss arising on disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the revaluation reserve is transferred directly to accumulated profits. No transfer is made from the revaluation reserve to accumulated profits except where an asset is derecognised.

INVESTMENT PROPERTY – Investment property, which is property held to earn rentals and/or for capital appreciation, including property under construction or redevelopment for such purposes, is measured initially at its cost, including transaction costs. Subsequent to initial recognition, investment property is measured at cost less accumulated depreciation (except for freehold land) and any accumulated impairment losses.

Depreciation is charged so as to write-off the cost of investment property, other than freehold land, over their estimated useful life, using the straight-line method on the following base:

Building on freehold land	-	1.00%
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Investment property is derecognised either when it is disposed of or when it is permanently withdrawn from use and no future benefit is expected from its disposal. Any gains or losses on the retirement or disposal of investment properties are recognised in profit or loss in the period of retirement or disposal.

GOODWILL - Goodwill arising in a business combination is recognised as an asset at the date that control is acquired (the acquisition-date). Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest (if any) in the entity over net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

If, after reassessment, the Group's interest in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Notes To The Financial Statements »

31ST DECEMBER 2012

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary or the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

ASSOCIATES - An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for under FRS 105 *Non-current Assets held for Sale and Discontinued Operations*. Under the equity method, investments in associates are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associate, less any impairment in the value of individual investments. Losses of an associate in excess of the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate) are not recognised, unless the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

Where a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

In the Company's financial statements, investments in subsidiaries are carried at cost less any impairment in net recoverable value that has been recognised in profit or loss.

IMPAIRMENT OF NON-FINANCIAL ASSETS EXCLUDING GOODWILL - At the end of each reporting period, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

« Notes To The Financial Statements

31ST DECEMBER 2012

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of impairment loss is treated as a revaluation increase.

PROVISIONS - Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event and it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

GOVERNMENT GRANTS - Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and the grants will be received. Government grants whose primary condition is that the Group should purchase, construct, or otherwise acquire non-current assets are recognised as deferred income in the balance sheet and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Other government grants are recognised as income over the periods necessary to match them with the costs for which they are intended to compensate, on a systematic basis. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

REVENUE RECOGNITION - Revenue is measured at the fair value of the consideration received or receivable. Revenue from the rendering of food and beverage services is recognised at the point of consumption or sale.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Service charges and management fees

Service charges and management fees are recognised when the services are rendered on a time proportionate basis.

Notes To The Financial Statements >>

31ST DECEMBER 2012

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)Royalties

Royalty revenue is recognised on an accrual basis in accordance with the substance of the relevant agreement. Royalties determined on a time basis are recognised on a straight-line basis over the period of the agreement. Royalty arrangements that are based on production, sale and other measures are recognised by reference to the underlying arrangement.

Dividend income

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

Interest income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

Rental income

Rental income is recognised on a straight-line basis over the term of the relevant lease.

BORROWING COSTS - Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

RETIREMENT BENEFIT COSTS - Payments made to state-managed retirement benefit schemes, such as the Singapore Central Provident Fund, are dealt with as payments to defined contribution plans where the Group's obligations under the plans are equivalent to those arising in a defined contribution retirement benefit plan.

EMPLOYEE LEAVE ENTITLEMENT - Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period.

INCOME TAX - Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or tax deductible. The Group's liability for current tax is calculated using tax rates (and tax laws) that have been enacted or substantively enacted in countries where the Company and subsidiaries operate by the end of the reporting period.

Deferred tax is recognised on the differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

« Notes To The Financial Statements

31ST DECEMBER 2012

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Deferred tax liabilities are recognised on taxable temporary differences arising on investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised based on the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items credited or debited outside profit or loss (either in other comprehensive income or directly in equity), in which case the tax is also recognised outside profit or loss (either in other comprehensive income or directly in equity, respectively), or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in calculating goodwill or determining the excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost.

FOREIGN CURRENCY TRANSACTIONS AND TRANSLATION - The individual financial statements of each Group entity are measured and presented in the currency of the primary economic environment in which the entity operates (its functional currency). The consolidated financial statements of the Group and the balance sheet of the Company are presented in Singapore dollars, which is the functional currency of the Company and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency are recorded at the rates of exchange prevailing on the date of the transaction. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the end of the reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on retranslation of monetary items are included in profit or loss. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income. For such non-monetary items, any exchange component of that gain or loss is also recognised in other comprehensive income.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations (including comparatives) are expressed in Singapore dollars using exchange rates prevailing at the end of the reporting period. Income and expense items (including comparatives) are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in a separate component of equity under the header of currency translation reserve.

Notes To The Financial Statements >>

31ST DECEMBER 2012

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, loss of joint control over a jointly controlled entity that includes a foreign operation, or loss of significant influence over an associate that includes a foreign operation), all of the accumulated exchange differences in respect of that operation attributable to the Group are reclassified to profit or loss. Any exchange differences that have previously been attributed to non-controlling interests are derecognised, but they are not reclassified to profit or loss.

In the case of a partial disposal (i.e. no loss of control) of a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences is re-attributed to non-controlling interest and not recognised in profit or loss. For all other partial disposals (i.e. of associates or jointly controlled entities not involving a change of accounting basis), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities (including monetary items that, in substance, form part of the net investment in foreign entities), and of borrowings and other currency instruments designated as hedges of such investments, are recognised in other comprehensive income and accumulated in currency translation reserve (attributed to minority interest, as appropriate).

Goodwill arising on the acquisition of a foreign operation is treated as asset of the foreign operation and translated at the closing rate.

SEGMENT REPORTING - An operating segment is a component of the Group that engages in business activities from which it may earn revenue and incur expenses, including revenue and expenses that relate to transactions with any of the Group's other components.

The Group determines and presents operating segments based on information that internally is provided to the Group's chief operating decision makers. All operating segments' operating results are reviewed regularly by the Group's chief operating decision makers to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

CASH AND CASH EQUIVALENTS IN THE CASH FLOW STATEMENT - Cash and cash equivalents in the cash flow statement comprise cash at bank and on hand and fixed deposits that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

4 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

« Notes To The Financial Statements

31ST DECEMBER 2012

4 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (cont'd)***Critical judgements in applying the entity's accounting policies***

The following are the critical judgements, apart from those involving estimations (see below), that management has made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

(a) Accounting for investments in associates

As described in Note 3 to the financial statements, under the equity accounting method, investments in associates are to be carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associates, less any impairment in the value of individual investments. Management has considered the unaudited management accounts of the associates, for the financial year ended December 31, 2012 that were provided by the associates' management. As described in Note 2(d), management has decided that is not appropriate for the Company to equity account for the share of the results of the associates for the current financial year ended December 31, 2012.

As described in Note 3 to the financial statements, at the end of each reporting period, the Company reviews the carrying amount of its investments in the associates to determine whether there is any indication that the investments have suffered an impairment loss. If any such indication exists, the recoverable amount of the investments is estimated in order to determine the extent of the impairment loss (if any). As described in Note 2(e), management has assessed the recoverability of the investments in associates and has decided to make a full allowance for impairment loss on the investments in associates at the Company level and the Group level amounting to \$6,792,000 and \$10,468,000 respectively.

(b) Rental out of portion of a building under operating leases

The Group rents out portions of a building under non-cancellable operating leases (Note 26). In accordance to FRS 40 *Investment Property*, when a property comprises a portion that is held to earn rentals and another portion that is held for use in the production or supply of goods or services or for administrative purposes, if these portions could be sold separately (or leased out separately under a finance lease), the Group accounts for the portions separately. However, if the portions could not be sold separately, the property is investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. About 3 out of 7 floors (2011: 3 out of 7 floors) of the building are leased out to tenants under operating leases. As the building is currently not strata-titled and thus it could not be sold separately, and a significant portion of the building is held for use as offices and factories by the Group, accordingly, the Group has exercised judgement over principles of FRS 40 in accounting for the entire building as property, plant and equipment.

Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

(a) Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value-in-use of the cash-generating unit to which goodwill has been allocated. The value-in-use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value, details of which are described in Note 14. The carrying amount of goodwill at the end of the reporting period was \$992,000 (2011 : \$939,000).

Notes To The Financial Statements >>

31ST DECEMBER 2012

4 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (cont'd)***Key sources of estimation uncertainty (cont'd)***(b) Impairment of property, plant and equipment

The Group and Company assesses annually whether property, plant and equipment have any indication of impairment in accordance with the accounting policy. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Recoverable amount is the higher of the fair value less costs to sell and value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset. Management is confident that the allowance for impairment, where necessary, is adequate. The carrying amounts of property, plant and equipment of the Group and Company at the end of the reporting period are disclosed in Note 12 to the financial statements.

(c) Investment in and receivables from subsidiaries

The Company assesses annually whether its investment in and receivables from its subsidiaries have any indication of impairment in accordance with the accounting policy. Management made the assessment based on existing financial performance as well as operating profit forecasts of certain subsidiaries and is confident that the allowance for impairment, where necessary, is adequate. The carrying amounts of the investments and receivables from subsidiaries are disclosed in Note 10 to the financial statements.

(d) Allowances for bad and doubtful debts

The determination of the allowances for bad and doubtful debts of the Group and Company is based on the evaluation of collectability and aging analysis of trade and other receivables. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each customer. If the financial condition of the customers of the Group and Company was to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required. As at December 31, 2012 and 2011, the Group has determined that no allowances for bad and doubtful debts is necessary other than those included in Note 8. The carrying amounts of the trade and other receivables are disclosed in Notes 8 and 9 to the financial statements.

(e) Valuation of freehold land and building and leasehold building

As described in Note 12, the Group's freehold land and building and leasehold building are revalued based on the valuation performed by independent professional valuers.

In determining the fair value of the Group's leasehold building, the valuer has used various methods of valuation which involve the making of certain assumptions and the use of estimates, which includes the Group being able to perform and observe all the stipulations contained in the lease agreement, one of which is that the Group has fulfilled the requirement to make a fixed investment in plant and machinery of \$6.95 million to exercise the option to extend the lease for another 30 years beyond the original lease term of 30 years. Although the Group did not invest the stipulated amount, Jurong Town Corporation ("JTC") had confirmed in writing on June 5, 2012 that JTC had agreed to waive the investment shortfall and to approve the option to extend the lease by another 30 years. In relying on the valuation report of the professional valuer, the Group has exercised judgement in arriving at a value which is reflective of the current market conditions. In 2012, the Group recognised a revaluation surplus of \$19.5 million (2011 : \$2 million), net of deferred tax, on the building. As at December 31, 2012, the adjusted carrying amount of the building was \$45 million (2011 : \$22 million).

In determining the fair value of the Group's freehold land and building, based on the valuation report of the professional valuer, the allocation of the market valuation between freehold land and building as at December 31, 2012 were RM6,205,000 (\$2,475,000) and RM3,795,000 (\$1,514,000) respectively. The net revaluation surplus for the freehold land and building amounting to RM679,000 (\$271,000) and RM752,000 (\$300,000) respectively have been recorded in the revaluation reserve.

« Notes To The Financial Statements

31ST DECEMBER 2012

4 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (cont'd)**Key sources of estimation uncertainty (cont'd)**

- (f)
- Depreciation and useful lives of property, plant and equipment

The cost of property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives. As described in Note 3, the Group reviews the estimated useful lives of its property, plant and equipment at the end of each annual reporting period. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual value of these assets. The carrying amounts of the property, plant and equipment are disclosed in Note 12 to the financial statements.

5 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT**(a) Categories of financial instruments**

The following table sets out the financial instruments as at the end of the reporting period:

	Group		Company	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
Financial assets				
Loans and receivables (including cash and cash equivalents)	16,633	13,952	7,502	8,573
Financial liabilities				
Amortised cost	40,139	33,972	35,818	30,949

(b) Financial risk management policies and objectives

Risk management is carried out by the Finance Department under policies approved by the Board of Directors. The Group's overall risk management programme seeks to minimise potential adverse effects of financial performance of the Group.

The Group's activities expose it to a variety of financial risks, including the effects of changes in debt and equity market prices, foreign currency exchange rates and interest rates. The Group does not hold or issue derivative financial instruments for speculative purpose.

There has been no change to the Group's exposure to these financial risks or the manner in which it manages and measures the risk. Market risk exposures are measured using sensitivity analysis indicated below.

- (i)
- Foreign exchange risk management

The Group transacts business in various foreign currencies, including United States dollars, Japanese Yen, Renminbi and Malaysian Ringgit and therefore is exposed to foreign exchange risk.

At the end of the reporting period, the carrying amounts of monetary assets and monetary liabilities denominated in currencies other than the respective Group entities' functional currencies are as follows:

	Group				Company			
	Liabilities		Assets		Liabilities		Assets	
	2012	2011	2012	2011	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Malaysian Ringgit	-	-	-	-	219	407	-	-

Notes To The Financial Statements >>

31ST DECEMBER 2012

5 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (cont'd)

(b) Financial risk management policies and objectives (cont'd)

(i) Foreign exchange risk management (cont'd)

The following table details the sensitivity to a 10% increase and decrease in the relevant foreign currencies against the functional currency of each group entity. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange risks. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates.

If the relevant foreign currency weakens by 10% (or strengthens by 10%) against the functional currency of each group entity, profit or loss will increase (or decrease) respectively by:

	Malaysian Ringgit Impact	
	2012	2011
	\$'000	\$'000
<u>Company</u>		
Profit or loss	22	41

The Company has a number of investments in foreign subsidiaries, whose net assets are exposed to currency translation risk. The Group does not currently designate its foreign currency denominated debt as a hedging instrument for the purpose of hedging the translation of its foreign operations.

As these carrying amounts are not significant, their breakdown by accounts in the balance sheets are not disclosed in the notes to financial statements.

Foreign currency sensitivity

The Group and the Company are not significantly exposed to foreign currency risk.

(ii) Interest rate risk management

Summary quantitative data of the Group's interest-bearing financial instruments can be found in section (iv) of this Note.

Interest rate sensitivity

The sensitivity analysis below have been determined based on the exposure to interest rates for non-derivative instruments at the end of the reporting period and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period in the case of instruments that have floating rates. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the possible change in interest rates.

If the interest rates had been 50 basis points higher or lower and all other variables were held constant, the Group's and Company's loss for the year ended December 31, 2012 would increase/decrease by \$44,000 and \$66,000 respectively (2011 : the Group's and Company's profit for the year ended December 31, 2011 would decrease/increase by \$55,000 and \$67,000 respectively). This is mainly attributable to the Group's and Company's exposure to interest rates on its variable rate borrowings.

« Notes To The Financial Statements

31ST DECEMBER 2012

5 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (cont'd)**(b) Financial risk management policies and objectives (cont'd)****(iii) Credit risk management**

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by the counterparty limits that are reviewed and approved by the risk management committee annually.

Trade receivables consist of a large number of customers. Ongoing credit evaluation is performed on the financial condition of accounts receivable.

The Group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The Group defines counterparties as having similar characteristics if they are related entities. Concentration of credit risk did not exceed 5% of gross monetary assets at any time during the year. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The carrying amount of financial assets recorded in the financial statements, grossed up for any allowances for losses, represents the Group's maximum exposure to credit risk without taking account of the value of any collateral obtained.

Further details of credit risks on trade and other receivables are disclosed in Notes 8 and 9 respectively.

(iv) Liquidity risk management

Liquidity risk reflects the risk that the Group will have insufficient resources to meet its financial liabilities as they fall due. The Group's strategy to manage liquidity risk is to ensure that the Group has sufficient funds to meet all its potential liabilities as they fall due, including shareholder distributions.

As at December 31, 2012, the Group and the Company had a net current liability position of \$9,534,000 (2011 : \$5,895,000) and \$14,790,000 (2011 : \$9,115,000) respectively. Management is of the view that the Group and the Company will be able to operate as going concern on the following grounds:

- a) The Group and the Company's operations are expected to continue to contribute positively to the cash flows;
- b) As at December 31, 2012, the Group and the Company had sufficient undrawn borrowing facilities in respect of which all conditions precedent had been met; and
- c) At the end of the reporting period, the Group and the Company have short-term revolving bank loans of \$13,650,000 (2011 : \$10,300,000) which are renewable at maturity.

Notes To The Financial Statements »

31ST DECEMBER 2012

5 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (cont'd)

(b) Financial risk management policies and objectives (cont'd)

(iv) Liquidity risk management (cont'd)

Liquidity and interest risk analyses

Non-derivative financial liabilities

The following tables detail the remaining contractual maturity for non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group and Company can be required to pay. The table includes both interest and principal cash flows. The adjustment column represents the possible future cash flows attributable to the instrument included in the maturity analysis which is not included in the carrying amount of the financial liability on the balance sheet.

	Weighted average effective interest rate	On demand or within 1 year	Within 2 to 5 years	After 5 years	Adjustments	Total
	%	\$'000	\$'000	\$'000	\$'000	\$'000
Group						
2012						
Non-interest bearing	–	12,736	–	–	–	12,736
Fixed interest rate instruments	1.50	13,855	–	–	(205)	13,650
Variable interest rate instruments	1.57	1,917	7,401	5,417	(982)	13,753
		<u>28,508</u>	<u>7,401</u>	<u>5,417</u>	<u>(1,187)</u>	<u>40,139</u>
2011						
Non-interest bearing	–	9,911	–	–	–	9,911
Fixed interest rate instruments	1.56	10,327	–	–	(27)	10,300
Variable interest rate instruments	1.66	1,631	6,512	6,642	(1,024)	13,761
		<u>21,869</u>	<u>6,512</u>	<u>6,642</u>	<u>(1,051)</u>	<u>33,972</u>
Company						
2012						
Non-interest bearing	–	8,415	–	–	–	8,415
Fixed interest rate instruments	1.50	13,855	–	–	(205)	13,650
Variable interest rate instruments	1.57	1,917	7,401	5,417	(982)	13,753
		<u>24,187</u>	<u>7,401</u>	<u>5,417</u>	<u>(1,187)</u>	<u>35,818</u>
2011						
Non-interest bearing	–	6,888	–	–	–	6,888
Fixed interest rate instruments	1.56	10,327	–	–	(27)	10,300
Variable interest rate instruments	1.66	1,631	6,512	6,642	(1,024)	13,761
		<u>18,846</u>	<u>6,512</u>	<u>6,642</u>	<u>(1,051)</u>	<u>30,949</u>

« Notes To The Financial Statements

31ST DECEMBER 2012

5 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (cont'd)

(b) Financial risk management policies and objectives (cont'd)

(iv) Liquidity risk management (cont'd)

Non-derivative financial assets

The following table details the expected maturity for non-derivative financial assets. The inclusion of information on non-derivative financial assets is necessary in order to understand the Group's liquidity risk management as the Group's liquidity risk is managed on a net asset and liability basis. The tables below have been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets except where the Group and the Company anticipates that the cash flow will occur in a different period. The adjustment column represents the possible future cash flows attributable to the instrument included in the maturity analysis which are not included in the carrying amount of the financial asset on the statement of financial position.

	Weighted average effective interest rate	On demand or within 1 year	Within 2 to 5 years	After 5 years	Adjustments	Total
	%	\$'000	\$'000	\$'000	\$'000	\$'000
Group						
2012						
Non-interest bearing	–	10,771	–	–	–	10,771
Variable interest rate instruments	1.41	5,124	–	–	(71)	5,053
Fixed interest rate instruments	3.00	833	–	–	(24)	809
		16,728	–	–	(95)	16,633
2011						
Non-interest bearing	–	10,164	–	–	–	10,164
Variable interest rate instruments	1.83	2,821	–	–	(51)	2,770
Fixed interest rate instruments	3.05	1,049	–	–	(31)	1,018
		14,034	–	–	(82)	13,952
Company						
2012						
Non-interest bearing	–	6,887	–	–	–	6,887
Variable interest rate instruments	0.06	616	–	–	(1)	615
		7,503	–	–	(1)	7,502
2011						
Non-interest bearing	–	8,268	–	–	–	8,268
Variable interest rate instruments	0.24	306	–	–	(1)	305
		8,574	–	–	(1)	8,573

(v) Fair value of financial assets and financial liabilities

The carrying amounts of cash and cash equivalents, trade and other current receivables and payables, accruals and other liabilities approximate their respective fair values due to the relatively short-term maturity of these financial instruments.

The fair value of bank loans is disclosed in Note 15 to the financial statements.

Notes To The Financial Statements »

31ST DECEMBER 2012

5 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (cont'd)

(c) Capital risk management policies and objectives

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern, to maximise the return to stakeholders through the optimisation of the debt and equity balances, and to ensure that all externally imposed capital requirements are complied with.

The capital structure of the Group consists of debt, which includes the borrowings disclosed in Note 15, and equity attributable to the equity holders of the Company, comprising issued capital as disclosed in Note 18 and accumulated profits. The Group and the Company is required to maintain certain financial ratios in order to comply with a covenant in a loan agreement with a bank.

The management reviews the capital structure on a semi-annual basis. As a part of this review, the management considers the cost of capital and the risks associated with each class of capital. The management also ensures that the Group and the Company maintain the financial ratios within a set range to comply with the loan covenant imposed by a bank. Based on recommendations of the management, the Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debt or the redemption of existing debt.

The Group's overall strategy remains unchanged from 2011. The Group and the Company is in compliance with externally imposed capital requirements for the financial years ended December 31, 2012 and 2011.

6 RELATED PARTY TRANSACTIONS

Some of the Group's transactions and arrangements are with related parties and the effect of these on the basis determined between the parties is reflected in these financial statements. The balances are unsecured, interest-free and repayable on demand unless otherwise stated.

Compensation of directors and key management personnel

The remuneration of directors and other members of key management during the year was as follows:

	Group	
	2012	2011
	\$'000	\$'000
Short-term benefits	1,737	1,492
Post-employment benefits	62	58
Total	1,799	1,550

The remuneration of directors and key management is determined by the remuneration committee having regard to the performance of individuals and market trends.

« Notes To The Financial Statements

31ST DECEMBER 2012

7 CASH AND CASH EQUIVALENTS

	Group		Company	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
Cash at bank	7,839	4,984	2,378	2,799
Fixed deposits	809	1,018	–	–
Cash on hand	106	97	69	72
	<u>8,754</u>	<u>6,099</u>	<u>2,447</u>	<u>2,871</u>

Bank balances and cash comprised cash held by the Group and short-term deposits with an original maturity of three months or less. The carrying amounts of these assets approximate their fair values.

The Group's and Company's cash and cash equivalents amounting respectively to \$5,862,000 and \$615,000 (2011 : \$3,788,000 and \$305,000), bear interest respectively at 0.058% to 3.000% (2011 : 0.058% to 3.05%) per annum and 0.058% to 0.068% (2011 : 0.058% to 0.298%) per annum.

Fixed deposits have tenure of two months (2011 : two months).

8 TRADE RECEIVABLES

	Group		Company	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
Outside parties	2,769	1,839	2,147	1,620
Less: Allowance for impairment loss	(700)	–	(700)	–
	<u>2,069</u>	<u>1,839</u>	<u>1,447</u>	<u>1,620</u>

The average credit period on sales of goods is 45 days (2011 : 45 days). No interest is charged on the overdue trade receivables. Allowance for doubtful trade receivables are made on a case-by-case basis based on estimated irrecoverable amounts from the sale of goods, determined by reference to past default experience.

39% (2011 : 67%) of the Group's trade receivables and 37% (2011 : 53%) of the Company's trade receivables respectively are neither past due nor impaired. The credit risk on this balance is limited due to the customer base being large and unrelated. Accordingly, management believes that no allowance of doubtful debts is required as these trade receivables are considered to be of good credit quality and recoverable. There are only one to two (2011 : two) customers who represent more than 5% of the total balance of the Group's and Company's trade receivables respectively.

Included in the Group's and Company's trade receivable balances respectively are debtors with total carrying amount of \$1,271,000 (2011 : \$616,000) and \$918,000 (2011 : \$567,000) which are past due at the reporting date for which the Group and Company have not provided as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group and Company respectively do not hold any collateral over these balances. The average age of these receivables are 33 days (2011 : 60 days).

Notes To The Financial Statements »

31ST DECEMBER 2012

8 TRADE RECEIVABLES (cont'd)

The table below is an analysis of trade receivables as at December 31:

	Group		Company	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
Not past due and not impaired	798	1,223	529	1,053
Past due but not impaired (i)	1,271	616	918	567
	2,069	1,839	1,447	1,620
Impaired receivables – individually assessed (ii)	700	–	700	–
Less: Allowance for impairment	(700)	–	(700)	–
	–	–	–	–
Total trade receivables, net	2,069	1,839	1,447	1,620

(i) Aging of receivables that are past due but not impaired

1 to 30 days	915	443	562	347
31 to 60 days	138	67	138	85
61 to 90 days	41	20	41	26
91 to 120 days	177	86	177	109
	1,271	616	918	567

(ii) These amounts are stated before any deduction for impairment losses.

Movement in the allowance for impairment of bad and doubtful debts:

	Group and Company	
	2012	2011
	\$'000	\$'000
Balance at beginning of the year	–	–
Impairment loss recognised in profit or loss	700	–
Balance at end of the year	700	–

9 OTHER RECEIVABLES AND PREPAYMENTS

	Group		Company	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
Deposits	4,929	5,187	3,408	3,549
Prepayments	1,277	880	1,228	657
Other receivables	881	827	200	533
Income tax recoverable	–	148	–	–
Total	7,087	7,042	4,836	4,739

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. Other receivables are unsecured, interest-free and repayable on demand. The concentration of credit risk is limited due to the debtors base being large and unrelated. There are nil other receivables which are past due at the end of the reporting period. Accordingly, management believes that there is no allowance for doubtful debts required.

« Notes To The Financial Statements

31ST DECEMBER 2012

10 SUBSIDIARIES

	Company	
	2012	2011
	\$'000	\$'000
Unquoted equity shares, at cost	354	354
Less: Allowance for impairment loss	(354)	(354)
Net	<u>–</u>	<u>–</u>
Due from subsidiaries	27,269	24,307
Less: Allowance for impairment loss	(13,242)	(12,525)
Net	<u>14,027</u>	<u>11,782</u>
Due to subsidiaries	<u>156</u>	<u>3</u>

Management is of the view that the amounts due from the subsidiaries represent deemed capital investment in subsidiaries, as there is no contractual obligation for repayment by the subsidiaries. In addition, the amounts due from and to subsidiaries are interest free and have no fixed terms of repayment.

Movement in the allowance for impairment loss on amounts due from subsidiaries:

	Company	
	2012	2011
	\$'000	\$'000
Balance at beginning of the year	12,525	12,628
Amounts written off	–	(103)
Impairment loss recognised in profit or loss	717	–
Balance at end of the year	<u>13,242</u>	<u>12,525</u>

Management carried out a review of the investments in subsidiaries having regard to the existing performance of the subsidiaries that had indicators of impairment. The review led to an accumulated impairment loss of \$354,000 (2011 : \$354,000) as at year end.

Details of the Group's significant subsidiaries are as follows:

Subsidiaries	Effective equity interest and voting power held by the Group		Country of incorporation (or registration) and operations	Principal activities
	2012	2011		
	%	%		
Held by the Company				
Apex-Pal Investment Pte. Ltd. ⁽¹⁾	100	100	Singapore	Investment holding
Held by subsidiaries				
Apex-Pal International (Beijing) Ltd ⁽³⁾	100	100	People's Republic of China	Provision of food and beverage consultancy and management services
Apex-Pal Malaysia Sdn Bhd ⁽⁴⁾	100	100	Malaysia	Operation of restaurants, kiosks and cafes
Apex-Pal F&B (Beijing) Ltd ⁽³⁾	100	100	People's Republic of China	Operation of restaurants, kiosks and cafes

Notes To The Financial Statements »

31ST DECEMBER 2012

10 SUBSIDIARIES (cont'd)

Subsidiaries	Effective equity interest and voting power held by the Group		Country of incorporation (or registration) and operations	Principal activities
	2012 %	2011 %		
Held by subsidiaries (cont'd)				
Apex-Pal (Chengdu) Co. Ltd. ⁽⁵⁾	100	100	People's Republic of China	Operation of restaurants, kiosks and cafes
Yummy Venture Pte Ltd ⁽⁶⁾	100	100	Singapore	Operation of restaurants, kiosks and cafes
Alliance Support Services Pte Ltd ⁽⁶⁾	100	100	Singapore	Provision of cleaning services
Sakae Kiosk Pte Ltd ⁽⁶⁾	100	100	Singapore	Operation of restaurants, kiosks and cafes
Sakae Sushi (Scape) Pte Ltd ⁽⁶⁾	100	100	Singapore	Operation of restaurants, kiosks and cafes
Swift Equity Sdn Bhd ⁽²⁾	100	100	Malaysia	Provision of centralised management functions

Notes on auditors

- (1) Audited by Deloitte & Touche LLP, Singapore.
- (2) Audited by Beh, Lee & Associates.
- (3) Audited by Dongshen (Beijing) Certified Public Accountants Co., Ltd.
- (4) Audited by RSM Robert Teo, Kuan and Co.
- (5) Audited by Si Chuan Yi Dian Tong Certified Public Accountants Co., Ltd.
- (6) Audited by MY Partnership.

« Notes To The Financial Statements

31ST DECEMBER 2012

11 ASSOCIATES

	Group		Company	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
Cost of investment in associates	6,792	4,150	6,792	4,150
Share of post acquisition losses	(55)	(54)	-	-
	6,737	4,096	6,792	4,150
Excess of interests in the net fair value of associates' identifiable net assets over cost of investment	3,731	3,731	-	-
	10,468	-	6,792	-
Less: Allowance for impairment loss	(10,468)	-	(6,792)	-
	-	7,827	-	4,150

Movement in the allowance for impairment loss:

	Group		Company	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
Balance at beginning of the year	-	-	-	-
Impairment loss recognised in profit or loss	10,468	-	6,792	-
Balance at end of the year	10,468	-	6,792	-

The breakdown in allowance for impairment loss on investments in associates is as follows:

	Group		Company	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
GREIH	10,099	-	6,642	-
GCM	369	-	150	-
	10,468	-	6,792	-

Details of the Group's associates are as follows:

Associates	Proportion of ownership interest and voting power held		Country of incorporation and operations	Principal activities
	2012	2011		
	%	%		
Griffin Real Estate Investment Holdings Pte Ltd ("GREIH")	24.69	24.69	Singapore	Investment property holding
Gryphon Capital Management Pte Ltd ("GCM")	20.00	20.00	Singapore	Provision of management and consultancy services

Notes To The Financial Statements >>

31ST DECEMBER 2012

11 ASSOCIATES (cont'd)

- a) On September 3, 2010, the Company announced the acquisition of the associates (the "Acquisitions") from an ex-NED as follows:
- (i) 24.69% equity interest in GREIH for \$4,000,000. On March 17, 2010, GREIH had completed the purchase of a commercial property at 470 North Bridge Road for a consideration of \$46,000,000.
 - (ii) 20% equity interest in GCM for \$150,000. GCM provides management services to GREIH.

In January 2011, the Acquisitions were approved by the Company's shareholders and were completed. Accordingly, the effective date of acquisition of the associates was determined to be January 31, 2011.

- b) In 2011, the excess of interests in the net fair value of associates' identifiable net assets over cost of investment of \$3,731,000 arose from the value of the commercial property of GREIH as at the effective date of acquisition. Thereafter, the Group's share in the commercial property of GREIH is carried at this fair value at the effective date of acquisition less subsequent accumulated depreciation. In the unaudited management accounts of GREIH, the commercial property is accounted for as investment property which is carried at cost less accumulated depreciation.
- c) In 2011, for the purpose of applying the equity method of accounting, the unaudited management accounts of GREIH and GCM from January 1, 2011 to December 31, 2011 was used as the financial year-end of the associates is June 30. In 2011, the results of the associates were not material to the Group. Summarised financial information of 2011 in respect of the Group's associates is set out below:

	Group 2011 \$'000
Total assets	60,650
Total liabilities	44,937
Net assets	<u>15,713</u>
Group's share of associates' net assets	<u>4,096</u>
Revenue	<u>3,166</u>
Loss for the year	<u>(11)</u>
Group's share of associates' loss for the year	<u>(54)</u>

- d) In June 2012, the Company invested an additional \$2,642,000 in new shares in GREIH as part of GREIH's shares issue exercise in order to maintain the Company's equity interest at 24.69%. For the current financial year ended December 31, 2012, the Company did not apply the equity method of accounting on its investments in associates but had made a full allowance for impairment loss on its investments in GREIH and GCM at the Company level and the Group level as more fully described in Note 2 to the financial statements.

« Notes To The Financial Statements

31ST DECEMBER 2012

12 PROPERTY, PLANT AND EQUIPMENT

Group	Building on										Total
	Freehold land	freehold land	Leasehold building	Restaurant equipment	Renovation	Furniture and fitting	Computers	Motor vehicles	Office equipment	Construction in-progress	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Cost or valuation:											
At January 1, 2011	-	-	20,000	7,153	10,594	5,703	3,170	969	275	-	47,864
Reclassifications	-	-	119	-	(14)	(176)	-	-	-	71	-
Exchange differences	-	-	-	(84)	8	(80)	(17)	(1)	(1)	(2)	(177)
Additions	-	-	-	2,665	2,850	1,164	514	-	5	6,968	14,166
Disposals	-	-	-	(253)	-	(42)	(34)	(116)	-	-	(445)
Write-offs	-	-	-	(498)	(2,692)	(635)	(197)	-	-	-	(4,022)
Eliminated on revaluation	-	-	(664)	-	-	-	-	-	-	-	(664)
Revaluation increase	-	-	2,545	-	-	-	-	-	-	-	2,545
At December 31, 2011	-	-	22,000	8,983	10,746	5,934	3,436	852	279	7,037	59,267
Reclassifications	2,235	1,254	581	2,357	(721)	804	(85)	-	-	(6,425)	-
Reclassification to investment property (iv)	-	-	-	-	-	-	-	-	-	(1,923)	(1,923)
Reclassification to prepayment (v)	-	-	-	-	-	-	-	-	-	(812)	(812)
Exchange differences	(31)	(18)	-	(103)	(60)	(72)	(25)	-	(2)	(92)	(403)
Additions	-	-	31	1,262	2,153	251	546	528	16	3,074	7,861
Disposals	-	-	-	(30)	-	(1)	(8)	(39)	-	-	(78)
Write-offs	-	-	-	(183)	(721)	(149)	(208)	-	(2)	-	(1,263)
Eliminated on revaluation	-	(22)	(703)	-	-	-	-	-	-	-	(725)
Revaluation increase	271	300	23,091	-	-	-	-	-	-	-	23,662
At December 31, 2012	2,475	1,514	45,000	12,286	11,397	6,767	3,656	1,341	291	859	85,586
Comprising:											
December 31, 2011											
At cost	-	-	-	8,983	10,746	5,934	3,436	852	279	7,037	37,267
At valuation	-	-	22,000	-	-	-	-	-	-	-	22,000
	-	-	22,000	8,983	10,746	5,934	3,436	852	279	7,037	59,267
December 31, 2012											
At cost	-	-	-	12,286	11,397	6,767	3,656	1,341	291	859	36,597
At valuation	2,475	1,514	45,000	-	-	-	-	-	-	-	48,989
	2,475	1,514	45,000	12,286	11,397	6,767	3,656	1,341	291	859	85,586

« Notes To The Financial Statements

31ST DECEMBER 2012

12 PROPERTY, PLANT AND EQUIPMENT (cont'd)

Company	Leasehold building	Restaurant equipment	Renovation	Furniture and fitting	Computers	Motor vehicles	Office equipment	Construction in-progress	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Cost or valuation:									
At January 1, 2011	20,000	4,592	7,566	4,078	2,407	944	221	-	39,808
Reclassifications	119	(1)	260	(328)	(50)	-	-	-	-
Additions	-	1,173	2,218	293	221	-	2	1,825	5,732
Disposals	-	(50)	-	-	-	(116)	-	-	(166)
Write-offs	-	(226)	(1,488)	(421)	(189)	-	-	-	(2,324)
Eliminated on revaluation	(664)	-	-	-	-	-	-	-	(664)
Revaluation increase	2,545	-	-	-	-	-	-	-	2,545
At December 31, 2011	22,000	5,488	8,556	3,622	2,389	828	223	1,825	44,931
Reclassifications	581	2,301	(1,162)	-	-	-	-	(1,720)	-
Reclassifications to prepayment (v)	-	-	-	-	-	-	-	(812)	(812)
Adjustments	-	-	424	-	-	-	-	-	424
Additions	31	169	1,420	30	175	528	1	1,203	3,557
Disposals	-	-	-	-	-	(39)	-	-	(39)
Write-offs	-	(170)	(721)	(149)	(145)	-	-	-	(1,185)
Eliminated on revaluation	(703)	-	-	-	-	-	-	-	(703)
Revaluation increase	23,091	-	-	-	-	-	-	-	23,091
At December 31, 2012	45,000	7,788	8,517	3,503	2,419	1,317	224	496	69,264
Comprising:									
December 31, 2011									
At cost	-	5,488	8,556	3,622	2,389	828	224	1,825	22,931
At valuation	22,000	-	-	-	-	-	-	-	22,000
	22,000	5,488	8,556	3,622	2,389	828	224	1,825	44,931
December 31, 2012									
At cost	-	7,788	8,517	3,503	2,419	1,317	224	496	24,264
Revaluation increase	45,000	-	-	-	-	-	-	-	45,000
	45,000	7,788	8,517	3,503	2,419	1,317	224	496	69,264

Notes To The Financial Statements »

31ST DECEMBER 2012

12 PROPERTY, PLANT AND EQUIPMENT (cont'd)

Company	Leasehold building \$'000	Restaurant equipment \$'000	Renovation \$'000	Furniture and fitting \$'000	Computers \$'000	Motor vehicles \$'000	Office equipment \$'000	Construction in-progress \$'000	Total \$'000
Accumulated depreciation:									
At January 1, 2011	327	3,842	4,350	3,064	2,111	826	157	-	14,677
Reclassifications	-	-	112	(125)	13	-	-	-	-
Depreciation	337	464	1,406	473	278	70	30	-	3,058
Eliminated on disposals	-	(29)	-	-	-	(106)	-	-	(135)
Eliminated on write-offs	-	(181)	(934)	(355)	(182)	-	-	-	(1,652)
Eliminated on revaluation	(664)	-	-	-	-	-	-	-	(664)
At December 31, 2011	-	4,096	4,934	3,057	2,220	790	187	-	15,284
Reclassifications	310	228	(546)	(2)	10	-	-	-	-
Depreciation	393	651	1,383	240	214	80	22	-	2,983
Eliminated on disposals	-	-	-	-	-	(39)	-	-	(39)
Eliminated on write-offs	-	(103)	(581)	(142)	(145)	-	-	-	(971)
Eliminated on revaluation	(703)	-	-	-	-	-	-	-	(703)
At December 31, 2012	-	4,872	5,190	3,153	2,299	831	209	-	16,554
Carrying amount:									
At December 31, 2011	22,000	1,392	3,622	565	169	38	36	1,825	29,647
At December 31, 2012	45,000	2,916	3,327	350	120	486	15	496	52,710

(i) The leasehold building was stated at valuation based on the market valuation as at December 31, 2012 as determined by Dennis Wee Realty Pte Ltd ("Dennis Wee Realty") (2011 : Savills (Singapore) Pte Ltd ("Savills")), an independent valuer not connected with the Group. The market valuation was derived based on open market value, being the estimated amount for which the leasehold building is exchangeable between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had acted knowledgeably, prudently and without compulsion. The net revaluation surplus, after netting the related deferred tax provision, amounting to \$19,192,000 (2011 : \$2,040,000) has been recorded in the revaluation reserve. Had the leasehold building been carried at historical cost, the carrying amount would have been approximately \$11.5 million (2011 : \$12.7 million).

Name of property	Description	Tenure	Existing use	Strata Gross floor area	Group's interest in the property
Sakae Building 28 Tai Seng Street Singapore 534106	A 7-storey commercial building	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.	Offices and factories	18,743 sqm	100% (2011: 100%)

« Notes To The Financial Statements

31ST DECEMBER 2012

12 PROPERTY, PLANT AND EQUIPMENT (cont'd)

- (ii) The Group has pledged the leasehold building with carrying amount of \$45.0 million (2011 : \$22.0 million) to secure the bank loan as disclosed in Note 15.
- (iii) The freehold land and building comprise a 2½ storey commercial boutique bungalow ("Boutique Bungalow No. 1") in Malaysia, which was acquired by a subsidiary for RM8,500,000 (\$3,400,000) and was classified under construction-in-progress in 2011 because restoration and fitting works were being carried out on Boutique Bungalow No. 1 in 2011. In 2012, the restoration and fitting works were completed and the carrying amount of Boutique Bungalow No. 1 was reclassified from construction-in-progress to and split between freehold land and building.

The freehold land and building were stated at valuation based on the market valuation as at December 31, 2012 as determined by KGV International Property Consultants (M) Sdn Bhd ("KGV"), an independent valuer not connected with the Group. The market valuation was derived based on open market value, being the estimated amount for which the freehold land and building are exchangeable between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had acted knowledgeably, prudently and without compulsion. The net revaluation surplus for both the freehold land and building amounting to RM 1,500,000 (\$571,000) has been recorded in the revaluation reserve. Had the freehold land and building been carried at historical costs, their carrying amounts would have been approximately RM5,525,000 (\$2,203,000) and RM3,047,000 (\$1,215,000) respectively.

Based on the market valuation as determined by KGV, the allocation of the market valuation between freehold land and building as at December 31, 2012 were RM6,205,000 (\$2,475,000) and RM3,795,000 (\$1,514,000) respectively.

Name of property	Description	Tenure	Existing use	Strata Gross floor area	Group's interest in the property
No. 7 Jalan Udang Harimau 2 Medan Niaga Kepong 51200 Kuala Lumpur Malaysia	A 2 ½ storey commercial boutique bungalow	Freehold	Offices and factories	1,605 sqm	100%

- (iv) Included in construction-in-progress is the carrying amount of a 2½ storey commercial boutique bungalow ("Boutique Bungalow No. 2") in Malaysia, which was acquired by a subsidiary for RM4,808,000 (\$1,923,000) and was classified under construction-in-progress in 2011 because restoration and fitting works were being carried out on Boutique Bungalow No.2 in 2011. In 2012, when the restoration and fitting works were completed, the carrying amount of Boutique Bungalow No. 2 was reclassified from property, plant and equipment to investment property because management had determined on its intention to lease out Boutique Bungalow No. 2 to generate property rental income.
- (v) Included in construction-in-progress in 2011 was \$0.8 million in cost for the installation of solar panels at Sakae Building, which were leased by the Company. In 2012, when the installation was completed, the cost was reclassified from property, plant and equipment to prepayment as prepaid lease expenses.
- (vi) Included in the additions of renovations during the year is a provision for reinstatement costs of \$652,000 (2011: \$NIL).
- (vii) During the year, the Group has carried out a review of the recoverable amount of its property, plant and equipment, having regard to the ongoing performance of its outlets. The review has led to a write-back of impairment loss of \$652,000 recognised in profit or loss because the recoverable amount of the relevant assets of certain outlets (as determined based on their value-in-use assessment) by management is higher than the carrying amount due to improvement in the performance of these outlets.

Notes To The Financial Statements »

31ST DECEMBER 2012

13 INVESTMENT PROPERTY

	Freehold land \$'000	Building on freehold land \$'000	Total \$'000
Group			
Cost:			
At January 1, 2011 and December 31, 2011	–	–	–
Reclassification from property, plant and equipment (Note 12(iv))	1,270	653	1,923
At December 31, 2012	1,270	653	1,923
Accumulated depreciation:			
At January 1, 2011, December 31, 2011 and December 31, 2012	–	–	–
Carrying amount:			
At December 31, 2011	–	–	–
At December 31, 2012	1,270	653	1,923

There were no property rental income from the investment property and no direct operating expenses (including repairs and maintenance) arising from the rental-generating investment property in 2012 because the Group had not yet entered into any rental agreements.

Name of property	Description	Tenure	Existing use	Strata Gross floor area	Group's interest in the property
No. 3 Jalan Udang Harimau 2 Medan Niaga Kepong 51200 Kuala Lumpur Malaysia	2½ storey commercial boutique bungalow	Freehold	Property rental	899 sq m	100%

The market valuation of the freehold land and building as at December 31, 2012 were RM3,475,000 (\$1,386,000) and RM1,785,000 (\$712,000) respectively as determined by KGV, an independent valuer not connected with the Group. The market valuation was derived based on open market value, being the estimated amount for which the freehold land and building are exchangeable between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had acted knowledgeably, prudently and without compulsion.

14 GOODWILL

	Group	
	2012 \$'000	2011 \$'000
At January 1	939	921
Exchange differences	53	18
At December 31	992	939

Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating units (CGUs) that are expected to benefit from that business combination which relates to the business assets of the former Genki Sushi outlets in Malaysia.

The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired.

« Notes To The Financial Statements

31ST DECEMBER 2012

14 GOODWILL (cont'd)

The recoverable amounts of the CGUs are determined from value-in-use calculations. The key assumptions for the value-in-use calculations are those regarding the discount rates, growth rates and expected changes to selling prices and direct costs during the period. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. The growth rates are based on industry growth forecasts. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market.

The Group prepares cash flow forecasts derived from the most recent financial performance of the outlets and extrapolated for the next five (2011: five) years based on an estimated growth rate of 5% (2011 : 5%). The rate used to discount the forecasted cash flows of the CGUs was 11% (2011 : 11%).

As at December 31, 2012, any reasonably possible change to the key assumptions applied is not likely to cause the recoverable amounts to be below the carrying amounts of the CGUs.

15 BANK LOANS

	Group and Company	
	2012	2011
	\$'000	\$'000
Long term bank loans (secured)	13,753	13,761
Short term bank loans (unsecured)	13,650	10,300
	<u>27,403</u>	<u>24,061</u>
Less: Non-current portion of long term loans	(12,241)	(12,304)
Current portion	<u>15,162</u>	<u>11,757</u>

- (a) The long-term bank loans of \$13,753,000 (2011 : \$13,761,000) were raised to finance the construction of the operational headquarters, the leasehold building at Tai Seng Street (Note 12), which is pledged as security for the loans. The loans carry interest at rates ranging between 1.47% and 1.72% (2011: rates ranging between 1.42% and 1.73%) per annum. Repayment commences in 2010 throughout the period of the construction stage till issuance of Temporary Occupation Permit ("TOP") or up to 24 months from date of first drawdown, whichever is earlier, and interest is to be serviced monthly commencing 1 month from date of first drawdown ("interest servicing period"). The first instalment comprising principal and interest shall commence 1 month from conversion from the interest servicing period or 1 month after the issuance of TOP or September 30, 2010, whichever is earliest. In January 2011, the loans were converted into 10 year term loans subject to bank's prevailing rate and terms and conditions mutually agreed. The 10 year term loans shall be repaid over 120 monthly instalments which commenced in February 2011.
- (b) Short-term loans of \$13,650,000 (2011 : \$10,300,000) bore interests at rates ranging from 1.34% to 1.74% (2011 : rates ranging between 1.18% to 1.66%) per annum and are renewable upon maturity for one to three months (2011 : one to three months).
- (c) Management estimates that the carrying amounts of the bank loans approximate their fair values as the borrowings are arranged at prevailing market rates.

Notes To The Financial Statements »

31ST DECEMBER 2012

16 TRADE PAYABLES

The average credit period on purchases of goods is 30 days (2011 : 30 days). No interest is charged for outstanding balances exceeding its credit period.

Trade creditors and accruals principally comprise amounts outstanding for trade purchases and ongoing costs.

17 DEFERRED TAX LIABILITIES

The following are the major deferred tax liabilities recognised by the Group and Company, and movements thereon, during the current and prior reporting periods:

	Revaluation reserve	Accelerated tax depreciation	Others	Total
	\$'000	\$'000	\$'000	\$'000
Group				
At January 1, 2011	1,188	526	–	1,714
Reclassifications	(87)	87	–	–
Charge to other comprehensive income	505	–	–	505
(Credit) Charge to profit and loss (Note 22)	(39)	130	–	91
Exchange differences	–	31	–	31
At December 31, 2011	1,567	774	–	2,341
Charge to other comprehensive income	3,899	–	–	3,899
(Credit) Charge to profit and loss (Note 22)	(28)	50	(92)	(70)
Exchange differences	–	(35)	1	(34)
At December 31, 2012	5,438	789	(91)	6,136
Company				
At January 1, 2011	1,188	516	–	1,704
Reclassifications	(87)	87	–	–
Charge to other comprehensive income	505	–	–	505
Credit to profit or loss	(39)	–	–	(39)
At December 31, 2011	1,567	603	–	2,170
Charge to other comprehensive income	3,899	–	–	3,899
(Credit) charge to profit or loss	(28)	1	–	(27)
At December 31, 2012	5,438	604	–	6,042

« Notes To The Financial Statements

31ST DECEMBER 2012

18 ISSUED CAPITAL

	Group and Company			
	2012 '000	2011 '000	2012 \$'000	2011 \$'000
	Number of ordinary shares			
Issued and paid up:				
At beginning and end of the year	142,000	142,000	10,736	10,736

Fully paid ordinary shares, which have no par value, carry one vote per share and carry a right to dividends as and when declared by the Company.

19 REVALUATION RESERVE

The property revaluation reserve arises on the revaluation of leasehold building located at 28 Tai Seng Street, Singapore (Note 12 (i)) and the freehold land and building, comprising a 2½ storey commercial boutique bungalow located in Kuala Lumpur, Malaysia (Note 12 (iii)).

20 REVENUE

	Group	
	2012 \$'000	2011 \$'000
Food and beverage sales	87,985	82,036
Service charge	7,535	6,890
Sales of materials to franchisees	123	6
Royalties	157	177
Management fees	60	60
Total	95,860	89,169

21 OTHER OPERATING INCOME

	Group	
	2012 \$'000	2011 \$'000
Interest income	80	79
Rental income	1,487	1,180
Government grants	119	840
Others	192	546
Total	1,878	2,645

Notes To The Financial Statements »

31ST DECEMBER 2012

22 INCOME TAX EXPENSE

	Group	
	2012	2011
	\$'000	\$'000
Current tax expense	1,710	363
Adjustments recognised in the year in relation to the current tax of prior years	606	742
Deferred tax (credit) expense (Note 17)	(70)	91
Withholding tax	111	100
Total income tax expense	2,357	1,296

Domestic income tax expense is calculated at 17% (2011 : 17%) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

The total charge for the year can be reconciled to the accounting (loss) profit as follows:

	Group	
	2012	2011
	\$'000	\$'000
(Loss) Profit before income tax	(4,395)	6,752
Income tax (credit) expense calculated at 17% (2011: 17%)	(747)	1,148
Effect of revenue that is exempt from taxation	(46)	(56)
Tax effect of expense that are not deductible in determining taxable profit	2,412	102
Tax effect of income that are not taxable in determining taxable profit	(122)	(634)
Effect of different tax rates of subsidiaries operating in other jurisdictions	138	(125)
Withholding tax	111	100
Adjustments recognised in the year in relation to the current tax of prior years	606	742
Others	5	19
	2,357	1,296

« Notes To The Financial Statements

31ST DECEMBER 2012

23 (LOSS) PROFIT FOR THE YEAR

This has been arrived at after charging (crediting):

	Group	
	2012	2011
	\$'000	\$'000
Employee benefits expense (including directors' remuneration)	29,380	26,959
Cost of inventories recognised as expense	27,116	26,359
Rental expenses (as included in "other operating expenses")	14,858	15,622
Utilities (as included in "other operating expenses")	4,028	3,818
Impairment loss recognised on trade receivables	700	–
Depreciation of property, plant and equipment	5,237	4,460
Write back of impairment of property, plant and equipment	(652)	–
Amortisation of prepaid lease	38	–
Defined contribution plan (included in employee benefits expense)	1,748	1,527
Directors' remuneration	1,315	988
Remuneration paid to immediate family members of the Chief Executive Officer	126	93
(Gain) Loss on disposal of property, plant and equipment	(16)	7
Write-off of property, plant and equipment	218	795
Directors' fees	124	95
Audit fees:		
Paid to auditors of the Company	67	67
Paid to other auditors	23	28
Non-audit fees:		
Paid to other auditors	63	20
Net foreign exchange losses	239	21

24 BASIC AND DILUTED (LOSSES) EARNINGS PER SHARE

	Group	
	2012	2011
(Loss) Profit after income tax attributable to equity holders of the Company (\$'000)	(6,751)	5,501
Weighted average number of ordinary shares for the purposes of basic (losses) earnings per share ('000)	142,000	142,000
Basic (losses) earnings per share (cents)	(4.75)	3.87

There is no dilution of earnings per share as no share options were granted.

Notes To The Financial Statements >>

31ST DECEMBER 2012

25 DIVIDENDS

	Group and Company	
	2012	2011
	\$'000	\$'000
A final dividend of 1.0 cents per share tax exempt one-tier on the issued and fully paid ordinary shares in respect of 2011	1,420	-
An interim dividend of 0.5 cents per share tax exempt one-tier on the issued and fully paid ordinary shares in respect of 2012	710	-
A final dividend of 1.0 cents per share tax exempt one-tier on the issued and fully paid ordinary shares in respect of 2010	-	1,420
	<u>2,130</u>	<u>1,420</u>

In respect of the current year, the directors propose that a dividend of 1.0 cent per share will be paid to shareholders. This dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements. The total estimated dividend to be paid is \$1,420,000.

26 OPERATING LEASE ARRANGEMENTS

	Group	
	2012	2011
	\$'000	\$'000
<u>The Group as lessee</u>		
Minimum lease payments under operating leases	<u>14,858</u>	<u>15,622</u>

At the end of the reporting period, the Group has outstanding commitments under non-cancellable operating leases, which fall due as follows:

	Group	
	2012	2011
	\$'000	\$'000
Within one year	12,987	11,005
In the second to fifth years inclusive	13,262	10,668
After five years	5,446	15,417
Total	<u>31,695</u>	<u>37,090</u>

Operating lease payments include rentals payable by the Group for certain of its office and shop premises. Leases are negotiated for an average term of three years.

The Group as lessor

The Group rents out portions of a building under non-cancellable operating leases.

At the end of the reporting period, the Group has the following future minimum lease receipts:

	Group	
	2012	2011
	\$'000	\$'000
Within one year	2,347	1,009
In the second to fifth year inclusive	2,650	2,094
	<u>4,997</u>	<u>3,103</u>

« Notes To The Financial Statements

31ST DECEMBER 2012

27 CAPITAL COMMITMENTS

	Group		Company	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
Acquisition of plant and equipment	975	2,536	768	1,784

28 SEGMENT INFORMATION**Products and services from which reportable segments derive their revenues**

Information reported to the Group's chief operating decision maker for the purposes of resource allocation and assessment of segment performance is specifically focused on the category of each type of goods and services. The Group's reportable segments under FRS 108 *Operating Segments* are therefore as follows:

- Sakae Sushi, which is the main brand in provision of food and beverages to retail customers from the general public.
- Other products and services, which is inclusive of other brands and services offered by the Group namely Sakae Teppanyaki, Sakae Delivery, Hei Sushi, Senju, Sachi, Sakae Express, Crepes & Cream and Nouvelle Events. Each of these does not constitute 10% or more of total Group's revenue, profit for the year and assets.

Information regarding the Group's reportable segments is presented below.

Segment revenues and results

The following is an analysis of the Group's revenue and results by reportable segment:

	Revenue		Net profit	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
Sakae Sushi	86,363	81,261	13,787	8,125
Other products and services	9,497	7,908	749	138
Total	95,860	89,169	14,536	8,263
Central administration costs and directors' salaries			(10,009)	(7,613)
Other operating income			1,878	2,645
Share of losses of associates (Note 11)			–	(54)
Excess of interests in the net fair value of associates' identifiable net assets over cost of investment (Note 11)			–	3,731
Impairment loss on investments in associates (Note 11)			(10,468)	–
Interest income			80	79
Finance costs			(412)	(299)
(Loss) profit before income tax			(4,395)	6,752
Income tax expense			(2,357)	(1,296)
(Loss) profit for the year			(6,752)	5,456

The accounting policies of the reportable segments are the same as the Group's accounting policies described in Note 3. Segment profit represents the profit earned by each segment without allocation of central administration costs and directors' salaries, other operating income and finance costs, and income tax expense. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

Notes To The Financial Statements >>

31ST DECEMBER 2012

28 SEGMENT INFORMATION (cont'd)

Segment assets

	2012	2011
	\$'000	\$'000
Sakae Sushi	35,049	23,196
Other products and services	7,184	4,735
Total segment assets	42,233	27,931
Unallocated assets	43,080	36,460
Consolidated total assets	85,313	64,391

For the purposes of monitoring segment performance and allocating resources between segments, the chief operating decision maker monitors the tangible and certain financial assets attributable to each segment.

All assets are allocated to reportable segments other than corporate assets.

Other segment information

	Depreciation		Additions to property, plant and equipment	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
Sakae Sushi	2,754	3,060	4,395	6,439
Other products and services	1,098	698	157	3,445
Unallocated corporate items	1,385	702	2,657	4,282
Total	5,237	4,460	7,209	14,166

Geographical segments

In line with the Group's business strategy, the Group's operations are located mainly in Singapore and Malaysia. The segmental information for geographical regions is based on the locations of customers.

	Revenue		Non-current assets	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
Singapore	65,217	64,800	53,559	33,732
Malaysia	28,306	21,992	12,012	13,779
Others	2,337	2,377	242	179
Total	95,860	89,169	65,813	47,690

No information about major customers is presented as the Group provides its goods and services to the general public as a whole.

« Notes To The Financial Statements

31ST DECEMBER 2012

29 EVENTS AFTER THE REPORTING PERIOD

- (i) On January 15, 2013, the Company announced that it had entered into a legally binding memorandum of understanding (the "MOU") dated January 15, 2013 with (i) NEC Capital Solutions Limited; (ii) MP Holdings Co. Ltd ("MP Holdings"); and (iii) Mr. Nobuo Yamanoi (collectively, the "Parties") in relation to, *inter alia*:
- (a) the proposed subscription by the Company for 210 ordinary shares ("Subscription Shares"), which will represent 51.22% of the ordinary issued share capital of MP Holdings for a consideration of about \$150,000; and
 - (b) the proposed business collaboration amongst the Parties to expand the business and operations of Marinepolis Co., Ltd. in Japan and Marinepolis U.S.A. Inc. in the United States of America.

The MOU sets out certain terms and conditions which will form the broad basis of the definitive agreement that may be negotiated and entered into between the Parties, following the completion of, *inter alia*, due diligence investigations in respect of MP Holdings.

- (ii) On February 26, 2013, March 1, 2013 and March 22, 2013, the Company has acquired 78,000, 186,000 and 203,000 of its own shares respectively via open market purchase. Consequently 467,000 shares of the Company held as treasury stocks as at the date of these financial statements.

Statistics of Shareholdings »

AS AT 8 MARCH 2013

Total number of issued shares	:	142,000,000
Total number of issued shares excluding treasury shares	:	141,736,000
Total number and percentage of treasury shares	:	264,000 (0.19%)
Class of shares	:	Ordinary shares
Voting rights	:	One vote per share

The Company cannot exercise any voting rights in respect of ordinary shares held by it as treasury shares.

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 - 999	592	56.16	66,977	0.05
1,000 - 10,000	225	21.35	1,071,220	0.75
10,001 - 1,000,000	225	21.35	18,311,863	12.92
1,000,001 AND ABOVE	12	1.14	122,285,940	86.28
TOTAL	1,054	100.00	141,736,000	100.00

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	FOO PEOW YONG DOUGLAS	77,926,740	54.98
2	MAYBANK NOMINEES (S) PTE LTD	14,000,000	9.88
3	AMFRASER SECURITIES PTE. LTD.	7,240,000	5.11
4	28 HOLDINGS PTE. LTD.	6,690,000	4.72
5	OCBC SECURITIES PRIVATE LTD	3,912,600	2.76
6	GOH LI-SHING ARLENE (WU LIXIN ARLENE)	3,173,000	2.24
7	BNP PARIBAS NOMINEES SINGAPORE PTE LTD	2,508,000	1.77
8	HONG LEONG FINANCE NOMINEES PTE LTD	2,170,000	1.53
9	UOB KAY HIAN PTE LTD	1,382,000	0.98
10	GOH KHOON LIM	1,147,000	0.81
11	BANK OF EAST ASIA NOMINEES PTE LTD	1,081,000	0.76
12	JOSEPH QUEK	1,055,600	0.74
13	FOO TAI SIOW	898,000	0.63
14	MAYBANK KIM ENG SECURITIES PTE LTD	863,000	0.61
15	FOO KIA HEE	770,100	0.54
16	HSBC (SINGAPORE) NOMINEES PTE LTD	679,000	0.48
17	ALEXANDER THOMAS ZBORAY	596,000	0.42
18	LEE SAU LEUNG	596,000	0.42
19	LIM & TAN SECURITIES PTE LTD	562,000	0.40
20	PAUL HAROLD STEFANSSON	553,600	0.39
TOTAL		127,803,640	90.17

« Statistics of Shareholdings

AS AT 8 MARCH 2013

SUBSTANTIAL SHAREHOLDERS

Substantial shareholders of the Company (as recorded in the Register of Substantial Shareholders) as at 8 March 2013

Name	No. of Ordinary shares			
	Direct Interest	% ⁽⁴⁾	Deemed Interest	% ⁽⁴⁾
Douglas Foo Peow Yong	77,926,740	54.98	14,000,100 ⁽¹⁾	9.88
28 Holdings Pte Ltd	6,690,000	4.72	7,000,000 ⁽²⁾	4.94
Goh Khoon Lim	1,147,000	0.81	13,690,000 ⁽³⁾	9.66
Gan Suat Lui	0	0	13,690,000 ⁽⁴⁾	9.66

Notes:

- (1) Mr Douglas Foo Peow Yong is deemed to be interested in 100 shares held by his wife, Ms Koh Yen Khoon and 14,000,000 shares held in trust by Mayban Nominees (Singapore) Private Limited.
- (2) 28 Holdings Pte Ltd is deemed interested in 7,000,000 shares held in trust by Amfraser Securities Pte Ltd.
- (3) Mr Goh Khoon Lim is deemed interested in 13,690,000 shares held directly and indirectly by 28 Holdings Pte Ltd by virtue of his interests of not less than 20% in 28 Holdings Pte Ltd. Mr Goh Khoon Lim is also a director of 28 Holdings Pte Ltd.
- (4) Ms Gan Suat Lui is deemed interested in 13,690,000 shares held directly and indirectly by 28 Holdings Pte Ltd through her not less than 20% shareholding in 28 Holdings Pte Ltd. Ms Gan Suat Lui is also a director of 28 Holdings Pte Ltd.
- (5) Percentage is based on 141,736,000 shares (excluding treasury shares) as at 8 March 2013.

FREE FLOAT

As at 8 March 2013, approximately 24.13% of the total number of issued shares excluding treasury shares of the Company was held in the hands of the public (on the basis of information available to the Company).

Accordingly, the Company has complied with Rule 723 of the Listing Manual of the Singapore Exchange Securities Trading Limited.

TREASURY SHARES

As at 8 March 2013, the Company held 264,000 treasury shares, representing 0.19% of the total issued shares excluding treasury shares.

Notice of Annual General Meeting »

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Sakae Holdings Ltd. (the “**Company**”) will be held at 28 Tai Seng Street, Sakae Building, Level 7, Singapore 534106, on Friday, 19 April 2013 at 2.00 p.m. for the following purposes:

Ordinary Business

1. To receive and adopt the Directors’ Report and Audited Financial Statements of the Company for the financial year ended 31 December 2012 together with the Auditors’ Report thereon. **(Resolution 1)**
2. To declare a final tax exempt (1-tier) dividend of 1 cent per ordinary share for the financial year ended 31 December 2012. **(Resolution 2)**
3. To re-elect the following Directors retiring by rotation pursuant to Article 91 of the Company’s Articles of Association and who, being eligible, offers himself for re-election:

Mr Lim Chee Yong **(Resolution 3)**
Mr Chan Wing Leong **(Resolution 4)**

Mr Lim Chee Yong will, upon re-election as a Director of the Company, remain as Chairman of the Audit Committee and member of the Remuneration Committee and Nominating Committee. He will be considered independent for the purposes of Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited.

Mr Chan Wing Leong will, upon re-election as a Director of the Company, remain as Chairman of the Remuneration Committee and member of the Audit Committee and Nominating Committee. He will be considered independent for the purposes of Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited.
4. To approve the payment of Directors’ fees of S\$170,000 (FY2011: S\$95,000) for the financial year ended 31 December 2012. **(Resolution 5)**
5. To re-appoint Messrs Deloitte & Touche LLP as the Company’s Auditors and to authorise the Directors to fix their remuneration. **(Resolution 6)**
6. To transact any other ordinary business which may properly be transacted at an Annual General Meeting.

Special Business

To consider and if thought fit, to pass the following resolutions as Ordinary Resolutions, with or without any modifications:

7. Authority to allot and issue shares

“That, pursuant to Section 161 of the Companies Act, Cap. 50 (the “**Companies Act**”) and Rule 806(2) of the Listing Manual of the Singapore Exchange Securities Trading Limited (the “**Listing Manual**”), authority be and is hereby given to the Directors to:-

- (a) allot and issue shares in the Company; and
- (b) issue convertible securities and any shares in the Company pursuant to convertible securities

« Notice of Annual General Meeting

(whether by way of rights, bonus or otherwise) at any time and upon such terms and conditions and for such purposes and to such persons as the Directors shall in their absolute discretion deem fit, provided that the aggregate number of shares (including any shares to be issued pursuant to the convertible securities) in the Company to be issued pursuant to such authority shall not exceed fifty per cent. (50%) of the total number of issued shares excluding treasury shares of the Company for the time being and that the aggregate number of shares in the Company to be issued other than on a pro-rata basis to the then existing shareholders of the Company will not exceed twenty per cent. (20%) of the total number of issued shares excluding treasury shares of the Company for the time being. Unless prior shareholders' approval is required under the Listing Manual, an issue of treasury shares will not require further shareholders' approval, and will not be included in the aforementioned limits. Unless revoked or varied by the Company in general meeting, such authority shall continue in full force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting is required by law to be held, whichever is earlier, except that the Directors shall be authorised to allot and issue new shares pursuant to the convertible securities notwithstanding that such authority has ceased.

For the purposes of this Resolution and Rule 806(3) of the Listing Manual, the total number of issued shares excluding treasury shares is based on the total number of issued shares excluding treasury shares of the Company at the time this Resolution is passed after adjusting for:-

- (i) new shares arising from the conversion or exercise of convertible securities;
 - (ii) new shares arising from exercising share options or vesting of share awards outstanding or subsisting at the time of the passing of this Resolution, provided the options or awards were granted in compliance with the rules of the Listing Manual; and
 - (iii) any subsequent bonus issue, consolidation or subdivision of shares." (See Explanatory Note (i))
- (Resolution 7)**

8. Authority to grant options and issue Shares under the Sakae Employee Share Option Scheme

"That pursuant to Section 161 of the Companies Act, the Directors of the Company be and are hereby authorised to offer and grant options in accordance with the Sakae Employee Share Option Scheme (the "**Scheme**") and to allot and issue from time to time such number of Shares as may be required to be issued pursuant to the exercise of the options granted under the Scheme provided always that the aggregate number of Shares to be issued pursuant to the Scheme shall not exceed 15% of the total number of issued Shares excluding treasury shares of the Company from time to time."

(See Explanatory Note (ii))

(Resolution 8)

9. Authority to allot and issue Shares under the Sakae Performance Share Scheme

"That pursuant to Section 161 of the Companies Act, the Directors of the Company be and are hereby authorised to grant awards in accordance with the provisions of the Sakae Performance Share Scheme (the "**Performance Share Scheme**") and to allot and issue such number of fully paid Shares from time to time as may be required to be issued pursuant to the vesting of awards under the Performance Share Scheme provided always that the aggregate number of new Shares to be allotted and issued pursuant to the Performance Share Scheme shall not exceed 15% of the total number of issued Shares (excluding treasury shares) of the Company from time to time and that such authority shall, unless revoked or varied by the Company in general meeting, shall continue in full force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier."

(See Explanatory Note (iii))

(Resolution 9)

Notice of Annual General Meeting »

10. To grant approval for the renewal of the Share Buyback Mandate

“That:

- (a) for the purposes of the Companies Act, the exercise by the Directors of the Company of all the powers of the Company to purchase or otherwise acquire the Ordinary Shares not exceeding in aggregate the Prescribed Limit (as hereafter defined), at such price(s) as may be determined by the Directors of the Company from time to time up to the Maximum Price (as hereafter defined), whether by way of:
- (i) market purchases (each a “**Market Purchase**”) on the Singapore Exchange Securities Trading Limited (“**SGX-ST**”); and/or
 - (ii) off-market purchases (each an “**Off-Market Purchase**”) effected otherwise than on the SGX-ST in accordance with any equal access schemes as may be determined or formulated by the Directors of the Company as they consider fit, which schemes shall satisfy all the conditions prescribed by the Companies Act, and otherwise in accordance with all other provisions of the Companies Act and listing rules of the SGX-ST as may for the time being be applicable, be and is hereby authorised and approved generally and unconditionally (the “**Share Buyback Mandate**”);
- (b) unless varied or revoked by the Company in a general meeting, the authority conferred on the Directors of the Company pursuant to the Share Buyback Mandate may be exercised by the Directors at any time and from time to time during the period commencing from the passing of this Resolution and expiring on the earlier of:
- (i) the date on which the next annual general meeting of the Company (“**AGM**”) is held; or
 - (ii) the date on which the next AGM is required by law to be held.
- (c) In this Resolution:

“**Prescribed Limit**” means 10% of the total number of issued Shares of the Company as at the date of passing of this Resolution unless the Company has effected a reduction of the share capital of the Company in accordance with the applicable provisions of the Companies Act, at any time during the Relevant Period, in which event the total number of issued Shares of the Company shall be taken to be the total number of issued Shares of the Company as altered;

“**Relevant Period**” means the period commencing from the date on which the last AGM was held and expiring on the date the next AGM is held or is required by law to be held, whichever is the earlier, after the date of this Resolution; and

“**Maximum Price**” in relation to a Share to be purchased, means an amount (excluding brokerage, stamp duties, applicable goods and services tax and other related expenses) not exceeding:

- (i) in the case of a Market Purchase: 105% of the Average Closing Price; and
- (ii) in the case of an Off-Market Purchase: 110% of the Average Closing Price, where:

“**Average Closing Price**” means the average of the closing market prices of a Share over the last five (5) Market Days, on which transactions in the Shares were recorded, preceding the day of the Market Purchase by the Company or, as the case may be, the date of the making of the offer pursuant to the Off-Market Purchase, and deemed to be adjusted for any corporate action that occurs after the relevant five (5)-day period;

« Notice of Annual General Meeting

“**date of the making of the offer**” means the date on which the Company announces its intention to make an offer for an Off-Market Purchase, stating the purchase price (which shall not be more than the Maximum Price calculated on the foregoing basis) for each Share and the relevant terms of the equal access scheme for effecting the Off-Market Purchase; and

“**Market Day**” means a day on which the SGX-ST is open for trading in securities; and

- (d) the Directors of the Company be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) as they may consider expedient or necessary to give effect to the transactions contemplated by this Resolution.”

(See Explanatory Note (iv)).

(Resolution 10)

By Order of the Board

Chan Lai Yin
Company Secretary

Singapore, 4 April 2013

Explanatory Notes:

- (i) Ordinary Resolution 7 is to empower the Directors of the Company from the date of the above Meeting until the date of the next Annual General Meeting, to allot and issue shares and convertible securities in the Company. The aggregate number of shares (including any shares issued pursuant to the convertible securities) which the Directors may allot and issue under this Resolution will not exceed fifty per cent. (50%) of the total number of issued shares excluding treasury shares of the Company. For issues of shares other than on a pro rata basis to all shareholders, the aggregate number of shares to be issued will not exceed twenty per cent. (20%) of the total number of issued shares excluding treasury shares of the Company. This authority will, unless previously revoked or varied at a general meeting, expire at the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier. However, notwithstanding the cessation of this authority, the Directors are empowered to issue shares pursuant to any convertible securities issued under this authority.
- (ii) Ordinary Resolution 8 is to empower the Directors of the Company, to grant options and to allot and issue Shares upon the exercise of such share options in accordance with the Sakae Employee Share Option Scheme.
- (iii) Ordinary Resolution 9 is to empower the Directors of the Company, to grant awards and to allot and issue such number of fully paid Shares from time to time as may be required to be issued pursuant to the Sakae Performance Share Scheme.
- (iv) Ordinary Resolution 10 is to empower the Directors of the Company to exercise all powers of the Company to purchase or otherwise acquire (whether by way of Market Purchases or Off-Market Purchases) issued and fully paid Ordinary Shares on terms of the Share Buyback Mandate set out in paragraph 2 of the Appendix. The authority conferred by Ordinary Resolution 10 will continue in force until the earliest of:
- (a) the date on which the next AGM of the Company is held or required by law to be held;
 - (b) the date on which the Share Buybacks are carried out to the full extent mandated; or
 - (c) the date on which the authority contained in the Share Buyback Mandate is varied or revoked.

The Company will use internal resources and/or external borrowings and/or a combination of both to finance purchases of Shares pursuant to the Share Buyback Mandate. In purchasing or acquiring Shares pursuant to the Share Buyback Mandate, the Directors will principally consider the availability of internal resources. In addition, the Directors will also consider the availability of external financing. However, in considering the option of external financing, the Directors will consider particularly the prevailing gearing level of the Group. As at the Latest Practicable Date (as defined in the Appendix), the Company has not taken up any external financing to fund Share Buybacks pursuant to the Share Buyback Mandate. The Directors will only make purchases or acquisitions pursuant to the Share Buyback Mandate in circumstances which they believe will not result in any material adverse effect to the financial position of the Company or the Group.

Notice of Annual General Meeting »

It is not possible for the Company to realistically calculate or quantify the impact of such purchases or acquisition of Shares that may be made pursuant to the Share Buyback Mandate on the net asset value and earnings per Share as the resultant financial effects on the Company and the Group will depend on, *inter alia*, whether the Shares are purchased or acquired, the price paid for such Shares and whether the Shares purchased or acquired are held in treasury or cancelled. An illustration of the financial impact of the Share Buybacks by the Company pursuant to the Share Buyback Mandate on the audited financial statements of the Company and its subsidiaries for the financial year ended 31 December 2012 is set out in paragraph 2.7.3 of the Appendix.

Notes:

1. A member entitled to attend and vote at the Meeting is entitled to appoint one or two proxies to attend and vote in his stead. A proxy need not be a member of the Company.
2. Where a member appoints more than one proxy, the appointments shall be invalid unless he specifies the proportion of his holding (expressed as a percentage of the whole) to be represented by each proxy.
3. The instrument appointing a proxy or proxies must be under the hand of the appoint or or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its common seal or under the hand of its attorney or a duly authorised officer.
4. The instrument appointing a proxy or proxies must be deposited at the Company's registered office at 28 Tai Seng Street, Sakae Building, Level 7, Singapore 534106, not less than 48 hours before the time set for the Annual General Meeting.

« Notice of Books Closure

NOTICE IS HEREBY GIVEN that the Share Transfer Books and Register of Members of the Company shall be closed on 11 June 2013 for the preparation of the dividend warrants in respect of the proposed final tax exempt (1-tier) dividend of 1 cent per ordinary share for the financial year ended 31 December 2012.

Duly completed registrable transfers received by the Company's Share Registrar, Boardroom Corporate & Advisory Services Pte. Ltd., 50 Raffles Place, Singapore Land Tower #32-01, Singapore 048623, up to 5:00 p.m. on 10 June 2013 will be registered to determine shareholders' entitlement to the proposed final dividend. Members whose Securities Accounts with The Central Depository (Pte) Limited are credited with Shares at 5:00 p.m. on 10 June 2013 will be entitled to the proposed final dividend.

Payment of the proposed final dividend, if approved by the members at the Company's forthcoming Annual General Meeting to be held on 19 April 2013, will be made on 21 June 2013.

By Order of the Board

Chan Lai Yin
Company Secretary

Singapore, 4 April 2013

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SAKAE HOLDINGS LTD.

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

ANNUAL GENERAL MEETING PROXY FORM

IMPORTANT: FOR CPF INVESTOR ONLY

1. This Annual Report 2012 is forwarded to you at the request of your CPF Approved Nominee and is sent SOLELY FOR YOUR INFORMATION ONLY.
2. This Proxy Form is not valid for use by CPF Investors and shall be ineffective for all intents and purposes if used or purported to be used by them.
3. CPF investors who wish to attend the Meeting as an observer must submit their requests through their CPF Approved Nominees within the time frame specified. If they also wish to vote, they must submit their voting instructions to the CPF Approved Nominees within the time frame specified to enable them to vote on their behalf.

I/We _____ (Name)

of _____ (Address)

being a member/members of Sakae Holdings Ltd. (the "**Company**") hereby appoint:

Name	Address	NRIC/Passport Number	Proportion of Shareholdings (%)

and/or (delete as appropriate)

Name	Address	NRIC/Passport Number	Proportion of Shareholdings (%)

or failing him/her, the Chairman of the Annual General Meeting of the Company (the "**Meeting**") as my/our proxy/proxies to vote for me/us on my/our behalf, at the Meeting to be held at 28 Tai Seng Street, Sakae Building, Level 7, Singapore 534106 on Friday, 19 April 2013, at 2.00 p.m. and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the Resolutions to be proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given, the proxy/proxies will vote or abstain from voting at his/their discretion, as he/they will on any matter arising at the Meeting.

(Please indicate your vote "For" or "Against" with a tick [✓] within the box provided.)

No.	Resolutions Relating to:	For	Against
1.	Directors' Report and Audited Financial Statements for the financial year ended 31 December 2012		
2.	Payment of proposed final tax exempt (1-tier) dividend		
3.	Re-election of Mr Lim Chee Yong as Director		
4.	Re-election of Mr Chan Wing Leong as Director		
5.	Approval for payment of Directors' fees		
6.	Re-appointment of Messrs Deloitte & Touche LLP as the Company's Auditors		
7.	Authority to allot and issue shares		
8.	Authority to grant options and issue Shares under the Sakae Employee Share Option Scheme		
9.	Authority to allot and issue Shares under the Sakae Performance Share Scheme		
10.	To grant approval for the renewal of the Share Buyback Mandate		

Dated this _____ day of _____ 2013.

Total No. of Shares	No. of Shares
In CDP Register	
In Register of Members	

Signature(s) of Member(s)
or, Common Seal of Corporate Member

IMPORTANT: PLEASE READ NOTES OVERLEAF



NOTES:

1. A member entitled to attend and vote at the Meeting is entitled to appoint one or two proxies to attend and vote in his stead.
2. Where a member appoints more than one proxy, the appointments shall be invalid unless he specifies the proportion of his holding (expressed as a percentage of the whole) to be represented by each proxy.
3. A proxy need not be a member of the Company.
4. A member should insert the total number of shares held. If the member has shares entered against his name in the Depository Register (as defined in Section 130A of the Companies Act, Cap. 50 of Singapore), he should insert that number of shares. If the member has shares registered in his name in the Register of Members of the Company, he should insert that number of shares. If the member has shares entered against his name in the Depository Register and registered in his name in the Register of Members, he should insert the aggregate number of shares. If no number is inserted, this form of proxy will be deemed to relate to all shares held by the member.
5. The instrument appointing a proxy or proxies must be deposited at the Company's registered office at 28 Tai Seng Street, Sakae Building, Level 7, Singapore 534106, not less than 48 hours before the time set for the Meeting.
6. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its common seal or under the hand of its attorney or a duly authorised officer.
7. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Meeting, in accordance with Section 179 of the Companies Act, Cap. 50 of Singapore.
8. Where an instrument appointing a proxy is signed on behalf of the appointor by an attorney, the power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.

GENERAL:

The Company shall be entitled to reject a proxy form which is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified on the proxy form. In addition, in the case of shares entered in the Depository Register, the Company may reject a proxy form if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at 48 hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.

Sakae Holdings Food & Beverage Outlets in Singapore



Bugis Junction
230 Victoria Street
#02-54
Singapore 188024
Tel: 6334 9015

Century Square Shopping Centre
2 Tampines Central 5
#B1-02/03
Singapore 529509
Tel: 6787 3887

Changi Airport North T2 Viewing Mall
Singapore Changi Airport
#036-085
Singapore 819643
Tel: 6546 5383

Changi Airport T2 Transit Lounge/Departure Hall North (Kiosk)
Singapore Changi Airport
Kiosk B
Singapore 819643
Tel: 6214 1507

Changi Airport T1 Transit Lounge/ Departure Hall West (Kiosk)
Level 2 Concession D

Chevron House
30 Raffles Place
#02-37
Singapore 048622
Tel: 6536 6163

CityLink Mall
1 Raffles Link
#B1-63
Singapore 039393
Tel: 6238 8396

Compass Point
No. 1 Sengkang Square
#04-06 Singapore 545078
Tel: 6388 1442

CPF Building
79 Robinson Rd
#01-05
Singapore 068897
Tel: 6227 0323

ERA Centre
450 Toa Payoh Lorong 6
#02-01
Singapore 319394
Tel: 6354 9083

Harbourfront Centre
1 Maritime Square
#02-85/85A
Singapore 099253
Tel: 6276 8804

Heartland Mall
Blk 205 #01-133
Hougang Street 21
Singapore 530205
Tel: 6383 6127

Hougang One
1 Hougang Street 91
#01-23
Singapore 538692
Tel: 6388 8780

Icon Village
12 Gopeng Street
#01-05/06/07/08/09/10/11
Singapore 079877
Tel: 6534 9935

Junction 8 Shopping Centre
9 Bishan Place
#B1-20
Singapore 579837
Tel: 6734 8552

Lot One
No. 21 Choa Chu Kang Ave 4
#03-10
Singapore 689812
Tel: 6764 3678

Marina Square Shopping Mall
No. 6 Raffles Boulevard
#02-207
Singapore 039594
Tel: 6336 8201

Ngee Ann Polytechnic
535 Clementi Avenue
Blk 72, #02-02 A/B
Singapore 599489
Tel: 6463 9206

Northpoint Shopping Centre
930 Yishun Ave 2
#02-58/59/60/61
Singapore 769098
Tel: 6482 5038

Park Mall
No. 9 Penang Road
#01-15/15A
Singapore 238459
Tel: 6336 7006

Parkway Parade
80 Marine Parade Road
#B1-84C
Singapore 449269
Tel: 6348 6218

Plaza Singapura (Kiosk)
68 Orchard Road
#B2-52/54
Singapore 238839
Tel: 6337 5676

Scape
2 Orchard Link
#03-03
Singapore 237978
Tel: 6834 4063

Square 2
10 Sinaran Drive
#02-85/86/89
Singapore 307605
Tel: 6397 6107

Sun Plaza
30 Sembawang Drive
#02-21
Singapore 757713
Tel: 6483 0018

The Frontier Community Club
60 Jurong West Central 3
#01-05
Singapore 648346
Tel: 6792 2806

Tiong Bahru Plaza
302 Tiong Bahru Road
#01-48
Singapore 168732
Tel: 6377 5249

TradeHub 21
28 Boon Lay Way
#01-175/176
Singapore 609971
Tel: 6795 2201

Wheelock Place
501 Orchard Road
#02-13
Singapore 238880
Tel: 6737 6281

West Mall
1 Bukit Batok Central Link
#03-02
Singapore 658713
Tel: 6790 7012

West Coast Plaza
154 West Coast Road
#01-87
Singapore 127371
Tel: 6775 9822

White Sands Shopping By The Sea
No.1 Pasir Ris Street 3
#02-19/20
Singapore 518457
Tel: 6581 3270

Woodlands Civic Centre
900 South Woodlands Drive
#01-04
Singapore 730900
Tel: 6468 0869



Century Square Shopping Centre
2 Tampines Central 5
#B1-29/30/31
Singapore 529509
Tel: 6784 8089

Marina Square Shopping Mall (Inside Sakae Sushi)
No. 6 Raffles Boulevard
#02-207
Singapore 039594
Tel: 6336 8201

Plaza Singapura
68 Orchard Road
#B2-52/54
Singapore 238839
Tel: 6337 5676

Changi Airport North T2 Viewing Mall (Inside Sakae Sushi)
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Singapore 819643
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Northpoint Shopping Centre (Inside Sakae Sushi)
930 Yishun Ave 2
#02-58/59/60/61
Singapore 769098
Tel: 6482 5038

Parkway Parade (Inside Sakae Sushi)
80 Marine Parade Road
#B1-84C
Singapore 449269
Tel: 6348 6218

Sun Plaza (Inside Sakae Sushi)
30 Sembawang Drive
#02-21
Singapore 757713
Tel: 6483 0018



Downtown East
1 Pasir Ris Close
#01-01/02
Singapore 519599
Tel: 6582 8467

IMM Building
2 Jurong East Street 21
#01-K10 (Kiosk)
Singapore 609601
Tel: 6425 2383

Sembawang Shopping Centre
604 Sembawang Road
#01-22/23
Singapore 758459
Tel: 6481 9081

Sakae Building
28 Tai Seng Street
#01-02
Singapore 534106
Tel: 6382 1494



National University of Singapore Edusports
2 College Avenue West
#01-04
Tel: 6268 8755



Marina Bay Financial Centre Tower 3
10 Marina Boulevard
Level 2 NTUC Foodfare
Singapore 018983



Sakae Building
28 Tai Seng Street
#01-00
Singapore 534106
Tel: 6287 8768