

## For Immediate Release



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### News Release API/NR/014/2008

#### Apex-Pal Reports Results for First Half Year 2008

- Chalks up 22% growth in revenue
- Registers \$539,000 net loss due to rising costs and overseas expansion
- Remains positive on outlook amidst plans to review and consolidate overseas operations

**Singapore, 13 August 2008** – Apex-Pal International Ltd (hereafter known as “Apex-Pal” or “The Group”), the Innovative Food People and the company behind the global chain of Sakae Sushi restaurants, today reported revenue growth of 21.8% to \$47.2 million for the fiscal half year ending on 30 June 2008. Locally, we added 5 outlets and launched two new brands – Sakae Izakaya and Hibiki. Globally, we opened 9 stores in 4 cities.

2. Despite high inflation and slowing economic growth, Apex-Pal continues to see strong demand and high traffic at its restaurants resulting in a steady rise in sales. However, net margins fell on the back of soaring oil and food and material costs as well as heavy capital expansion in key global markets. This resulted in a net loss of \$539,000. Comparing to the previous corresponding period, cost of sales, administrative expenses and other operating expenses rose 33.1%, 27% and 41.5% respectively as the Group experienced escalating expenses in rentals, utilities and manpower costs. Gross profit margin decreased from 72.4% in FY 2007 to 69.9% in FY 2008. Based on the first half results, earnings per share was (0.37) cents, compared to 1.53 cents in 2007, while net tangible assets per share was 10.20 cents compared to 11.48 cents previously.

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3. Expansion is on track with the opening of 9 outlets, bringing the total number of outlets to 84. Locally, we added 5 restaurants and kiosks, of which 2 are Sakae Sushi outlets, further strengthening our market leader position for Japanese fast casual dining segment. We also added two new brands to Group's portfolio – Sakae Izakaya and Hibiki. Targetted at different segments of the market, these new brands will help increase the Groups' revenue and earnings in the mid- to long term. During the first half, local operations remain profitable. However, higher costs eroded the margins resulting in 71.2% profit margin, compared to 73.1% in the previous corresponding period.

4. As part of Apex-Pal's vision to grow Sakae Sushi into a global brand synonymous with sushi, the Group opened 4 outlets in China, Malaysia and United States. Despite difficulties faced in entering the US market, Sakae Sushi made its debut in New York City's Chrysler Building with a second outlet opening at West Village in May. In another strategic move, the Group acquired four Genki Sushi outlets in Malaysia, catapulting us to Number Two position, after Sushi King. While Malaysia operations are growing nicely, the high set up costs in overseas operations in general dampened the Group's earnings resulting in the losses incurred. Going forward, we will build a strong brand identity in key overseas markets so that topline and bottomline will grow steadily. In addition, with the exit of Genki Sushi in Malaysia, the Sakae Sushi brand will continue to excel and gain a bigger market share.

5. "While we are experiencing teething problems for our international operations now, we believe these are short term problems. Expansion overseas is essential due to the size of the small domestic market. So far, our overseas ventures are growth markets where demand for Asian and/or Japanese cuisine is expected to increase exponentially over the next few years," said Douglas Foo, Chief Executive Officer of Apex-Pal. "Having been in the market for more than 10 years, we are in for the long term and will continue to work towards making Sakae Sushi the world's top recall brand for 'sushi'. And we have strong confidence that our investment will bear fruit and shareholder value will increase in the long run." He added.

6. On the Group's outlook, he continued, "The food and beverage industry will continue to face challenges of rising cost, rentals and utilities in the short term. While we continue to build high volume, strong performing outlets supported by a team of experienced and passionate staff, we will be reviewing and consolidating both local and overseas operations moving forward. To this

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end, we have not renewed the leases of non-performing outlets. We have also closed Uma Uma Men which has been largely overshadowed by the Sakae Sushi brand. We hope this will enhance operational efficiency and help us to narrow the losses in the second half.”

This press release is to be read in conjunction with the financial results on SGXNET.

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### **About Apex-Pal International Ltd**

Apex-Pal is a homegrown leader in providing innovative food and beverage solutions. With more than a decade of experience under its belt, the Group constantly breaks new grounds offering Singapore a taste of international dining through brands including Sakae Sushi, Sakae@Campus, Sakae Teppanyaki, Sakae Izakaya, Sakae Pizza, Hei Sushi, Sho-U, Hibiki and Crepes & Cream. It is supported by Nouvelle Events, the only specialist caterer in Singapore that offers an award winning and unique patented portable *kaiten* (conveyor belt) *sushi* experience. In addition, the Group is involved in franchising its brands, food import and distribution as well as business-to-business supplies.

Listed on the Mainboard of the Singapore Exchange, Apex-Pal manages more than 90 outlets in seven countries covering 12 cities -- Singapore, Jakarta, Chiangmai, Beijing, Chengdu, Hong Kong, Shanghai, Manila, Kuala Lumpur, Penang, Selangor, and New York City. The Group remains committed to global growth by exploring new emerging markets such as the Middle East, Vietnam, Hungary and Mongolia. In FY 2007, Apex-Pal achieved a profit before tax of S\$3.5million on the back of a strong turnover of S\$83.8million.

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