



INDEPENDENT AUDITOR'S REPORT

To the members of Sakae Holdings Ltd.

Report on the Audit of the Financial Statements

Disclaimer of Opinion

We were engaged to audit the financial statements of Sakae Holdings Ltd. (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at June 30, 2019 and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group and the statement of changes in equity of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 38 to 134.

We do not express an opinion on the accompanying financial statements. Because of the significance of the matters described in the *Basis for Disclaimer of Opinion* section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for Disclaimer of Opinion

We were unable to satisfy ourselves by alternative means on the following:

- a) As disclosed in Note 2(i) to the financial statements, the Group has not applied 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"), since the financial year ended December 31, 2012 and the Group and Company had provided full allowance for 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 since 2012 until the date of liquidation.

For the financial period from January 1, 2017 to June 30, 2018, the Group and the Company made a full reversal of the allowance for impairment loss on its investments in GREIH and GCM as a result of the High Court and subsequently the Court of Appeals rulings in favour of the Company. GREIH and GCM commenced liquidation in April 2017 and August 2017 respectively.

Subsequent to year end, the Group received an amount of \$8,148,000 from the liquidator being the partial return of capital relating to the Group's investments in GREIH and GCM.



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- (i) The non-equity accounting of its investment in the associates, GREIH and GCM up to the date when the Company ceases to have significant influence in these two investees is not in accordance with SFRS(I) 1-28 *Investment in Associate and Joint Ventures*.

As the unaudited management accounts of GREIH and GCM were considered by management to be unreliable as described in Note 2(i), we have not been able to determine what the Group's share of results and net assets of GREIH and GCM and the related disclosures under SFRS(I) 12 *Disclosure of Interests in Other Entities* should have been had the equity accounting method been applied.

- (ii) We were also unable to obtain sufficient appropriate audit evidence of the recoverable amount of the investments in GREIH and GCM to determine whether the full reversal of allowance for impairment loss during the financial period ended June 30, 2018 was appropriate and whether such reversal should have been recorded in the previous years.

- (iii) Pursuant to the reclassification from available-for-sale investments to equity investments at fair value through profit or loss as the result of adopting SFRS (I) 9 *Financial Instruments* ("SFRS(I) 9"), the fair values of the investments as at July 1, 2018 and June 30, 2019 have not been determined as required by SFRS(I) 9 (Note 12). We are unable to determine what the carrying amount of the investments at the year end and the effect on the current year's results should have been had valuations been performed.

Our opinion on the financial statements for the financial period ended June 30, 2018 was also qualified in respect of non-equity accounting of its investment in associates up to the date the Company ceased to have significant influence and the full reversal of allowance for impairment loss on investments in associates.

- b) As disclosed in Note 2(ii) to the financial statements, the Group reversed certain commodities sales transactions ("Transactions") amounting to \$5,930,000 for the financial period ended June 30, 2018 and related receivables from its books and the Group made a provision of \$5,695,000 in the inventory related to the Transactions.

There were no appropriate procedures that we can design and perform to obtain sufficient appropriate audit evidence to evaluate the nature and veracity of the Transactions and whether the reversal of the sales and related recognition of inventory provision were appropriate as well as the related disclosures in the Group's financial statements for the financial period ended June 30, 2018.

As the investigation is still ongoing as at the date of this report, we are unable to determine whether any adjustments in the accompanying financial statements may be necessary. Our opinion on the financial statements for the financial period ended June 30, 2018 was qualified accordingly.



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- c) As disclosed in Note 2(iii) to the financial statements, the Group ceased consolidating one of its subsidiaries, Cocosa Export S.A ("Cocosa Export"), as the Group has assessed that it has lost control over Cocosa Export with effect from March 31, 2019 although the Group is still the majority shareholder of Cocosa Export. As a result, the Group recorded a loss on derecognition of \$3,446,000 (Note 35). The Group and the Company made a loss allowance of \$2,791,000 out of the gross receivables due from Cocosa Export amounting to \$5,412,000 (Note 9). However, we have not been provided with sufficient appropriate audit evidence to enable us to evaluate whether the Group continues to have control over Cocosa Export or the point in time when such control is lost and the appropriateness of the classification of the investment in Cocosa Export if the control has indeed been lost.

Further, we are unable to ascertain the existence of the gross receivables due from Cocosa Export amounting to \$5,412,000 and the recoverability of this receivable. Accordingly, we are unable to determine if the loss allowance made of \$2,791,000 is appropriate and whether any adjustments were necessary to the financial statements of the Group and the Company for the year ended June 30, 2019.

- d) As disclosed in Note 2(iv) to the financial statements, the Group has a receivable due from a related party, being a company owned by the non-controlling shareholder of Cocosa Export, amounting to \$1,337,000 as at year end. We are unable to obtain a confirmation from the related party to satisfy ourselves on the existence of the receivable.

In addition, a loss allowance on this receivable has not been made by the Group and the Company. We have not been provided with sufficient appropriate audit evidence to determine if any loss allowance for the receivable should be made and the amount of the allowance to be made. Accordingly, we are unable to determine if any adjustments were necessary to the financial statements of the Group and the Company for the year ended June 30, 2019.

- e) As of the date of our report, management is still in the process of resolving the differences arising from the intragroup balances amounting to \$1,540,000 which has been included in the "other receivables" of the Group as disclosed in Note 9 to the financial statements. As a result, we were unable to determine whether any adjustments to the accompanying financial statements might have been found necessary in respect of such differences.

Due to the above, we were unable to assess whether the Group has devised and maintained appropriate internal control over financial reporting so as to enable the Group to identify any material misstatement in the financial statements.



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Responsibilities of Management and Directors for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and FRSs, and for devising and maintaining a system of internal accounting controls sufficient to provide a 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 financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our responsibility is to conduct an audit of the Group's consolidated financial statements and the Company's statement of financial position and statement of changes in equity in accordance with Singapore Standards on Auditing and to issue an auditor's report. However, because of the matters described in the *Basis for Disclaimer of Opinion* section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority (ACRA) Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities (ACRA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code.



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Report on Other Legal and Regulatory Requirements

In our opinion, in view of the significance of the matters referred to in the *Basis for Disclaimer of Opinion* section of our report, we do not express an opinion on whether the accounting and other records required by the Act to be kept by the Company and by the subsidiary corporation incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Ms Lim Bee Hui.

DELOITTE & TOUCHE LLP
Public Accountants and
Chartered Accountants
Singapore

October 11, 2019

