SAKAE HOLDINGS LTD.
Company Registration Number 199604816E
(Incorporated in the Republic of Singapore)

FOLLOWUP ACTIONS TO REVIEW AND VERIFY THE REMEDIAL MEASURES IMPLEMENTED

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1. INTRODUCTION

1.1 The Board of Directors of Sakae Holdings Ltd. ("Company" or together with its subsidiaries, the "Group") refers to the Company's previous announcements dated 21 October 2019, 14 February 2020, 15 May 2020, 30 August 2020, 15 October 2020, 13 November 2020, 11 February 2021 and 12 May 2021 (collectively, the "Previous Announcements"). Unless otherwise defined, the capitalised terms used herein shall have the same meanings as defined in the Previous Announcements.

1.2 By way of background, as stated in the Previous Announcements, the Audit Committee of the Company had appointed KPMG Services Pte. Ltd. ("KPMG") to conduct an independent audit of the Company's investment in Cocosa Export S.A. ("Cocosa Export"). The Company also appointed its previous statutory auditor, Deloitte & Touche LLP ("Deloitte") to perform an Agreed Upon Procedure ("AUP") in relation to the reconciliation of the intragroup differences of $1,540,000 as identified in the auditor's report of the Company and its subsidiaries for the year ended 30 June 2019 ("Intragroup Differences").

1.3 Along with the Company's announcement on 12 May 2021, both KPMG and Deloitte have since issued their respective final reports ("Previous Reports") to the Company. It was noted that both reports provided recommendations to address prior control gaps and the Company has since taken actions to implement the recommendations progressively, as mentioned in our earlier announcement.

1.4 The Company would like to inform that it has, following the earlier announcement, appointed KPMG to conduct an independent audit and its current statutory auditor, Baker Tilly TFW LLP ("Baker Tilly") to perform an Agreed Upon Procedure ("AUP") to review and verify the implementation of the recommendations that have since been put in place by the Company.

1.5 With regard to the same, KPMG and Baker Tilly have since issued their respective reports on 22 October 2021. The observations and findings from both reports have been reported to the Company's Audit Committee and the Singapore Exchange Regulation Pte. Ltd. (the "Exchange"). The KPMG report (Appendix 1) and AUP report by Baker Tilly (Appendix 2) are attached to this announcement. Kindly note that trade sensitive information has been redacted in the reports.

2. ACTIONS GOING FORWARD

2.1 To ensure accountability and continued adherence to the above remedial measures implemented, followup reviews will be included in the scope of the internal audit function to be performed by independent professional service providers reporting directly to the Audit Committee. The Company will continue to strengthen its work processes and policies to improve its internal control environment.

By Order of the Board

Chan Lai Yin
Company Secretary

25 October 2021

Appendix 1

Sakae Holdings Ltd.

Review of Remedial Measures Implemented
22 October 2021

Contents

Background

Background & objective

- On 7 February 2020, Sakae Holdings Ltd. ("SHL" or the "Company") appointed KPMG Services Pte. Ltd. ("KPMG") to conduct an independent audit of the circumstances surrounding the Company's investment in Cocosa Export S.A. ("Cocosa") and related transactions. The observations arising from our work were reported to the Company's Audit Committee and Singapore Exchange Regulation Pte. Ltd. (the "Exchange") on 12 May 2021.
- KPMG was subsequently appointed by SHL to review and verify the remedial measures that have been put in place by the Company to address the internal control gaps noted in our independent audit, which were the following:
  - Payment processing
  - Internal accounting control
  - Employee retention and training
  - New business and new projects.

Scope of work

- Understand the remedial measures that have been put in place by the Company in relation to the following internal control gaps noted in our independent audit:
  - Payment processing
  - Internal accounting control
  - Employee retention and training
  - New business and new projects.
- Perform sample testing and make enquiries with management to verify the remedial measures.
- Report factual findings arising from the above procedures:
  - Procedures conducted and, if any, limitations in our ability to perform the above procedures
  - Instances, if any, where the remedial measures did not address the internal control gaps
  - Instances, if any, where the transactions tested were not consistent with the remedial measures put in place by the Company.

Procedures performed

- Reviewed the following policies:
  - Payment Processing policy (effective from 9 May 2021)
  - Internal Accounting Control policy (effective from 9 May 2021)
  - Employee Retention policy (effective from 9 May 2021)
  - New Business and New Project policy (effective from 9 May 2021).
- Obtained the following information/data provided by the Company:
  - SHL group structure
  - SHL chart of accounts
  - General ledger of SHL for the period from 9 May 2021 to 23 September 2021 ("Review Period")
  - Payment listing of SHL for the Review Period
  - Cheque register of SHL for the Review Period
  - Intercompany reconciliations during the Review Period
  - List of SHL Finance team members (including joiners, leavers and job descriptions) during the Review Period
  - Bank mandates and Directors' Resolution for banking authorised signatories.

Procedures performed (cont.)

- Performed the following sample testing[1]:
  - 20 payments made by SHL during the Review Period
  - 20 SHL journal entries during the Review Period
  - Management's monthly review of the journal entries in June 2021 and July 2021.
  - Temporary accounts' activity during the Review Period
  - Intercompany reconciliations for June 2021 and August 2021
  - Financial reporting packages of Apex-Pal Malaysia Sdn. Bhd. ("Apex") and Nouvelle Events Sdn. Bhd. ("Nouvelle Malaysia") for June 2021 and August 2021
  - Management's access to the accounting records of Apex and Nouvelle Malaysia
  - Training records of two (2) new joiners in the Finance team
  - Handover process of two (2) leavers in the Finance team
  - Annual performance review of two (2) members of the Finance team.
- Held fact-finding discussions with the Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO").

[1] Details of our sampling methodology are in Appendix 1.

Limitations and use of our report

- Our report is prepared solely for the use of SHL and the Exchange under the terms of our engagement letter dated 7 February 2020 and addendum dated 23 September 2021 (collectively, the “Engagement Letter”), and should not be used, quoted, referred to or relied upon, in whole or in part, without our prior written permission, by any third party or for any other purposes. We do not assume responsibility for loss and expressly disclaim any liability to any party whatsoever, however arising, from the use of this report other than for the purposes as set out in our Engagement Letter.
- Our scope of work does not constitute an audit, a review, or an assurance engagement in accordance with Singapore Standards on Auditing, Singapore Standards on Review Engagements or Singapore Standards on Assurance Engagements. Consequently, no opinion or assurance has been expressed under such standards, and we have not provided an opinion on the nature of any issues identified in the course of our work.
- Whilst all reasonable care has been exercised in our engagement, it should be stressed that full reliance has been placed on the Company's management and staff for the accuracy of the information provided and information relied upon. The information obtained has not been independently verified, and reliance has been placed on the integrity, accuracy and completeness of the information. We do not warrant the accuracy or veracity of the information obtained.

Limitations and use of our report (cont.)

- This report is relevant only to the matters which are known to us at the date of this report. We have no obligation to update our report or to revise the information contained herein because of events and transactions occurring subsequent to the date of our report.
- It should be noted that we are not qualified to provide legal advice. Our observations and comments are based on our understanding of the law, regulations and guidelines, and should not at any time be construed as constituting legal advice by us on the same. You should seek separate and independent legal advice on any of the matters, issues and/or observations contained in or referred to herein which may have legal consequences.
- Our recommendations are intended to provide ideas for consideration and not intended as an exhaustive list of considerations for mitigating the issues identified in this report, nor should they be deemed to provide assurance against future similar issues. All decisions in connection with this engagement shall be the responsibility of, and made by, the Company.

KPMG

Detailed observations

Payment processing

Payment processing

Prior control gap: Payments exceeding S$50,000 were split (i.e. divided into several cheques of S$49,000 each plus a cheque for the residual balance) because the second authorised signatory was not present to approve those payments. This was not in accordance with the Payments Processing policy, effective from 1 September 2014.

Recommendation: Establish a policy exceptions procedure for the processing of urgent payments in the event that a second authorised signatory is not present.

Remedial measures implemented

- To implement the recommendation above, management updated the Payments Processing policy, which was approved by the Board on 9 May 2021 and effective from 9 May 2021, to incorporate the following policy exceptions procedure:

  "In the event that the second authorized signatories above[2] are not around to process urgent transactions, a request for written approval (via email) should be sent to the relevant authorized signatory and document the exception, the reason for requesting the exception, the compensating controls and the time period for which the exception is requested. The exception should only be executed upon receipt of written approval from the relevant authorized signatory/signatories. The relevant documentation should be prepared upon his/her return. This will not be applicable for processing online transactions and payments, as online payments can be approved anywhere."

[2] Details of the authorised signatories per the updated Payments Processing policy are in Appendix 2.

Payment processing (cont.)

Observations from sample testing

- Management stated that there has been no requirement to apply the policy exception procedure since 9 May 2021.
- SHL's payment listing[3] shows that the Company made 389 payments totalling S$1,855,021 during the Review Period. We reviewed a sample of 20 payments totalling S$392,166 (please refer to Appendix 3 for the sample of payments and basis of our sample selection). The sample of payments were:
  - Reviewed by the Finance Manager and CFO prior to payment
  - Made by bank transfer/GIRO[4] (such payments are authorised in the banking system by both the CEO and CFO, who hold the banking tokens).
- No split payments were identified.
- Management stated that the Company has minimized the use of cheques and that the majority of payments are made by bank transfer/GIRO. SHL's cheque register, which is maintained in Excel, shows that one cheque payment of S$3,288 was made during the Review Period (this payment also appears in SHL's payment listing). No further review or testing was performed on cheque payments.

[3] The payment listing was generated from the payment voucher module in SAP by applying the dates of the Review Period. The payment reference numbers in the listing were in sequential order (without gaps) and ranged from 10 May to 23 September 2021. We reviewed payments made by SHL only, because the prior split payments identified were made by SHL.

[4] General Interbank Recurring Order.

Payment processing (cont.)

Observations from sample testing (cont.)

- Management stated that SHL does not hold petty cash at the headquarter-level. Management stated that SHL's outlets (e.g. Sakae Sushi restaurants) hold petty cash and that the outlets' cash floats are topped up by SHL. SHL's general ledger shows that the outlets did not have large cash floats and that the cash transactions executed by the outlets were minimal:
  - Five (5) transactions in cash-related accounts (i.e. "Cash in hand", "Cashier's Float" and "Safe Float") totalling S$1,200 during the Review Period, which appear to relate to the outlets. No further review or testing was performed those transactions.
  - Fourteen (14) transactions labelled as "Petty Cash – Outlet", totalling S$256 during the Review Period, which appear to relate to the outlets. No further review or testing was performed on those transactions.

Conclusion

- It appears from our procedures performed that remedial measures have been implemented by management to address the internal control gaps noted in our independent audit. Based on the sample testing performed and subject to the limitations highlighted, nothing has come to our attention that causes us to believe that the internal controls (i.e. the policy exception on urgent payments) were not adhered to.

Internal accounting control

Internal accounting control

Prior control gap: SHL's accounting records are maintained on SAP, whereas Cocosa's accounting records were maintained in Excel. SHL did not have access to review the accounting records of Cocosa.

Recommendation: Management should have the ability to continuously monitor the financial performance and position of its subsidiaries, particularly those outside of Singapore.

Remedial measures implemented

- Management updated the Internal Accounting Control policy, which was approved by the Board on 9 May 2021 and effective from 9 May 2021, to incorporate the following financial reporting timelines for the Company's overseas subsidiaries:
  - Monthly reporting packages – 1.5 weeks after the end of the month
  - Quarterly reporting packages – 3.5 weeks after the end of the quarter
  - Annual reporting packages – 3.5 weeks after the end of the year.
- In addition to the aforementioned policy update, management stated that SHL's Finance team has access to the accounting records of all of the Company's subsidiaries, which provides management with visibility of the subsidiaries' financial performance and position.[5]

[5] The accounting systems used by the subsidiaries are in page 17. Further details on the remedial measures implemented to ensure the completeness and accuracy of: i) journal entries are in pages 20 to 23, and ii) intercompany transactions are in pages 26 to 27.

Internal accounting control (cont.)

Remedial measures implemented (cont.)

- Management further stated that the subsidiaries' books are "locked" in the accounting system when the financial reporting packages are submitted to SHL.

Observations from sample testing

- A running list of all subsidiaries and the accounting systems that they use is held by SHL's Finance team. As at the date of this report, SHL has 15 subsidiaries (12 in Singapore and 3 in Malaysia). Management stated that six (6) of these subsidiaries, which are all in Singapore, are dormant. The group structure states that SHL ultimately have a 100% shareholding in all subsidiaries, except for Cocosa Holdings Pte. Ltd. (51%) and Cocosa Asia Pte. Ltd. (51%), which are dormant.
- Management stated that:
  - Monthly SHL and all active subsidiaries (i.e. those that are not dormant) use SAP as their accounting system, except for Nouvelle Events Holdings Pte. Ltd. ("Nouvelle Singapore", which uses Xero) and the six (6) dormant subsidiaries (which use Excel). The accounting records of the subsidiaries in Singapore are maintained by SHL's Finance team.
  - The financial reporting packages use standard templates to facilitate consolidation of the subsidiaries' accounts. The consolidation is currently a manual process performed by the Finance team using the financial reporting packages provided by the subsidiaries.

Internal accounting control (cont.)

Observations from sample testing (cont.)

- Management is piloting Xero (a cloud-based accounting software platform) with Nouvelle Singapore, with a view to potentially migrate the accounting records of all subsidiaries to one cloud-based platform and enhance the efficiency of SHL's financial reporting processes (e.g. automating reconciliations and consolidation).

- We reviewed the financial reporting packages of two overseas subsidiaries (i.e. Apex and Nouvelle Malaysia, which are both based in Malaysia) for June 2021 and August 2021.[6] The financial reporting packages were submitted in accordance with the Internal Accounting Control policy, except for the monthly reporting packages for August 2021 (these were submitted on 24 September 2021). Management stated that the delay was due to movement control restrictions in Malaysia, which resulted in staff not being able to readily access physical documents required for financial reporting.
- We confirmed on screen that SHL's Finance team can access the accounting records of Apex and Nouvelle Malaysia in SAP via TeamViewer and Nouvelle Singapore directly in Xero.

[6] The basis of our sample selection was to: i) focus on overseas subsidiaries, and ii) include one month which consisted of the quarterly and annual financial reporting packages (i.e. June 2021). The financial reporting packages reviewed for August 2021 were the monthly financial reporting packages.

Internal accounting control (cont.)

Conclusion

- It appears from our procedures performed that remedial measures (i.e. the inclusion of a policy requirement for subsidiaries to submit financial reporting packages by stipulated deadlines and management having access to the subsidiaries' accounting records) have been implemented by management to address the internal control gaps noted in our independent audit. Based on the sample testing performed, nothing has come to our attention that causes us to believe that the internal controls were not adhered to.

Internal accounting control (cont.)

Prior control gap: Lack of review of journal entries leading to erroneous entries[7] and unwarranted use of temporary accounts such as "Suspense" and "Contra-Interco Billing".

Recommendation: Implement controls to ensure that timely reviews of the journal entries are performed to minimise accounting errors, set up a framework to help the Finance team with complex transactions and journal entries, and enhance tone at the top regarding the importance of having effective internal controls.

Remedial measures implemented

- As part of the framework to ensure the completeness and accuracy of journal entries, and to provide the CFO with full visibility of the journal entries posted, management stated that the following procedures were implemented:
  - All journal entries are required to be reviewed and approved by the Finance Manager and CFO on a daily basis. The journal entries are posted in SAP, printed out, and reviewed and approved in hard copy.
  - All journal entries posted in SAP are generated on a monthly basis for review by the Finance Manager and CFO for completeness. A list of all journal entries posted in SAP during the relevant month are printed and reviewed in hard copy against the daily journal entries that were approved in the same month.

[7]Journal entries were erroneously posted to incorrect general ledger accounts and intercompany accounts. Please refer to section 2.6 in the executive summary of our independent audit report for details.

Internal accounting control (cont.)

Remedial measures implemented (cont.)

- As part of the framework to help the Finance team with complex transactions and to enhance tone at the top regarding the importance of having effective internal controls:
  - The Board approved the updated Internal Accounting Control policy, which contains procedures for handling complex accounting matters (e.g. impairment of investments). The policy requires the Board to be immediately notified of complex accounting matters and prior to the execution of such transactions.
  - The procedures for handling complex accounting matters require the accounting papers to be:
    - Reviewed and approved by the CFO and CEO, respectively
    - Submitted to the Board and Audit Committee for their consideration and approval once reviewed and approved by the CFO and CEO.

Observations from sample testing

- Management stated that there were neither any complex accounting matters nor non-routine transactions that required escalation to and approval from the Board and Audit Committee since 9 May 2021.

Internal accounting control (cont.)

Observations from sample testing (cont.)

- SHL's general ledger contains 646 journal entries during the Review Period. We reviewed a sample of 20 journal entries (please refer to Appendix 4 for the sample of journal entries and basis of our sample selection).
  - Although the Company's policies do not expressly require the review and approval of all journal entries:
    - All of the daily journal vouchers in our sample, which were supported by relevant documentation, were reviewed and approved by the Finance Manager and CFO
    - The monthly review of the journal entries was performed by the Finance Manager and CFO (we reviewed a sample of two months, i.e. June 2021 and July 2021)
    - Management stated that the Finance team are made aware of the newly implemented measures through the new joiners' briefing and on-the-job training.[8]
  - There did not appear to be any complex accounting matters or non-routine transactions in the sample of the journal entries reviewed.

[8] Further details on the remedial measures implemented in relation to employee training are in pages 29 to 33

Internal accounting control (cont.)

Observations from sample testing (cont.)

- Whilst the journal entries tested were duly reviewed and approved by the Finance Manager and CFO, these journal entries were already posted in SAP before being reviewed and approved by the Finance Manager and CFO. As an improvement opportunity, management may wish to:
  - Configure the accounting systems so that journal entries can be posted only after they are reviewed and approved by the Finance Manager and CFO
  - Document the procedures performed in relation to the review and approval of journal entries in the Internal Accounting Control policy.

Conclusion

- It appears from our procedures performed that remedial measures have been implemented by management to address the internal control gaps. Based on the sample testing performed and subject to the limitations highlighted, nothing has come to our attention that causes us to believe that the internal controls were not adhered to.

Internal accounting control (cont.)

Prior control gap: Lack of review of journal entries leading to erroneous entries and unwarranted use of temporary accounts such as "Suspense" and "Contra-Interco Billing".

Recommendation: Discontinue the use of temporary accounts.

Remedial measures implemented

- Although the Company's policies do not expressly prohibit the use of temporary accounts, management stated that the Company has prohibited the use of temporary accounts (i.e. these have been "locked" in the accounting system). Management further stated that the CFO reviews the activity in the Company's temporary accounts as part of its monthly financial reporting procedures.
- As described on pages 20 to 23, all journal entries posted are reviewed and approved by the Finance Manager and CFO on a daily and monthly basis. Management stated that the review of all journal entries enables management to:
  - Identify activity in temporary accounts
  - Rectify journal entries posted to temporary accounts, if any (i.e. ensure that such journal entries are posted to the appropriate general ledger accounts).

Observations from sample testing

- SHL's temporary accounts show no activity and nil balances since the Internal Accounting Control policy was updated (please refer to Appendix 5 for a summary of the temporary accounts).

Internal accounting control (cont.)

Conclusion

- It appears from our procedures performed that remedial measures have been implemented by management to address the internal control gaps. Based on the sample testing performed, nothing has come to our attention that causes us to believe that the internal controls were not adhered to.

Internal accounting control (cont.)

Prior control gap: Intercompany balances and transactions listed were not prepared and maintained on a timely basis. There is no policy to perform monthly reconciliations of intercompany balances and transactions.

Recommendation: Implement the practice of performing monthly reconciliations of intercompany balances on a timely basis.

Remedial measures implemented

- The updated Internal Accounting Control policy, effective from 9 May 2021, incorporates the completion of monthly intercompany reconciliations by the 14^{th} of the subsequent month. The policy states that the Finance Manager will ensure that the monthly intercompany reconciliations are completed by 14^{th} and, if not, the CFO will follow up with Finance Manager to ensure completion by 18^{th}.

Observations from sample testing

- We reviewed the intercompany reconciliations for June 2021 and August 2021, which were prepared in accordance with the Internal Accounting Control policy. These were prepared by an Accounts Executive and reviewed by the Finance Manager and CFO by the 14^{th} of the following months.

Internal accounting control (cont.)

Conclusion

- It appears from our procedures performed that remedial measures have been implemented by management to address the internal control gaps. Based on the sample testing performed, nothing has come to our attention that causes us to believe that the internal controls were not adhered to.

Employee retention and training

Employee retention and training

Prior control gap: The Finance department had a turnover of 73 personnel between 1 January 2016 and 30 June 2019 (71 of these personnel left the Company during the same period). A series of erroneous accounting entries were identified due to high staff turnover.

Recommendation: Implement a staff retention programme aimed at reducing turnover within the Finance team and a staff training programme to improve the technical proficiency of the Finance team.

Remedial measures implemented

- Management implemented the Employee Retention policy[9], which was approved by the Board on 9 May 2021 and effective from 9 May 2021, which states that:
  - Management will revisit the employee retention strategy at least once a year, which will include reviewing salaries, benefits, workplace culture and manager-employee relations
  - New hires will attend an onboarding session on their first day, where they will be briefed about their jobs
  - Annual performance reviews will be performed
  - Training and development of the Company's staff is a priority investment.

[9] The activities outlined were already in place at the Company but only recently documented in a policy. The Employee Retention policy has centralized these activities to enable management to implement them in a more structured manner.

Employee retention and training (cont.)

Observations from sample testing

- The Employee Retention policy states that the CEO and CFO shall ensure that the Finance team is adequately staffed at all times. As at the date of this report, the Finance team consists of eight (8) personnel. The Company also created a new Financial Controller position, which was filled on 6 September 2021, to oversee the Company's financial controls. Management stated that the Finance team currently has adequate resources.
- Job descriptions, which contained clearly defined roles, responsibilities, qualifications and experience, are in place for each role of the Finance team.
- Management stated that new members of the Finance team are briefed on the Company's finance polices by the Finance Manager on their first day (in the afternoon, after a 3-4 hour orientation provided by Human Resources ("HR") in the morning) and receive on-the-job training on how to use SAP.
  - The list of SHL Finance team members shows that four (4) personnel joined the Finance team during the Review Period. We reviewed a sample of two (2) training acknowledgement forms (i.e. one for a junior member of the Finance team (an Accounts Executive) and the other for the newly appointed Financial Controller). These were completed by the Accounts Executive and Financial Controller, who joined the Company on 24 June 2021 and 6 September 2021, respectively. The forms state that they received the HR orientation and training on the finance policies.

Employee retention and training (cont.)

Observations from sample testing (cont.)

- Management stated that the Finance team received external training from SAP on 28 September 2021 on how to use the Company's accounting system.
  - We also reviewed a sample of two (2) acknowledgement forms as confirmation of the training provided by SAP to the Accounts Executive and Financial Controller. Management stated that this was the first training session conducted by SAP to the current Finance team and that the requirement for future external sessions will be assessed on an as-needed basis.
- Although the Employee Retention policy does not define a minimum number of training hours or specific technical courses for the Finance team, management stated that:
  - Members of the Finance team are required to meet the number of Continuing Professional Education (CPE) hours required by their respective professional accountancy bodies (e.g. ISCA).
  - Members of the Finance team will be advised of technical courses or training during their performance reviews to enhance their technical knowledge.
  - The Company has an annual training budget of S$[redacted] for the Finance team.

Employee retention and training (cont.)

Observations from sample testing (cont.)

- Management stated that a handover process is in place to transfer knowledge and responsibilities when members of the Finance team leave the Company. Management further stated that personnel who leave the Company and those who take over the leavers' duties are required to complete a handover form.
  - The list of SHL Finance team members shows that two (2) personnel left the Finance team during the Review Period. We reviewed the handover forms of the two Accounts Executives, who left the Company on 6 July 2021 and 23 July 2021, respectively. The handover forms, which were completed and signed by the leavers and those who took over those duties, contained details the tasks that were being transferred. The handover forms were also sent to the Finance Manager and CFO.
- We reviewed the most recent annual performance reviews of two (2) members of the Finance team (i.e. one for a junior member of the Finance team (an Accounts Executive) and the other for the Finance Manager (who has day-to-day financial reporting oversight)). The appraisals, which covered the period from April 2020 to March 2021, were finalised by the CFO on 22 April 2021 and approved by the CEO on 5 May 2021. The performance reviews included a list of technical tasks associated with the appraisee's job role, a self-assessment of the appraisee's performance and the appraiser's feedback (including an overall rating and training and development requirements).

Employee retention and training (cont.)

Observations from sample testing (cont.)

- Management stated that the first annual review of the employee retention strategy will be held around May 2022 (i.e. one year after the implementation of the Employee Retention policy).

Conclusion

- It appears from our procedures performed that remedial measures have been implemented by management to address the internal control gaps noted in our independent audit. Based on the sample testing performed and subject to the limitations highlighted, nothing has come to our attention that causes us to believe that the internal controls were not adhered to.

New business and new projects

New business and new projects

Prior control gap: There were no visits by management to Cocosa after March 2017 and an internal audit was not performed on the operations of Cocosa. Limited due diligence was performed prior to the acquisition of Cocosa and SHL did not have representation on Cocosa's board or executive management.

Recommendation: Enhance shareholder protection measures for future investments, develop and implement a more comprehensive due diligence programme for its future investments (particularly higher risk investments in emerging markets), and establish management review and internal audit programmes to enhance the governance and oversight of its subsidiaries (particularly new investments).

Remedial measures implemented

- The New Business and New Project policy's existing measures require:
  - The Board's approval for new business and new projects exceeding S$1.5 million
  - Management to prepare a proposal for the Board's consideration, comments and approval, including a due diligence report, and, where necessary, input from legal counsel, or other advisors with relevant expertise.
  - The Company's legal counsel to advise on key contract terms and obligations of each party, the structure of the transaction, key risks, legal enforceability, jurisdiction, and practical issues.

New business and new projects (cont.)

Remedial measures implemented (cont.)

- Management updated the New Business and New Project policy, which was approved by the Board on 9 May 2021 and effective from 9 May 2021, to incorporate the following:
  - Due diligence considerations, i.e. market entry assistance/market due diligence, commercial due diligence, integrity/anti-corruption due diligence, financial due diligence and tax due diligence (specific procedures would be risk-based and determined on a case-by-case basis)
  - A requirement to keep the Board updated on the status of new businesses and new projects, and include them in the scope of the Company's internal audit programme (the frequency of the updates would be risk-based and determined on a case-by-case basis)
  - Shareholder protection measures in contracts, such as Board and/or executive management representation and financial reporting obligations (specific measures would be risk-based and determined on a case-by-case basis).
- Management is responsible for implementing the specific measures in relation to new businesses and new projects, once approved by the Board.

New business and new projects (cont.)

Observations from sample testing

- Management stated that:
  - The Company has not entered into any new investments or projects, or expressed any interest to do so, since the New Business and New Project policy was updated.
  - The Company's internal audit plan for 2021 to 2022 is yet to be finalised with the internal auditor (the internal audit plan for 2020 to 2021 was finalised on 29 July 2020, prior to the implementation of the updated policy).

Conclusion

- It appears from our procedures performed that remedial measures (i.e. a policy update for more comprehensive due diligence, management review and shareholder protection measures for future investments) have been implemented by management to address the internal control gaps noted in our independent audit. However, as the Company has not entered into any new investments or projects, we were not able to test the remedial measures implemented.

Other observations

Other observations

The observations below were identified during the course of our work. These observations were not connected to the internal control gaps noted in our independent audit.

Recording of one-time and *ad hoc* payments to "Miscellaneous supplier"

- SHL's payment listing shows 25 payments totalling S$64,074 made to "Miscellaneous supplier" during the Review Period. Management stated that those payments were one-off and *ad hoc* transactions.
- Our sample testing included three (3) payments totalling S$51,446, which were recorded as being made to "Miscellaneous supplier". These payments related to professional services fees (the identities of these vendors and the nature of the transactions were stated in the supporting vendor invoices).[10]
- Management should:
  - Discourage the practice of recording one-time and *ad hoc* payments to "Miscellaneous supplier"
  - Assess the risks of all vendors during the vendor onboarding process.

[10] The scope of our review was on the controls related to payment processing, as described on pages 12 to 14. Our scope did not involve reviewing the due diligence procedures performed by the Company or the appointment/onboarding of vendors.

Appendices

Appendix 1: KPMG sampling methodology

KPMG sampling methodology

Frequency of Control	Sample Size
Yearly, half-yearly or quarterly	1
Monthly or fortnightly	2
Weekly	5
Daily	15
Daily recurring	20
Automated control	1

Appendix 2: Authorised signatories for payments

Authorised signatories for payments

- The Payments Processing policy, effective 9 May 2021, states the following:
  - Payments up to S$1.5 million are to be approved by:
    - Two (2) "Group A" signatories (i.e. the Chairman and CEO), or
    - One (1) "Group A" signatory and one (1) "Group B" signatory (i.e. CFO)
  - Payments above S$1.5 million are to be approved by one (1) "Group A" signatory and one (1) "Group C" signatory (i.e. Independent Director).
- Management stated that the banking tokens to authorise online banking transactions are held by the CEO and CFO only.
- We also reviewed the bank mandates and Directors' Resolutions for banking authorised signatories, which aligned to the payment authorities in the Payments Processing policy.

Appendix 3: Sample of payments

Sample of payments

Our sample of payments was based on the following criteria: i) vendors to whom the highest value and volume of payments were made, ii) duplicate/recurring payments made to the same vendors, iii) payments made to "miscellaneous" vendors, and iv) one-time/*ad hoc* payments made to individuals.

S/N	Document No.	Posting Date	BP Code	G/L Acct/BP Name	Total (LC)
1	9803	29/7/2021	VU005	[redacted]	$ 60,437.99
2	9783	19/7/2021	VU005	[redacted]	$ 31,155.81
3	9898	9/9/2021	VZ999	Miscellaneous supplier	$ 42,853.50
4	9703	2/7/2021	VZ999	Miscellaneous supplier	$ 5,917.10
5	9638	10/6/2021	VZ999	Miscellaneous supplier	$ 2,675.00
6	9881	1/9/2021	VF058	[redacted]	$ 28,890.00
7	9800	2/8/2021	VF058	[redacted]	$ 28,890.00
8	9731	15/7/2021	SW002	[redacted]	$ 15,000.10
9	9733	16/7/2021	VA192	[redacted]	$ 19,379.40
10	9772	22/7/2021	VA192	[redacted]	$ 14,096.31
11	9888	24/8/2021	VS189	[redacted]	$ 65,987.67
12	9872	25/8/2021	VS189	[redacted]	$ 4,004.99
13	9814	6/8/2021	VS189	[redacted]	$ 1,952.29
14	9813	6/8/2021	VS189	[redacted]	$ 1,952.29
15	9722	7/6/2021	VI004	[redacted]	$ 30,825.00
16	9736	7/6/2021	VI004	[redacted]	$ 30,825.00
17	9937	22/9/2021	VT029	[redacted]	$ 599.20
18	9938	22/9/2021	VT029	[redacted]	$ 599.20
19	9701	23/6/2021	VS037	[redacted]	$ 3,062.72
20	9735	23/6/2021	VS037	[redacted]	$ 3,062.72
Total					**$ 392,166.29**

Appendix 4: Sample of journal entries

Sample of journal entries

Our sample of journal entries primarily focused on: i) larger-value journal entry batches, and ii) month-end journal entries. The majority of journal entries in our sample was in June 2021 (the month where the volume and value of journal entries was the highest).

S/N	Trans. No.	Posting Date	Type	Account type	Account #	Account name	Debit (LC)	Credit (LC)	Doc. No.
1	2053859	9/7/2021	BS	Assets	112101	[redacted]	$ 1,941.60		JE 2053858
	2053859	9/7/2021	BS	Assets	112101	[redacted]	$ 298.80		JE 2053858
	2053859	9/7/2021	BS	Assets	111106	[redacted]	$ 280.50		JE 2053858
	2053859	9/7/2021	BS	Liabilities	212749	[redacted]	$ 226.09		JE 2053858
	2053859	9/7/2021	BS	Assets	112101	[redacted]	$ 223.70		JE 2053858
	2053859	9/7/2021	BS	Assets	111106	[redacted]	$ 171.30		JE 2053858
	2053859	9/7/2021	BS	Assets	112101	[redacted]	$ 124.43		JE 2053858
	2053859	9/7/2021	BS	Assets	112101	[redacted]	$ 117.63		JE 2053858
	2053859	9/7/2021	BS	Assets	112101	[redacted]	$ 55.55		JE 2053858
	2053859	9/7/2021	BS	Assets	112101	[redacted]	$ 50.00		JE 2053858
	2053859	9/7/2021	PL	Turnover	411500	[redacted]		$ 0.17	JE 2053858
	2053859	9/7/2021	PL	Turnover	440000	[redacted]		$ 185.73	JE 2053858
	2053859	9/7/2021	BS	Liabilities	211300	[redacted]		$ 228.37	JE 2053858
	2053859	9/7/2021	PL	Turnover	411200	[redacted]		$ 293.67	JE 2053858
	2053859	9/7/2021	PL	Turnover	411300	[redacted]		$ 925.72	JE 2053858
	2053859	9/7/2021	PL	Turnover	411100	[redacted]		$ 1,855.94	JE 2053858
2	2053075	31/5/2021	PL	Operating costs	611307	[redacted]	$ 2,940.47		JE 2053074
	2053075	31/5/2021	PL	Operating costs	610100	[redacted]	$ 6,303.00		JE 2053074
	2053075	31/5/2021	PL	Operating costs	610400	[redacted]	$ 1,232.00		JE 2053074
	2053075	31/5/2021	PL	Operating costs	611132	[redacted]	$ 389.50		JE 2053074
	2053075	31/5/2021	PL	Operating costs	610410	[redacted]	$ 27.00		JE 2053074
	2053075	31/5/2021	BS	Liabilities	212102	[redacted]		$ 1.50	JE 2053074
	2053075	31/5/2021	BS	Liabilities	212102	[redacted]		$ 20.00	JE 2053074
	2053075	31/5/2021	BS	Liabilities	212102	[redacted]		$ 27.00	JE 2053074
	2053075	31/5/2021	BS	Liabilities	212102	[redacted]		$ 1,178.00	JE 2053074
	2053075	31/5/2021	BS	Liabilities	212102	[redacted]		$ 1,232.00	JE 2053074
	2053075	31/5/2021	BS	Liabilities	212108	[redacted]		$ 8,433.47	JE 2053074
3	2053907	26/7/2021	PL	Non-operating income and	710500	[redacted]	$ 13,200.00		JE 2053906
	2053907	26/7/2021	BS	Assets	112101	[redacted]		$ 13,200.00	JE 2053906
4	2054170	31/7/2021	PL	Turnover	411401	[redacted]	$ 407.43		JE 2054169
	2054170	31/7/2021	BS	Assets	112101	[redacted]		$ 407.43	JE 2054169

Sample of journal entries (cont.)

S/N	Trans. No.	Posting Date	Type	Account type	Account #	Account name	Debit (LC)	Credit (LC)	Doc. No.
5	2053671	25/6/2021	BS	Assets	111105	[redacted]	$ 33,140.00		JE 2053670
	2053671	25/6/2021	PL	Non-operating income and	710100	[redacted]		$ 33,140.00	JE 2053670
6	2054351	22/7/2021	BS	Assets	111105	[redacted]	$ 33,140.00		JE 2054350
	2054351	22/7/2021	PL	Non-operating income and	710100	[redacted]		$ 33,140.00	JE 2054350
7	2054643	26/7/2021	PL	Operating costs	651000	[redacted]	$ 36,643.95		JE 2054642
	2054643	26/7/2021	BS	Assets	111111	[redacted]		$ 36,643.95	JE 2054642
8	2054595	16/8/2021	BS	Liabilities	211400	[redacted]	$ 61,213.26		JE 2054594
	2054595	16/8/2021	BS	Assets	111111	[redacted]		$ 61,213.26	JE 2054594
9	2054650	30/8/2021	BS	Assets	111142	[redacted]	$ 118,798.77		JE 2054649
	2054650	30/8/2021	BS	Liabilities	212400	[redacted]		$ 118,798.77	JE 2054649
10	2054673	30/6/2021	BS	Assets	116122	[redacted]	$ 181,376.17		JE 2054672
	2054673	30/6/2021	BS	Assets	116121	[redacted]	$ 85,391.18		JE 2054672
	2054673	30/6/2021	BS	Assets	116131	[redacted]	$ 269,727.77		JE 2054672
	2054673	30/6/2021	BS	Assets	116123	[redacted]	$ 61,731.43		JE 2054672
	2054673	30/6/2021	PL	Non-operating income and	721100	[redacted]		$ 598,226.55	JE 2054672
11	2054677	30/6/2021	PL	Operating costs	640600	[redacted]	$ 17,500.00		JE 2054676
	2054677	30/6/2021	BS	Assets	113100	[redacted]		$ 17,500.00	JE 2054676
12	2054793	7/9/2021	PL	Operating costs	643130	[redacted]	$ 141.05		JE 2054792
	2054793	7/9/2021	BS	Assets	111142	[redacted]		$ 141.05	JE 2054792
13	2054699	30/6/2021	BS	Assets	121203	[redacted]	$ 13,105.00		JE 2054698
	2054699	30/6/2021	BS	Assets	121203	[redacted]	$ 17,110.00		JE 2054698
	2054699	30/6/2021	BS	Liabilities	212900	[redacted]	$ 17,110.00		JE 2054698
	2054699	30/6/2021	BS	Liabilities	212900	[redacted]	$ 17,110.00		JE 2054698
	2054699	30/6/2021	PL	Operating costs	630300	[redacted]		$ 13,105.00	JE 2054698
	2054699	30/6/2021	BS	Assets	121113	[redacted]		$ 17,110.00	JE 2054698
	2054699	30/6/2021	BS	Assets	121113	[redacted]		$ 17,110.00	JE 2054698
	2054699	30/6/2021	PL	Operating costs	630300	[redacted]		$ 17,110.00	JE 2054698
14	2054703	30/6/2021	PL	Non-operating income and	710100	[redacted]	$ 38,894.00		JE 2054702
	2054703	30/6/2021	BS	Assets	113400	[redacted]	$ 15,572.00		JE 2054702
	2054703	30/6/2021	BS	Liabilities	212400	[redacted]		$ 54,466.00	JE 2054702

Sample of journal entries (cont.)

S/N	Trans. No.	Posting Date	Type	Account type	Account #	Account name	Debit (LC)	Credit (LC)	Doc. No.
15	2054705	30/6/2021	BS	Assets	121102	[redacted]	$ 9,000,000.00		JE 2054704
	2054705	30/6/2021	BS	Liabilities	222000	[redacted]		$ 1,530,000.00	JE 2054704
	2054705	30/6/2021	BS	Capital and Reserves	340000	[redacted]		$ 7,470,000.00	JE 2054704
16	2054707	30/6/2021	BS	Assets	121201	[redacted]	$ 1,649,765.28		JE 2054706
	2054707	30/6/2021	BS	Capital and Reserves	340000	[redacted]		$ 1,649,765.28	JE 2054706
17	2054710	30/6/2021	BS	Assets	122501	[redacted]	$ 2,716,049.38		JE 2054709
	2054710	30/6/2021	PL	Non-operating income and	713000	[redacted]		$ 2,716,049.38	JE 2054709
18	2054711	30/6/2021	BS	Assets	122501	[redacted]	$ 2,487,000.00		JE 2054710
	2054711	30/6/2021	BS	Assets	122502	[redacted]		$ 2,487,000.00	JE 2054710
19	2054714	30/6/2021	BS	Liabilities	222000	[redacted]	$ 232,093.24		JE 2054713
	2054714	30/6/2021	PL	Taxation and Extraordina	811000	[redacted]		$ 232,093.24	JE 2054713
20	2054715	30/6/2021	BS	Assets	121114	[redacted]	$ 517,334.88		JE 2054714
	2054715	30/6/2021	BS	Assets	121212	[redacted]	$ 424,215.68		JE 2054714
	2054715	30/6/2021	PL	Operating costs	651011	[redacted]	$ 385,609.67		JE 2054714
	2054715	30/6/2021	BS	Liabilities	224000	[redacted]	$ 298,092.86		JE 2054714
	2054715	30/6/2021	PL	Operating costs	630201	[redacted]	$ 295,776.67		JE 2054714
	2054715	30/6/2021	PL	Operating costs	630201	[redacted]	$ 184,862.08		JE 2054714
	2054715	30/6/2021	BS	Liabilities	224000	[redacted]	$ 86,963.77		JE 2054714
	2054715	30/6/2021	BS	Liabilities	224000	[redacted]	$ 32,938.00		JE 2054714
	2054715	30/6/2021	PL	Operating costs	630201	[redacted]	$ 32,632.00		JE 2054714
	2054715	30/6/2021	PL	Operating costs	651011	[redacted]	$ 25,907.14		JE 2054714
	2054715	30/6/2021	PL	Operating costs	651011	[redacted]	$ 62.00		JE 2054714
	2054715	30/6/2021	BS	Assets	121212	[redacted]		$ 32,632.00	JE 2054714
	2054715	30/6/2021	BS	Liabilities	216117	[redacted]		$ 33,000.00	JE 2054714
	2054715	30/6/2021	BS	Assets	121212	[redacted]		$ 184,862.08	JE 2054714
	2054715	30/6/2021	BS	Assets	121212	[redacted]		$ 295,776.67	JE 2054714
	2054715	30/6/2021	PL	Operating costs	622000	[redacted]		$ 324,000.00	JE 2054714
	2054715	30/6/2021	BS	Assets	121114	[redacted]		$ 424,215.68	JE 2054714
	2054715	30/6/2021	PL	Operating costs	623000	[redacted]		$ 472,573.44	JE 2054714
	2054715	30/6/2021	BS	Liabilities	224000	[redacted]		$ 517,334.88	JE 2054714

Appendix 5: Summary of temporary accounts

Summary of temporary accounts

We identified the temporary accounts in SHL's chart of accounts and confirmed these with management. These were mapped to SHL's general ledger to identify the temporary accounts present. The activity and balances in the temporary accounts present in the general ledger were then reviewed.

Temporary Account per Chart of Accounts	Present in SHL's GL?	Activity?	Balance
111199 - Dummy Bank (Account closed)	x	-	-
126199 - CONTRA - INTERCO BILLING (Account closed)	✓	x	Nil
212700 - Other Account	x	-	-
212701 - Contra - Miscellaneous (Account closed)	x	-	-
212702 - Contra - [redacted] (Account closed)	x	-	-
212703 - Contra - [redacted] (Account closed)	x	-	-
212705 - Contra - [redacted] (Account closed)	x	-	-
212706 - Contra - [redacted] (Account closed)	x	-	-
212707 - Contra - [redacted] (Account closed)	x	-	-
212708 - Contra - [redacted] (Account closed)	x	-	-
212709 - Contra - [redacted] (Account closed)	x	-	-
212710 - Contra - [redacted] (Account closed)	x	-	-
212711 - Contra - [redacted] (Account closed)	x	-	-
212712 - Contra - [redacted] (Account closed)	x	-	-
212713 - Contra - [redacted] (Account closed)	x	-	-
212714 - Contra - [redacted] (Account closed)	x	-	-
212715 - Contra - [redacted] (Account closed)	x	-	-
212716 - Contra - [redacted] (Account closed)	x	-	-
212717 - Contra - [redacted] (Account closed)	x	-	-
212718 - Contra - [redacted] (Account closed)	x	-	-
212719 - Contra - [redacted] (Account closed)	x	-	-
212720 - Contra - [redacted] (Account closed)	x	-	-
212721 - Contra - [redacted] (Account closed)	x	-	-

Summary of temporary accounts (cont.)

Temporary Account per Chart of Accounts	Present in SHL's GL?	Activity?	Balance
212722 - Contra - [redacted] (Account closed)	X	-	-
212723 - Contra - [redacted] (Account closed)	X	-	-
212724 - Contra - [redacted] (Account closed)	x	-	-
212725 - Contra - [redacted] (Account closed)	x	-	-
212726 - Contra - [redacted] (Account closed)	x	-	-
212727 - Contra - [redacted] (Account closed)	x	-	-
212728 - Contra - [redacted] (Account closed)	x	-	-
212729 - Contra - [redacted] (Account closed)	x	-	-
212730 - Contra - [redacted] (Account closed)	x	-	-
212731 - Contra - [redacted] (Account closed)	x	-	-
212732 - Contra - [redacted] (Account closed)	x	-	-
212733 - Contra - [redacted] (Account closed)	x	-	-
212734 - Contra - [redacted] (Account closed)	x	-	-
212735 - Contra - [redacted] (Account closed)	x	-	-
212736 - Contra - [redacted] (Account closed)	x	-	-
212737 - Contra - [redacted] (Account closed)	x	-	-
212738 - Contra - [redacted] (Account closed)	x	-	-
212739 - Contra - [redacted] (Account closed)	x	-	-
212740 - Contra - [redacted] (Account closed)	x	-	-
212741 - Contra - [redacted] (Account closed)	x	-	-
212742 - Contra - [redacted] (Account closed)	x	-	-
212743 - Contra - [redacted] (Account closed)	x	-	-
212744 - Contra - [redacted] (Account closed)	x	-	-
212745 - Contra - [redacted] (Account closed)	x	-	-
212746 - Contra - [redacted] (Account closed)	x	-	-
212747 - Contra - [redacted] (not in use) (Account closed)	x	-	-
212748 - Contra - [redacted] (Account closed)	x	-	-
212750 - Contra - [redacted] (Account closed)	x	-	-
212751 - Contra - [redacted] (Account closed)	x	-	-

Summary of temporary accounts (cont.)

Temporary Account per Chart of Accounts	Present in SHL's GL?	Activity?	Balance
212752 - Contra - [redacted] (Account closed)	x	-	-
212753 - Contra - [redacted] (Account closed)	x	-	-
212754 - Contra - [redacted] (Account closed)	x	-	-
212755 - Contra - [redacted] (Account closed)	x	-	-
212756 - Contra - [redacted] (Account closed)	x	-	-
212757 - Contra - [redacted] (Account closed)	x	-	-
212758 - Contra - [redacted] (Account closed)	x	-	-
212759 - Contra - [redacted] (Account closed)	x	-	-
212760 - Contra - [redacted] (Account closed)	x	-	-
212761 - Contra - [redacted] (Account closed)	x	-	-
212762 - Contra - [redacted] (Account closed)	x	-	-
212763 - Contra - [redacted] (Account closed)	x	-	-
212764 - Contra - [redacted] (Account closed)	x	-	-
212765 - Contra - [redacted] (Account closed)	x	-	-
212766 - Contra - [redacted] (Account closed)	x	-	-
212767 - Contra - [redacted] (Account closed)	x	-	-
212768 - Contra - [redacted] (Account closed)	x	-	-
212769 - Contra - [redacted] (Account closed)	x	-	-
212775 - Contra - Paynow (Account closed)	x	-	-
212797 - Contra - Opening Stock (Account closed)	x	-	-
212700A - Suspense Account (Account closed)	x	-	-
212800 - AR Downpayment Clearing Account (Account closed)	x	-	-
213200 - HP Interest in Suspense (Current)	x	-	-
216199 - CONTRA - INTERCO BILLING (Account closed)	x	-	-
223200 - HP Interest in Suspense (Non-Current)	x	-	-

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Appendix 2
bakertilly
Sakae Holdings Ltd
Report on Agreed Upon Procedures
22 October 2021

Cover Note

22 October 2021

The Audit Committee
Sakae Holdings Ltd
28 Tai Seng St,
Level 7 Sakae Building,
Singapore 534106

Dear Audit Committee Chairman,

Report of Factual Findings on Agreed Upon Procedures

Baker Tilly TFW LLP was engaged by Sakae Holdings Ltd to perform agreed upon procedures, in accordance with our letter of engagement dated 5 October 2021 ("Engagement Letter"), and acknowledged by you on 6 October 2021. We have prepared this report of our factual findings in accordance with the Engagement Letter.

We have compiled this report based on the results of our procedures performed on the Agreed Upon Procedures Report issued by KPMG to the Company on 22 October 2021. Should additional material information subsequently be made available to us, we reserve the right to amend our findings.

Yours faithfully,

Baker Tilly

Baker Tilly TFW LLP

Contents

Background

On 7 February 2020, Sakae Holdings Ltd (the "Company", "SHL" or "you") appointed KPMG Services Pte. Ltd. ("KPMG") to conduct an independent audit of the Company's investment in Cocosa Export S.A. ("Cocosa Export"), a Chilean entity which is primarily engaged in the production and trading of canned and frozen seafood.

On 12 May 2021, KPMG submitted its independent audit report to the Audit Committee. The Company has further requested KPMG to review and verify the remedial measures that have been put in place by the Company and its subsidiaries (the "Group") and to report its factual findings ("AUP Report"). Their procedures are summarised as follows:

- Understand the remedial measures that have been put in place by the Company in relation to the following internal control gaps noted in their independent audit:
  - Payment processing
  - Internal accounting control
  - Employee retention and training
  - New business and new projects.
- Perform sample testing and make enquiries with management to verify the remedial measures.
- Report factual findings arising from the above procedures:
  - Procedures conducted and, if any, limitations in our ability to perform the above procedures
  - Instances, if any, where the remedial measures did not address the internal control gaps
  - Instances, if any, where the transactions tested were not consistent with the remedial measures put in place by the Company.

Baker Tilly TFW LLP ("Baker Tilly" or "us" or "we") was engaged by the Company to review the AUP Report by KPMG and to report its views and the details of basis if the findings and results of the sample testing and other procedures performed by KPMG is sufficient to conclude that the remedial measures have been implemented by management to satisfactorily address the gaps in internal controls noted in the KPMG independent audit.

Scope of Work

At your request, we have performed the procedures agreed with you and enumerated below for the period from 9 May 2021 to 23 September 2021, the same period which has been covered by KPMG in their AUP report. Our engagement was undertaken in accordance with the Singapore Standard on Related Services applicable to agreed-upon procedures engagements. The procedures were performed solely to assist you in evaluating if the findings and results of the sample testing and other procedures performed by KPMG is sufficient to conclude that the remedial measures have been implemented by management to address the following gaps in internal controls noted in the KPMG independent audit ("Prior Control Gaps"):

i. Payment processing

ii. Internal accounting control

iii. Employee retention and training

iv. New business and new projects

The procedures are summarised in the following section of this Report.

Procedures Performed

We have performed the following procedures:

a. Obtained the independent audit report submitted by KPMG dated 12 May 2021 on 7 October 2021.

b. Obtained the draft AUP Report issued by KPMG to the Company on 8 October 2021. The final AUP Report was issued by KPMG on 22 October 2021.

c. Identified and understood all the four areas of internal control gaps as noted in KPMG's independent audit report.

d. Obtained an understanding of the remedial measures identified by KPMG in its AUP Report.

e. Reviewed the work performed by KPMG.

f. Reviewed the findings from KPMG.

g. Reported our views and the details of our basis if the findings and results of the sample testing and other procedures performed by KPMG is sufficient to conclude that the remedial measures have been implemented by management to satisfactorily address the gaps in internal controls noted in the KPMG independent audit.

We set out our findings in the subsequent section of this report. We wish to highlight that the work performed by KPMG is based on historical transactions occurring within the review period. To ensure adequate internal controls going forward, the relevant policies and procedures should be reviewed and updated regularly and compliance should be tested by the Internal Audit Function and reported periodically to the Audit Committee.

Because the above procedures do not constitute either an audit or a review made in accordance with Singapore Standards on Auditing or Singapore Standards on Review Engagements, we do not express any assurance on the internal controls of the Group and on our findings.

Had we performed additional procedures or had we performed an audit or review of the financial statements in accordance with Singapore Standards on Auditing or Singapore Standards on Review Engagements, other matters might have come to our attention that would have been reported to you.

Findings - Payment Processing

Prior Control Gap and Recommendation by KPMG	Our Observation
Prior Control Gap: Payments exceeding $50,000 were split (i.e. divided into several cheques of $49,000 each plus a cheque for the residual balance) because the second authorised signatory was not present to approve those payments This was not in accordance with the Payments Processing policy, effective from 1 September 2014. **Recommendation**: Establish a policy exceptions procedure for the processing of urgent payments in the event that a second authorised signatory is not present. Please refer to KPMG's AUP Report for remedial measures implemented by management, and KPMG's findings and conclusion.	KPMG noted that the Payment Processing Policy was approved by the Board on 9 May 2021 and included the processing of urgent payments in the event that a second authorised signatory is not available. However, KPMG noted that there has been no requirement to apply this policy exception procedure since 9 May 2021. KPMG further noted that the Company made 389 payments totalling S$1,855,021 during the review period and tested 20 payments totalling $392,166 on a judgmental basis which included various stratum of transactions. No split payments were identified by KPMG. We observed that the sample size of 20 is derived from KPMG sampling methodology, which is based on frequency of control occurrence. KPMG also have taken into consideration of the various payment modes of the Company as noted by KPMG in selected their samples.

Findings - Payment Processing (cont'd)

Our Finding

With respect to KPMG's procedures performed on this recommendation and findings per their AUP report dated 22 October 2021, we find that the sample testing and the procedures performed by KPMG, subject to limitation as highlighted by KPMG, is sufficient to conclude that the remedial measures have been implemented by management to address the internal control gap noted.

However, we wish to highlight the following:

1. The Company should regularly review the delegation of authority limit, which is currently set at S$1.5 million, below which either CEO and CFO or Chairman and CEO can jointly approve the payments. An independent director is required as a signatory only if the payment is above S$1.5 million. The review should take into account of the volume and quantum of payment transactions, individually and in aggregate.
2. The Company should update its Payment Processing Policy that splitting of payments to bypass approval requirements is strictly prohibited and have its internal audit function perform the necessary checks for periodic reporting to the Audit Committee.

Findings - Internal Accounting Control (1)

Prior Control Gap and Recommendation by KPMG	Our Observation
Prior Control Gap: SHL's accounting records are maintained on SAP, whereas Cocosa Export's accounting records were maintained in Excel. SHL did not have access to review the accounting records of Cocosa Export. **Recommendation:** Management should have the ability to continuously monitor the financial performance and position of its subsidiaries, particularly those operating outside of Singapore. Please refer to KPMG's AUP Report for remedial measures implemented by management, and KPMG's findings and conclusion.	KPMG noted that the Group holds a 100% shareholding in 13 subsidiaries and a 51% shareholdings in two dormant subsidiaries. KPMG has confirmed on screen that the Company's Finance team can access to the accounting records of 2 subsidiaries in Malaysia through TeamViewer or Xero and reviewed their financial reporting packages. We observed that KPMG has selected these 2 subsidiaries as they are based in overseas. We also observed that SHL does not currently face issues having access to the accounting records of its subsidiaries since all its active subsidiaries are wholly owned.

Our Finding
With respect to KPMG's procedures performed on this recommendation and findings per their AUP report dated 22 October 2021, we find that the sample testing and the procedures performed by KPMG is sufficient to conclude that the remedial measures have been implemented by management to address the internal control gap noted. However, we wish to highlight that going forward, should the Company hold active subsidiaries that are not 100% owned, adequate controls as highlighted in "Findings – New Business and New Projects" should be implemented and checked by independent personnel prior to commencement.

Findings - Internal Accounting Control (2)

Prior Control Gap and Recommendation by KPMG	Our Observation
Prior Control Gap: Lack of review of journal entries leading to erroneous entries and unwarranted use of temporary accounts such as "Suspense" and "Contra-Interco Billing". **Recommendation:** Implement controls to ensure that timely reviews of the journal entries are performed to minimise accounting errors, set up a framework to help the Finance team with complex transactions and journal entries, and enhance tone at the top regarding the importance of having effective internal controls. Please refer to KPMG's AUP Report for remedial measures implemented by management, and KPMG's findings and conclusion.	KPMG noted that all journal entries are currently reviewed by the Finance Manager and the CFO daily. The Internal Accounting Control Policy outlines the treatment of complex accounting matters including the review and approval by the Audit Committee and the Board. KPMG further tested 20 out of 646 journal entries occurring during its review period. We observed that the sample size of 20 is derived from KPMG sampling methodology based on frequency of control occurrence. KPMG noted that whilst the journal entries tested were duly reviewed and approved by the Finance Manager and CFO, these journal entries were already posted in SAP before being reviewed and approved. KPMG has recommended that management may wish to configure the accounting systems so that journal entries can be posted only after they are reviewed and approved by the Finance Manager and CFO.

Our Finding

With respect to KPMG's procedures performed on this recommendation and findings per their AUP report dated 22 October 2021, we find that the sample testing performed on the 20 journals by KPMG is sufficient, subject to the limitation highlighted by KPMG, to conclude that the remedial measures have been implemented by management to address the internal control gap noted.

However, we agree with KPMG's further recommendation that the Company should review its current procedures to ensure that the necessary reviews are performed prior to posting in the accounting system.

Findings - Internal Accounting Control (3)

Prior Control Gap and Recommendation by KPMG	Our Observation
Prior Control Gap: Lack of review of journal entries leading to erroneous entries and unwarranted use of temporary accounts such as "Suspense" and "Contra-Interco Billing". **Recommendation:** Discontinue the use of temporary accounts. Please refer to KPMG's AUP Report for remedial measures implemented by management, and KPMG's findings and conclusion.	KPMG reported that the Company has discontinued the use of temporary accounts and disabled these accounts in the system. KPMG further inspected the general ledger and reviewed temporary accounts for transactions occurring within the review period and noted that there are no transactions within these accounts within the review period.

Our Finding

With respect to KPMG's procedures performed on this recommendation and findings per their AUP report dated 22 October 2021, we find that the inspection of the general ledger and review performed by KPMG is sufficient to conclude that the remedial measures have been implemented by management to address the internal control gap noted.

However, we wish to highlight the following:

1. The Company should update its accounting policy to state explicitly that there should be no temporary accounts used; whether in form or in substance.
2. The Company should have its internal audit function perform the necessary checks for periodic reporting to the Audit Committee to ensure compliance going forward.

Findings - Internal Accounting Control (4)

Prior Control Gap and Recommendation by KPMG	Our Observation
Prior Control Gap: Intercompany balances and transactions listed were not prepared and maintained on a timely basis. There is no policy to perform monthly reconciliations of intercompany balances and transactions. **Recommendation:** Implement the practice of performing monthly reconciliations of intercompany balances on a timely basis. Please refer to KPMG's AUP Report for remedial measures implemented by management, and KPMG's findings and conclusion.	KPMG noted that the current Internal Accounting Policy requires monthly reconciliations to be performed by the 14^{th} of the subsequent month. KPMG selected intercompany reconciliations for June 2021 and August 2021, and noted that these were prepared by an Accounts Executive and reviewed by the Finance Manager and CFO by the 14^{th} of the following months. We observed that the sample size of 2 is derived from KPMG sampling methodology based on the frequency of control occurrence.

Our Finding
With respect to KPMG's procedures performed on this recommendation and findings per their AUP report dated 22 October 2021, we find that the sample testing performed by KPMG is sufficient to conclude that the remedial measures have been implemented by management to address the internal control gap noted.

Findings - Employee Retention and Training

Prior Control Gap and Recommendation by KPMG	Our Observation
Prior Control Gap: The Finance department had 73 personnel between 1 January 2016 and 30 June 2019 (71 of these personnel left the Company during the same period). A series of erroneous accounting entries were identified due to high staff turnover. **Recommendation:** Implement a staff retention programme aimed at reducing turnover within the Finance team and a staff training programme to improve the technical proficiency of the Finance team. Please refer to KPMG's AUP Report for remedial measures implemented by management, and KPMG's findings and conclusion.	KPMG noted the implementation of the Employee Retention Policy and various aspects described therein including onboarding, annual performance reviews, training, etc. KPMG tested two samples each over the delivery of the training, execution of the annual performance reviews and handover process. We observed that the sample sizes of 2 each is derived from KPMG sampling methodology based on the frequency of control occurrence.

Our Finding
With respect to KPMG's procedures performed on this recommendation and findings per their AUP report dated 22 October 2021, we find that the sample testing performed by KPMG is sufficient to conclude that the remedial measures have been implemented by management to address the internal control gap noted. However, we noted that the annual review for the Employee Retention Strategy will only be conducted in May 2022. The effects of a good Employee Retention Strategy may not be immediately observable, and the Company needs to conduct the annual review diligently in May 2022 to ensure that its objectives are achieved.

Findings - New Business and New Projects

Prior Control Gap and Recommendation by KPMG	Our Observation
Prior Control Gap: There were no visits by management to Cocosa Export after March 2017 and an internal audit was not performed on the operations of Cocosa Export. Limited due diligence was performed prior to the acquisition of Cocosa Export and SHL did not have representation on Cocosa Export's board or executive management. **Recommendation:** Enhance shareholder protection measures for future investments, develop and implement a more comprehensive due diligence programme for its future investments (particularly higher risk investments in emerging markets), and establish management review and internal audit programmes to enhance the governance and oversight of its subsidiaries (particularly new investments). Please refer to KPMG's AUP Report for remedial measures implemented by management, and KPMG's findings and conclusion.	KPMG noted that the Company has updated the New Business and New Project policy which prescribed the due diligence considerations, updates to the Board and shareholder protection measures. However, there was no new investments and no new projects.

Our Finding
With respect to KPMG's procedures performed on this recommendation and findings per their AUP report dated 22 October 2021, KPMG has noted that the remedial measures have been implemented by management to address the internal control gap noted. However, there was no new investments and no new projects available for KPMG to test the remedial measures implemented. The Company should actively ensure the implementation of the internal controls under the guidance of the Audit Committee whenever new investments and new projects are available.

Limitations

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