

SAKAE HOLDINGS LTD.

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

RESPONSE TO SGX QUERIES

The Board of Directors of Sakae Holdings Ltd. (“Company” or together with its subsidiaries, the “Group”) refers to the queries raised by the Singapore Exchange Securities Trading Limited (“SGX-ST”) on 25 October 2021, relating to the Company’s Annual Report for the financial year ended 30 June 2021 (“FY2021 Annual Report”). The Company’s replies to the queries are as stated below:

SGX-ST QUERY

1. We refer to the Company's Corporate Governance Report in its FY2021 Annual Report ("AR") announced on 14 October 2021. Listing Rule 1207(10) states that the board must comment on the adequacy and effectiveness of the issuer's internal controls (including financial, operational, compliance and information technology controls) and risk management systems. A statement on whether the audit committee ("AC") concurs with the board's comment must also be provided. Where material weaknesses are identified by the board or AC, they must be disclosed together with the steps taken to address them. Please provide the necessary disclosures as required under Listing Rule 1207(10).

COMPANY’S RESPONSE

As disclosed on Page 31 of the FY2021 Annual Report, the Board acknowledges that it is responsible for reviewing the adequacy and effectiveness of the Group’s risk management and internal control systems (including financial, operational, compliance and information technology controls). The Board also recognizes its responsibilities in ensuring a sound system of internal controls (including financial, operational, compliance and information technology controls) to safeguard shareholders’ interests and the Group’s assets.

The external auditors will highlight any material weaknesses in financial controls over the areas that are significant to the audit. Such material internal control weaknesses noted during their audit and recommendations, if any, are reported to the Audit Committee (“AC”). Subsequently, the AC will follow up to review the actions taken by the Management to address the weaknesses based on the said recommendations of the external auditors.

Referencing the Company’s previous announcements from 29 August 2018 and more recently, on 12 May 2021, 15 May 2021, 29 August 2021 and 25 October 2021, in relation to matters concerning investment in Cocosa Export, sugar trade business and the prior years’ adjustments – As stated in the Company’s announcement on 25 October 2021, the independent service provider, KPMG Services Pte. Ltd. (“KPMG”) and the Company’s current statutory auditor, Baker Tilly TFW LLP (“Baker Tilly”) have issued their respective reports on the observations and findings in relation to the followup actions to review and verify the remedial measures implemented by the Company for the prior control gaps.

To ensure accountability and continued adherence to the 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.

In considering the above, the Board is of the view that the Group's internal controls pertaining to financial, operational, compliance and information technology controls as well as risk management systems can be further improved. The AC concurred with the Board's comments.

The Board noted that the system of internal controls (including financial, operational, compliance and information technology controls) is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss.

SGX-ST QUERY

2. Listing Rule 1207(10C) requires the AC to comment on whether the internal audit function is independent, effective and adequately resourced. The AC has not provided its comment on whether the internal audit function is independent and effective. Please provide the AC's comments as required under Listing Rule 1207(10C).

COMPANY'S RESPONSE

As disclosed on Page 34 of the FY2021 Annual Report, the Company has appointed Messrs Virtus Assure Pte Ltd ("Virtus Assure") as the Company's Internal Auditor ("IA") for the purposes of reviewing the effectiveness of the Company's material internal controls. The internal auditor reports directly to the AC although they also report administratively to the CEO. The AC has reviewed the internal audit programme, the scope and results of internal audit procedures and is satisfied that the outsourced internal audit function is adequately resourced and has appropriate standing.

The internal auditor, Messrs Virtus Assure Pte Ltd, meets the standards for the Professional Practice of Internal Auditing set by The Institute of Internal Auditors.

Virtus Assure's Managing Director is Mr. Joshua Siow, who has many years of audit and management experience in operations, business systems, information technology, finance and accounting with various companies around the globe. He has helped exchanges, depositories and listed firms to establish their internal audit function, develop their enterprise risk management framework, assess their risk/control environments, strengthen their systems of internal controls, and evaluate their internal audit performance. Mr. Siow is a member of Institute of Singapore Chartered Accountants (ISCA), Fellow Member of the Association of Certified Chartered Accountants (FCCA) and Member of the Institute of Internal Auditors Inc (IIA).

The engagement team is led by an Audit Director, Mr. Alvin Tan, who has more than 10 years of audit and compliance experience. He is a Certified Internal Auditor (CIA) and Certified Risk Management Assurance (CRMA) professional with The Institute of Internal Auditors Inc (IIA). The Audit Director is assisted by a team of suitably qualified auditors.

The AC is satisfied that the appointed IA meets and has carried out its function according to the standards set by internationally recognised professional bodies including the Standards for the Professional Practice of Internal Auditing set by The Institute of Internal Auditors.

Based on the above, the AC is satisfied that the internal audit function is independent, effective and adequately resourced.

By Order of the Board

Chan Lai Yin
Company Secretary

27 October 2021