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## **Independent auditors' report**

Members of the Company  
SingHaiyi Group Ltd

### **Report on the audit of the financial statements**

#### *Opinion*

We have audited the financial statements of SingHaiyi Group Ltd (the "Company") and its subsidiaries (the "Group"), which comprise the statements of financial position of the Group and the Company as at 31 March 2019, and the statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of cash flows of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages FS1 to FS87.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards (International) (SFRS(I)s) so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 March 2019 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the year ended on that date.

#### *Basis for opinion*

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the '*Auditors' responsibilities for the audit of the financial statements*' section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority *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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



*Key audit matters*

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

<b>Valuation of investment properties (\$87,221,000)</b> <b>(Refer to Note 5 to the financial statements)</b>	
<i>The key audit matter</i>	<i>How the matter was addressed in our audit</i>
<p>As at 31 March 2019, the Group has a portfolio of investment properties comprising commercial properties in Singapore and shopping mall in the United States. These investment properties are measured at fair values based on independent external valuation.</p> <p>The valuation process involves significant judgement in determining the appropriate valuation methodology to be used, and in estimating the underlying assumptions to be applied. The valuation is sensitive to the key assumptions relating to discount rates, rent growth rates and terminal capitalisation rates. A change in the assumptions can have a significant impact on the valuation.</p>	<p><b>Our response</b></p> <p>We assessed the qualifications and competence of the external valuers. We also read the terms of engagement of the valuers with the Group to determine whether there were any matters that might have affected their objectivity or limited the scope of their work.</p> <p>We held discussions with the valuers to understand their valuation method and basis of valuation by comparing them with methodologies applied by other valuers.</p> <p>Where applicable, we evaluated the reasonableness of the estimated selling prices implied in valuation reports by comparing them with recent transacted prices of comparable properties in the vicinity.</p> <p>We also tested key inputs such as rental income and occupancy rate used in the valuation to actual rental income and assessed discount rates and terminal capitalisation rates used in the valuation by comparing them against historical rates and available industry data, taking into consideration comparability and market factors. We enquired with management on their development plan to ascertain if the assumptions used in the valuation are appropriate.</p>



<b>Valuation of investment properties (\$87,221,000) (cont'd)</b> <b>(Refer to Note 5 to the financial statements)</b>	
<i>The key audit matter</i>	<i>How the matter was addressed in our audit</i>
	<p><b><i>Our findings</i></b></p> <p>The valuers are members of generally-recognised professional bodies for valuers and have considered their own independence in carrying out their work.</p> <p>The valuation methodologies are in line with generally accepted market practices and the key assumptions are within range of market data.</p>
<b>Valuation of development properties (\$1,389,355,000)</b> <b>(Refer to Note 11 to the financial statements)</b>	
<p>As at 31 March 2019, the Group has development properties in Singapore and the United States. These development properties are measured at the lower of cost and net realisable value. Net realisable value represents the estimated selling price, less estimated/actual costs of completion and selling expenses.</p> <p>The determination of the estimated net realisable value of these development properties is dependent upon the Group's judgement over its estimates of projection of demand and future selling prices of these development properties, and costs to complete the development. Changes to these estimates can have a significant impact to the financial statements.</p> <p>For new development properties, the Group determined the estimated net realisable value of the properties based on independent external valuation.</p>	<p><b><i>Our response</i></b></p> <p>We assessed the Group's processes for setting and monitoring selling prices and cost budgets/actual costs.</p> <p>For completed properties, we assessed the Group's estimated selling prices of the development properties by comparing them to the units that have been sold and recently transacted prices of comparable properties located in the vicinity. We have also read industry reports on industry outlook and considered their potential impact on management's estimates.</p> <p>For new development properties where independent external valuers were engaged, we assessed the qualifications and competence of the external valuers. We also read the terms of engagement of the valuers with the Group to determine whether there were any matters that might have affected their objectivity or limited the scope of their work.</p>



**Valuation of development properties (\$1,389,355,000) (cont'd)**  
**(Refer to Note 11 to the financial statements)**

***Our response (cont'd)***

We understand the valuation method and basis of valuation by comparing them with methodologies applied by other valuers.

Where applicable, we evaluated the reasonableness of the estimated selling prices implied in valuation reports by comparing them with recent transacted prices of comparable properties in the vicinity.

We also reviewed the estimated development costs by making enquiries with management and comparing the estimation to the historical cost incurred and the approved budget. For actual costs incurred, we vouched to supporting documents.

***Our findings***

We found that the Group's assessment of the estimated selling prices, development costs of the development properties and allowance for diminution in value to be balanced.

The valuers are members of generally-recognised professional bodies for valuers and have considered their own independence in carrying out their work.

The valuation methodologies are in line with generally accepted market practices and the estimated values are within range of market data.



**Interests in joint ventures (\$111,501,000)**  
**(Refer to Note 7 to the financial statements)**

The carrying value of the Group's interest in joint ventures amounted to \$111,501,000 as at 31 March 2019. The main underlying asset of one of the joint ventures is property under construction.

The property under construction was reclassified from property development to investment property by the joint venture due to a change of use during the year. The property was measured at cost when it was classified as development property. It was remeasured at fair value based on independent external valuation at the date when it was reclassified to investment property. The reclassification resulted in a fair value gain of \$73.9 million. The Group's share of the gain was \$25.9 million.

Judgement is involved in determining the appropriate classification of the property. The valuation process also involves significant judgement in determining the appropriate valuation methodology to be used, and in estimating the underlying assumptions to be applied. A change in the assumptions can have a significant impact on the valuation.

***Our response***

We evaluated the reasonableness of the property's classification by inspecting the relevant documents and correspondences and making enquiry with management on the usage of the property.

We assessed the qualifications and competence of the external valuer. We also read the terms of engagement of the valuer with the Group to determine whether there were any matters that might have affected his objectivity or limited the scope of his work.

We held discussions with the valuer to understand their valuation method and basis of valuation by comparing them with methodologies applied by other valuer.

Where applicable, we evaluated the reasonableness of the estimated selling prices implied in the valuation report by comparing them with recent transacted prices of comparable properties in the vicinity.

We assessed key underlying assumptions applied such as discount rates and capitalisation rates used in the valuation by comparing them against available industry data.

***Our findings***

We found that management assessment of the classification of property to be supportable.

The valuer is a member of generally-recognised professional bodies for valuers and has considered his own independence in carrying out their work.

The valuation methodology is in line with generally accepted market practices and the key assumptions are within range of market data.



*Other information*

Management is responsible for the other information contained in the annual report. 'Other information' is defined as all information in the annual report other than the financial statements and our auditors' report thereon.

We have obtained all other information prior to the date of this auditors' report except for the Shareholders Information, which is expected to be made available to us after that date.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the Shareholders Information, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and take appropriate action in accordance with SSAs.

*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 SFRS(I), 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.



*Auditors' responsibilities for the audit of the financial statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.



We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless the law or regulations preclude public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

#### **Report on other legal and regulatory requirements**

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiary corporations 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 auditors' report is Teo Han Jo.

  
**KPMG LLP**  
*Public Accountants and*  
*Chartered Accountants*

**Singapore**  
22 May 2019