



Regulatory Announcement

12 May 2021

SGX RegCo wants Sakae to adopt internal control recommendations

Singapore Exchange Regulation (SGX RegCo) refers to Sakae Holdings Ltd's (Sakae) announcement of 17 October 2019 on its annual report for the financial year ended 30 June 2019 (FY2019).

Sakae's statutory auditor, Deloitte & Touche LLP (Deloitte) had issued then a disclaimer of opinion for the company's FY2019 accounts. Deloitte had not been provided with sufficient audit evidence to evaluate, among others, the following matters:

- (a) loss of control over the company's subsidiary, Cocosa Export S.A (Cocosa Export);
- (b) the existence of the gross receivables due from Cocosa Export and its non-controlling shareholder amounting to S\$5.412 million and S\$1.34 million respectively and its recoverability;
- (c) the unreconciled differences arising from the intragroup balance amounting to S\$1.54 million.

KPMG Services Pte. Ltd. (KPMG) was consequently appointed as the independent reviewer on 12 February 2020 to look into matters relating to Cocosa Export. Deloitte performed agreed-upon procedures to reconcile the differences in the intragroup balance. KPMG and Deloitte reported their findings directly to SGX Regco.

Findings of KPMG and Deloitte

Both reports, announced by the Company on 12 May 2021, highlighted erroneous accounting entries and internal control weaknesses.

KPMG did not note any impropriety in receivables from both Cocosa Export and its non-controlling shareholder. Errors were noted in the accounting records which might have been attributable to the high staff turnover in Sakae's Finance Department.

Deloitte had reviewed and reconciled majority of the differences in the intragroup balance (with the exception of S\$178,665) and the necessary audit adjustments for FY2020. The differences in the intragroup balance were mainly due to: (a) lack of review of journal entries; (b) no procedures to perform monthly inter-company reconciliation; and (c) no procedures on the use of suspense or contra accounts.

SGX RegCo requires the company to implement all internal control recommendations highlighted in the reports. The audit committee is also expected to oversee the implementation and monitor the adequacy and effectiveness of the internal controls in the finance function on an ongoing basis.

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