Report on the Audit of the Financial Statements

Qualified Opinion

We have audited the financial statements of Sakae Holdings Ltd. (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at June 30, 2020 and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group and the statement of changes in equity of the Company for the year ended June 30, 2020, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 43 to 127.

In our opinion, except for the possible effects of the matters described in the *Basis for Qualified Opinion* section of our report, the accompanying consolidated financial statements of the Group and the statement of financial position and statement of changes in equity 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 June 30, 2020 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and of the changes in equity of the Company for the year ended on that date.

Basis for Qualified Opinion

a) Our auditor's report on the financial statements for the prior year ended June 30, 2019 was modified due to various matters and management has taken steps to address some of those matters during the current year ended June 30, 2020, as disclosed in Note 2 to the financial statements. As a result, our opinion on the current year's financial statements is qualified on the opening balances of respective account balances set out below, and the corresponding adjustments recorded under "other operating income/ other operating expenses" in the current year's consolidated profit or loss.

   i) Investment in Griffin Real Estate Investment Holdings Pte. Ltd. ("GREIH")

      As disclosed in Note 2(i) to the financial statements, the Group has an investment in GREIH with carrying amount of $10,099,000 as at June 30, 2019, which is accounted for as an equity investment at fair value through profit or loss. As the fair values of the investment as at July 1, 2018 and June 30, 2019 have not been determined as required by SFRS(I) 9 *Financial Instruments* ("SFRS(I) 9"), our opinion on the financial statements for the prior year ended June 30, 2019 was modified accordingly.

      Management has assessed and determined that the fair value of GREIH at June 30, 2020 amounted to $9,888,000. Arising from the liquidation of GREIH, the Group has also received an amount of $11,358,000 from the liquidator being the partial return of capital relating to the Group's investment in GRIEH. Accordingly, on the basis of the partial return of capital and fair value at June 30, 2020, the Group has recognised a fair value gain under "other operating income" amounting to $11,147,000 in GREIH in the current financial year's consolidated profit or loss. Since opening balances affect the determination of the current year's consolidated profit or loss, we are unable to determine whether adjustments to the current year's consolidated profit or loss and opening retained earnings might be necessary in respect of the fair value gain recognised during the current year ended June 30, 2020.

ii) Investment in and receivables from Cocosa Export S.A. and amount due from the non-controlling shareholder of Cocosa Export S.A.

As disclosed in Note 2(iii) to the financial statements, during the prior financial year ended June 30, 2019, the Group ceased consolidating one of its subsidiaries, Cocosa Export S.A ("Cocosa Export"), as the Group had assessed that it had lost control of Cocosa Export with effect from March 31, 2019 although the Group is still the majority shareholder of Cocosa Export. As a result, the Group recorded (a) a loss on derecognition of $3,446,000; and (b) a loss allowance of $2,791,000 on amount due from Cocosa Export during the prior year ended June 30, 2019. As at June 30, 2019, the Group also had a receivable due from a company owned by the non-controlling shareholder of Cocosa Export, amounting to $1,337,000. As we were unable to obtain sufficient appropriate evidence in respect of (a) whether the Group continued to have control over Cocosa Export or the point in time when such control was lost and the appropriateness of the classification of the investment in Cocosa Export if the control had indeed been lost, and the existence of the gross receivables of $5,412,000 due from Cocosa Export and the recoverability of those receivables net of the loss allowance of $2,791,000; and (b) the existence and recoverability of the receivable due from the non-controlling shareholder of Cocosa Export, our opinion on the financial statements for the prior year ended June 30, 2019 was modified accordingly.

During the current year, the Company and SGX appointed a Special Auditor to perform an independent review of the Group's transactions with Cocosa Export and its non-controlling shareholder in the prior financial years, and as at date of our report, the independent review report has not been finalised. A liquidation suit against Cocosa Export was also initiated during the year by a bank and subsequent to the end of the financial year in August 2020, Cocosa Export has been placed under liquidation in accordance with a Chilean court order. Consequently, management has assessed that any outstanding receivables from Cocosa Export and its non-controlling shareholder should be fully impaired and an additional loss allowance of $5,609,000 was made on those receivables and recorded under "other operating expenses" in the current year's consolidated profit or loss.

Since opening balances affect the determination of the current year's consolidated profit or loss, we are unable to determine whether adjustments to the current year's consolidated profit or loss and opening retained earnings might be necessary in respect of the (a) additional loss allowance recognised during the current year ended June 30, 2020; (b) findings of the Special Auditor when the report is finalised and (c) the point in time when control in Cocosa Export was lost.

b) As disclosed in Note 2(i) to the financial statements, the Group has an investment in Gryphon Capital Management Pte. Ltd. ("GCM") with carrying amount of $369,000 as at June 30, 2019, which is accounted for as equity investments at fair value through profit or loss. As the fair values of the investment as at July 1, 2018 and June 30, 2019 have not been determined as required by SFRS(I) 9, our opinion on the financial statements for the prior year ended June 30, 2019 was modified accordingly.

During the current year, management has written off the investment in GCM and recognised a fair value loss of $369,000 under "other operating expenses" in the current year's consolidated profit or loss. As management could not determine the fair value of GCM as at June 30, 2019 and 2020 in accordance with SFRS(I) 9, we are unable to determine the appropriateness of the write-off of the investment by management and/or the effect on the current year's results had the valuation been performed.

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

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

As the investigation is still ongoing as at the date of this report, we are unable to determine whether any adjustments in the accompanying financial statements may be necessary. Our opinion on the financial statements for the prior year ended June 30, 2019 was also modified accordingly.

d) As disclosed in Note 39 to the financial statements, the Group has made various adjustments to the consolidated statement of profit or loss and other comprehensive income for the prior year ended June 30, 2019, including adjustments arising from the reconciliation of intragroup balances as disclosed in Note 2(iv). As we were not provided with sufficient supporting documents for some of these adjustments, we are unable to determine whether the adjustments relate to the prior year ended June 30, 2019 and/or before.

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the *Auditor's 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 qualified opinion.

Information Other than the Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information 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 auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. As described in our report above, we have issued a qualified opinion due the matters highlighted in the *Basis for Qualified Opinion* section.

Accordingly, we are unable to conclude whether or not the other information is materially misstated with respect to these matters.

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 year. 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. In addition to the matters described in the *Basis of Qualified Opinion* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key audit matters	How the matter was addressed in the audit
Going concern assumption	
As at June 30, 2020, the Group and the Company have net current liabilities of $37.2 million and $56.0 million respectively. The Group and the Company have total bank borrowings of $44.3 million and $43.7 million as at June 30, 2020 respectively. The Group has to comply with certain financial covenants required by a bank as stipulated in the bank loan facility letter at the end of the reporting period. As at June 30, 2020, the Group has met the financial covenants as stipulated by the bank. Based on the Group's cash flow forecast up to September 2021 drawn up by management, the Board of Directors has concluded that there is no material uncertainty regarding the Group's and the Company's ability to continue as a going concern. With the internally generated funds, expected proceeds from the disposal of Malaysia properties, expected capital return from the liquidator of GREIH and expected proceeds from government grant in response to the impact of Covid-19 to businesses, and ability to continue to roll over the short-term revolving bank loans and having access to unutilised credit facilities, the Board of Directors has concluded that the Group and the Company will have sufficient financial resources to enable the Group and the Company to continue as a going concern for at least the next twelve months up to September 2021. Management's critical judgements underlying the cash flow forecast and going concern assessment are set out in Note 4(i)(a) and Note 40 to the financial statements.	Our audit procedures included the following: • Obtained an understanding of management's key assumptions underlying the cash flow forecast; • Challenged the key assumptions used by management, reviewed the significant one off cash flow items, including expected proceeds from the disposal of Malaysia properties, expected capital return from the liquidator of GREIH and expected proceeds from government grant in response to the impact of Covid-19 to businesses and performed sensitivity analysis; • For the outstanding short-term revolving credit facilities as at June 30, 2020, which were due subsequent to the year end, checked that they were approved by lenders for roll-over; and • Reviewed management's assessment regarding compliance with loan covenants stipulated in the loan agreements throughout the cash flow forecast period, and checked for availability of credit facilities. Based on our procedures, we noted that the judgement and estimates applied by management and Board of Directors, including further sensitivity analysis where appropriate, supported the Group's cash flow forecast and going concern assessment. We have also reviewed the adequacy and appropriateness of the related disclosures made in the financial statements.

Key audit matters	How the matter was addressed in the audit
Impairment of assets - Leasehold building	
Property, plant and equipment ("PPE") (Note 16) represents a significant portion of the Group's and Company's total assets and their proportion as at June 30, 2020 is 76% and 76% respectively. Out of the total balance, leasehold building is stated at valuation based on the market valuation as at June 30, 2020. Their proportion to the Group's and Company's total PPE is 84% and 88% respectively. As disclosed in Note 4(ii)(e) to the financial statements, the asset is revalued based on the valuation performed by independent professional valuer engaged by the Group. The valuation for the asset involves significant judgement in determining the appropriate valuation methodology to be used, and in estimating the underlying assumptions to be applied. In determining the fair value of the assets the valuer has used comparable sales method and the key inputs are values per square meter referenced to comparable properties but adjusted for differences such as type of use/specification, size/floor area, location and condition and tenure. In relying on the valuation report of a professional valuer, the Group has exercised judgment in arriving at a value which is reflective of the current market conditions.	Our audit procedures focused on evaluating and challenging the key estimates used by management in the valuation of the leasehold building. These procedures include: • obtained an understanding of the key controls and processes that management has in place in respect of valuation of the leasehold building; • obtained the external valuation reports and evaluated the work scope, qualifications, competency, objectivity and independence of the external valuer; • discussed with the external valuer to obtain understanding of their work performed on the asset covering amongst others, the valuation methodology, the key unobservable inputs and the significant judgement and appropriateness of assumptions applied; • considered the adequacy of the disclosures in the financial statements, about the key assumptions used in the valuation and the relationships between the key unobservable inputs and fair values, in conveying the inherent degree of subjectivity in valuations. The key judgement and estimation on the valuation of the leasehold building are disclosed in Note 4(ii)(e) to the financial statements, and further information related to these assets are provided in Note 16 to the financial statements.

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)s, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our 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 auditor's 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:

(a) 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 control.

(b) Obtain an understanding of internal control 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 control.

Auditor's Responsibilities for the Audit of the Financial Statements (cont'd)

(c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

(d) 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 auditor's 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 auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

(e) 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.

(f) 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 control 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 to 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 year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes 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, except for the matters referred to in the *Basis for Qualified Opinion* section of our report, the accounting and other records required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Yang Chi Chih.

Deloitte & Touche LLP
Public Accountants and
Chartered Accountants
Singapore

October 14, 2020