

## SAKAE HOLDINGS LTD. AND ITS SUBSIDIARIES

### NOTES TO FINANCIAL STATEMENTS

June 30, 2019

- (b) On May 15, 2019, in conjunction with the announcement of the Group's third quarter results for period ended March 31, 2019, the Group has derecognised its investment in Cocosa Export as it has lost control over the subsidiary. The Group recognised a goodwill impairment of \$3.2 million and a loss allowance made for the receivables due from Cocosa Export amounting to \$2.8 million. Such losses were recorded in the unaudited financial statements for the period ended March 31, 2019 and were made on the basis that the investment may not be recoverable in the long term. The same accounting treatment was consistently applied in the unaudited financial statements for the year ended June 30, 2019 announced on August 29, 2019.
- (c) On September 9, 2019, the Company further clarified that heavy operational costs with minimal credit support have not allowed Cocosa Export to operate its business profitably. In March 2019, the non-controlling shareholder of Cocosa Export informed the Group that the bank has given a final deadline for Cocosa Export to make partial repayments of its bank loans or else face liquidation procedure or be wound up. Given the financial conditions of Cocosa Export, the Company thus decided to impair the goodwill and other receivables due from Cocosa Export.
- (d) Additionally, the Group did not manage to obtain management accounts for Cocosa Export for the period ended June 30, 2019 and accordingly, management is of the view the unaudited management accounts for the period ended March 31, 2019 is not appropriate to be consolidated for the year ended June 30, 2019. During the year ended June 30, 2019, the Group incurred a loss on derecognition amounting to \$3,446,000. Out of the receivables from Cocosa Export amounting to \$5,412,000, a loss allowance of \$2,791,000 has been provided for as at June 30, 2019. The remaining receivables of \$2,621,000 has been presented as other receivables (Note 9).

(iv) Amount due from related party

The Group has a receivable due from a related party, being a company owned by the non-controlling shareholder of Cocosa Export (Note 2(iii)), amounting to \$1,337,000 as at year end.

### 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**BASIS OF ACCOUNTING** - The financial statements have been prepared in accordance with the historical cost basis, except as disclosed in the accounting policies below, and are drawn up in accordance with the provisions of the Singapore Companies Act, Cap. 50 and SFRS(I)s.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.