

# ANNUAL REPORT

SAKAE HOLDINGS LTD.

# 2019





## CORPORATE PROFILE

Since the setting up of our very first Sakae Sushi outlet in 1997, Sakae Holdings Ltd. has developed and grown a successful portfolio of brands – Sakae Sushi, Sakae Delivery, Sakae Teppanyaki, Sakae Shoppe, Hei Sushi, Hei Delivery, Senjyu, Nouvelle Events & Catering and Sachi all synonymous with healthy dining, food safety and quality, and sustainable growth.

Founded by Mr. Douglas Foo, Sakae Sushi – the flagship brand of the Group, is the first name that will come to mind when Japanese food is mentioned. The brand's concept of trendy quick service kaiten (conveyor belt) sushi concept, along with continuous efforts in customer centric initiatives, food quality, business processes and excellent services have allowed us to grow outlets internationally, serving over a vast array of sushi, sashimi and other delectable cuisines. Sakae Holdings familiar “Green Frog” logo enjoys strong brand recall and top-of-mind recognition for over 20 years, and is an emblem of Sakae's ideology of continued, sustainable growth and innovation.

Our constant pursuit towards offering the highest standards of quality food at reasonable prices has led to the expansion of our food sources, and having fresh supplies imported directly from overseas regularly. We work closely with our suppliers, go on regular farm visits and conduct weekly laboratory tests on bacteria count, to ensure that our raw materials are sustainable and of high quality.

As we continue on our journey to building global brands, we constantly seek to improve our operational efficiency and service standards, as well as keeping a focus on our customers' varying preferences in local and international markets, enabling us to grow our market share and expand our global presence. We strongly believe that our farm-to-table approach, strong commitment towards food safety and quality, as well as constant innovation drive, can create and promote strong brand loyalty. Sakae is also dedicated to building a sustainable eco-friendly environment for the future generations. With these strategies, values, never ending commitment and passion, it drives us towards our vision of building Sakae to be the top brand recall for Sushi globally – “Think Sushi, Think Sakae”.



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## OUR VISION

To build global brands

## OUR MISSION

To provide safe quality food with excellent service at great value

## OUR CORE VALUES

E - Excellence is our minimum standard

P - Productivity in everything we do

I - Innovation to simplify and compete

C - Compassion to all





## MESSAGE TO SHAREHOLDERS



### Dear Shareholders,

The financial year from 1 July 2018 to 30 June 2019 (“FY2019”) was a developing year as we put in place new developments while reviewing our business portfolio, amidst economic uncertainty in the global economy. Along with rationalising of our stores, the Group continues to work hard to manage rising food and labour costs to minimise erosion of profits. Our farm-to-table approach along with sustainable high quality food products ensures that our menu offerings continue to satisfy our customers. As we launched a new menu during the year, we will continue to streamline our operations to improve productivity and efficiency, while we continue to look for opportunities to boost our market presence strategically, both locally and overseas.

### Financial Year in Review

Our Group revenue from 1 July 2018 to 30 June 2019 (“FY2019”) totalled \$44.8 million, a decrease of 52.4% as compared to \$94.2 million for the 18 months ended 30 June 2018 (“18MFY2018”). Group revenue decreased as a result of streamlining of the Group’s operations, resulting in reduction of revenue, whilst cost of sales and labour costs have declined accordingly. The Group will continue its efforts to develop new and interesting product offerings, and connect closely with our customers through social media and other various marketing platforms. Despite the rising prices of the high quality raw materials used, the Group has effectively managed the use of the raw materials for its restaurant business, thus improving its gross profit margin to 62.8% in FY2019.

Our group headquarters at Sakae Building, located at 28 Tai Seng Street recorded an increase in revaluation reserve, net of deferred tax, of \$3.5 million in FY2019 compared to \$1.5 million in FY2018.

### Continue our Brand Building Journey

We will continue our brand building journey as we celebrate our 22nd anniversary this year. Staying resilient amidst various crisis through the years including the Asian financial crisis, Severe Acute Respiratory Syndrome (SARS), and bird flu amongst many others, and also difficult times, we remain steadfast and resilient in our brand building journey. Today upon operating in yet another challenging, disruptive and uncertain economic environment, I remain confident that we will be able to press on and deliver a collective commitment towards our global dream.

Back to basics to provide safe and high quality food with sustainable farm-to-table approach, whilst keeping in mind the varied needs of our customers, we believe we will emerge stronger and have in place a more robust business, bringing real value to our consumers while we ride through the global uncertainties and challenges. We will continue to improve the efficiency of our operations, and continue to be customer-centric, bringing value to our customers always.

### Embarking on the Digital Journey

Technology has become such a vital part of our lives and its influences can be seen across all industries. Technology evolution brings about disruption to the Food and Beverage industry. It has completely changed the way customers interact with Sakae, the way people eat and how customers interact with our restaurants. Robots and automation will continue to transform food services. In line with our productivity drive – adoption of technology to ease labour crunch, manage high labour costs and customer interactions are digital adoption methods that brands need to develop. As technology advances with facial recognition, predictive analytics and big data, these will aid our brands to interact and engage with customers digitally.

As we embarked on the digital journey, it allows our brands to interact and engage with many different generations of customers easily. Learning to connect and engage with them through various means and presentations allows customers to see the brands in a different light. Over the year, we have strengthened and widened our digital market presence and customer engagement through social media, and we strongly believe that social media marketing and online customer engagement will further expand our customer reach and brand recall. At the same time, we hope to do our part in educating the young about eating healthily through continued outreach initiatives through our very own Sakae Junior Club.

Sakae Fintech was developed with the aim to bring prosperity to the masses – through developing and providing useful financial and technological applications, as well as, training.

We are committed to develop mobile solutions and courses to enhance people's and businesses' competency when dealing with the uncertain economy and market. Therefore, with Sakae Forex platform, we are able to give investors a cutting edge tool to learn and trade with confidence in new and powerful ways, whether they are doing it manually or on a mobile device. This trading app provides convenience to help traders to automate their trading strategies and optimise their performance.

Through our financial and social trading technological partners, we can leverage on the consolidated market sentiment, news and opinion from industry experts which can further improve investors' trading experience.

### Moving Forward

Asia will continue to be the key growth driver for Sakae, given the robust economic growth in this region. With its growing customer base, wide diversity and increasingly sophisticated palates, it is essential to not only provide affordable quality food, coupled with ways to constantly renew our menu offerings, but also to interact and engage our customers digitally. We will continue to focus on improving our core operations while planning strategic moves to expand the business. As we embark on the digital and developing journey, we continue to be receptive to wider developments to capitalise on opportunities. We believe that our digital journey along with focus on outlet expansion in local and overseas markets, as well as digital adoption of technology to improve customers' experience and convenience, will continue to put Sakae in good stead, as we surge forward confidently through increasingly uncertain global economic conditions. We will also continue to seek to build alliances with like-minded partners as well.

### Appreciation

All these years, it has been an enriching journey as Sakae continues to grow and develop our brands. Having come so far, we want to thank you, our valued shareholders, for your loyal support. I would also like to express my sincere gratitude to our business partners, associates, valued customers who has supported us in this journey. Last but not least, I would like to thank our colleagues from Sakae for your relentless contributions, commitment and hard work. We would not have been able to come so far without your continued support. Your unwavering commitment to our core values has enabled Sakae to build on the progress we have made thus far, and will continue to drive us towards new realms of growth while delivering on the needs of our customers. As we forge forward, your commitment and confidence in Sakae will continue to propel our success in the years to come. While we embark on our digital journey, we seek your unwavering support and commitment for Sakae as we work towards a global brand with a shared vision and passion.

Yours truly,

**Douglas Foo**

*Chairman, Sakae Holdings Ltd.*



## CORPORATE STRUCTURE AND GLOBAL PRESENCE



## OUR BRANDS



SINGAPORE



MALAYSIA



CHINA



PHILIPPINES



VIETNAM



INDONESIA



## OUR INNOVATIONS

### *Our Innovations (Continuous Innovations And Productivity Upgrading)*

Innovation as one of our core values has propelled continuous growth for Sakae by simplifying and enhancing work processes.

Our continuous growth has been achieved through the advancement of technological innovation and technological patents in our Central Kitchen and our restaurants island wide, enabling Sakae to raise productivity and streamline operations.

The emphasis on quick service and trendy kaiten (conveyor belt) sushi has also contributed to the expansion of outlets and alliances built across Singapore, China, Indonesia, Malaysia, the Philippines and Vietnam. The emergence of newer automation technology will continue at Sakae through continuous innovation and productivity upgrading.



Patented Interactive Menu (IM)



Radio Frequency Identification System (RFID)



Solar Panel



Patented Portable Conveyor Belt



Sushi Robot



Automated Storage Retrieval System (ASRS)



Delivery Website



Second Tier Belt



## OPERATIONS REVIEW

### Managing Challenges

The Group's revenue for financial year from 1 July 2018 to 30 June 2019 ("FY2019") was \$44.8 million, a decrease of 52.4% compared to \$94.2 million for the 18 months ended 30 June 2018 ("18MFY2018"). Group revenue decreased as a result of streamlining of the Group's operations, resulting in reduction of revenue, whilst cost of sales and labour costs have declined accordingly. The Group will continue its efforts to develop new and interesting product offerings, and connect closely with our customers through social media and other various marketing platforms.

Our group headquarters at Sakae Building, located at 28 Tai Seng Street recorded an increase in revaluation reserve, net of deferred tax, of \$3.5 million in FY2019 compared to \$1.5 million in FY2018.

The Group continues to make critical investments in new property, plant and equipment with the opening of new outlets overseas. The Group will also continue to manage the use of raw materials for its restaurant business effectively, and expand procurement of raw materials in line with its farm-to-table approach.

Despite the rising prices of the high quality raw materials used, the Group has effectively managed the use of the raw materials for its restaurant business, thus improving its gross profit margin to 62.8% in FY2019.

Streamlining of Group operations has also resulted in reductions in administrative expenses, which decreased by 46.7%, from \$40.9 million in 18MFY2018 to \$21.8 million in 12MFY2019. Labour costs decreased by 46.5%, from \$31.0 million in 18MFY2018 to \$16.6 million in 12MFY2019. Other administrative expenses including depreciation charges and other expenses also declined accordingly.

Other operating expenses decreased by 21.3%, from \$28.6 million in 18MFY2018 to \$22.5 million in 12MFY2019, mainly due to the reduction in rental, utilities and other expenses resulting from the rationalisation exercise. These reduced operating expenses are included unrealised foreign exchange loss of \$0.1 million, write-off of property, plant and equipment of \$1.0 million, impairment loss on property, plant and equipment of \$0.5 million and a goodwill impairment of \$3.2 million, together with an impairment loss on other receivables of \$2.8 million.

The Group had on 6 March 2016, purchased a 51% equity interest in a Chilean based frozen seafood production and trading company called Cocosa Export S.A. ("Cocosa Export"). The Group has assessed the business performance and future prospects of Cocosa Export, and is of the view that the value of the investment, in longer term, may not be recoverable. As such, the Company has provided a goodwill impairment of \$3.2 million in connection with the purchase of 51% equity interest in Cocosa Export. Along with this, there is an impairment loss of \$2.8 million under other receivables.

During FY2019, the Group's reported loss before tax and net loss after tax were \$13.1 million and \$13.8 million respectively in 12MFY2019, which represented a decrease of \$18.6 million and \$19.2 million respectively, as compared to the Group's profit before tax of \$5.5 million and net profit after tax of \$5.4 million in 18MFY2018.

The Group continues to explore new endeavours to increase productivity and efficiency in its operations. Over the years, we have made conscious and considerable efforts in raising productivity to streamline our operations and business processes to achieve greater efficiency.

### Rising Above Challenges

Operating conditions in the Food and Beverage industry are expected to remain challenging with higher food, rental and staff costs. Going forward, the Group will continue to manage and review our operations to optimise efficiencies so as to manage these challenges. Simultaneously, we will constantly look for and seize opportunities to grow and develop the Sakae brand globally.

### Fortifying Brand Presence and Building Global Brands

Since its inception, the business has grown and innovated constantly. Through the years, we remain committed to building global brands, while providing safe and quality food at greater value, coupled with excellent service.

Over the year in review, we adopted various marketing activities and expanded our digital outreach to engage and interact with our customers. To constantly meet the requirements of the astute customer, Sakae constantly sources for good quality and interesting products and creates and develops new menu offerings for all brands every year. We are also continually looking into areas for improvement, and focusing on customer centric initiatives to suit the lifestyle of our customers.

### Driving Innovation and Productivity

While seeking out innovative ways to boost productivity and market ourselves aggressively against an evolving and, intensely competitive restaurant business environment, we continue to execute carefully planned strategic moves to expand our business. The Group continues to explore new endeavours to increase productivity and efficiency. Over the years, we have made conscious and considerable efforts in raising productivity to streamline our operations and, business processes to achieve greater efficiency.

We believe that constant innovation is the driving force for growth. We also believe that through our emphasis on continuous innovation, we can continue to drive productivity as we advance to greater heights.

### Forging Ahead on Our Digital Journey

Moving forward, the F&B industry will continue to remain challenging as labour costs will continue to rise, together with acute labour shortages and high rental costs. We will review and strengthen our operations, while identifying good growth opportunities in Asia, and make inroads into the rest of the world. At the same time, we will explore new digital ways to evolve our business so as to meet the ever-changing needs of our existing and potential customers.





## OUR BRANDS



### SAKAE SUSHI

Sakae's flagship brand: Value-for-money Japanese food



Sakae Sushi – the flagship brand of Sakae Holdings Ltd. is the first name that will come to mind when Japanese food is mentioned.

Sakae Sushi's simple three-tier pricing system offers customers a no-frills dining experience. Customers can indulge in over 200 gastronomic creations created by our chefs using fresh and healthy ingredients including Vitamin E enriched rice. We constantly delight our customers' senses with new menu dishes and seasonal promotions that are flavourful and have appealing visual presentation.

Our dining experience continues to be enhanced with technology that support our operations - our patented Interactive Menu (IM) on iPads offers customers hassle-free food ordering, sushi games on iPads keep customers entertained while dining, and customers can apply for Sakae membership card at their leisure. Our conveniently-located self-service hot water taps provide customers with ease of having their green tea anytime.

Our never-ending commitment and passion drives us towards our vision of building Sakae Sushi into a global brand synonymous with sushi.



## OUR BRANDS



### SAKAE DELIVERY

Delectable Japanese food served to your doorstep



### SAKAE DELIVERY®

Offering right-to-the-doorstep service, Sakae Delivery was the first in the market to deliver healthy Japanese meals. Conceived from a vision to deliver and offer accessibility to everyone seeking quick, healthy Japanese meals, our delivery service is available island-wide. Year-on-year, we see a surging growth in demand for delivery, especially during festive seasons.

Japanese food lovers and health conscious customers can enjoy their favourite dishes from the comfort of their homes by ordering via our online delivery website or mobile website, or by calling our call centre hotline.

As customers continue to be more mobile savvy, we saw opportunities for growth in deliveries which brings about great convenience to our customers, thus getting us a step closer to customers' desire of having sushi anytime, anywhere.



### SAKAE TEPPANYAKI

Sizzling hot Japanese delights

### 茶 SAKAE® TEPPANYAKI

Sakae Teppanyaki serves up a previously expensive dining affair to the masses with its affordable gastronomic experience. With a contemporary elegance, large Teppanyaki griddle and classy open dining concept, Sakae Teppanyaki dishes out only the best from our team of experienced chefs.

Our current menu serves a wide range of dishes that include fresh seafood, lobsters and fresh oysters. We also have on our menu high quality meats, including premium beef and a wide selection of mushrooms and vegetables. Our uniquely healthy menu will create an unforgettable dining experience.

Sakae Teppanyaki has received rave reviews and is a hot favourite amongst food lovers.



### SAKAE SHOPPE

*Premium Japanese food at wholesale prices is just a mouse-click away*



Sakae Shoppe takes pride in delighting our customers with premium products priced at good value. Air-flown straight from Japan, our products are of a top-notch quality – fresh and handpicked specially for quality assurance.

To meet the growing demand of fresh Japanese cuisines, Sakae Shoppe was created to provide our customers with the convenience of shopping online for affordable premium raw Japanese ingredients from the comfort of their homes.

Offering a wide variety of products at competitive prices, in addition to our commitment towards customer service, Sakae Shoppe is poised to become our customer's top choice when shopping for premium Japanese products.



### HEI SUSHI & HEI DELIVERY

*Halal-certified good quality Japanese cuisine*



Hei Sushi has been serving customers who value a Halal-certified kaiten (conveyor belt) sushi restaurant experience. Hei Sushi bridges the gap between good Japanese cuisine and unbelievably great value, and is Halal accredited by MUIS.

Prior to Hei Sushi, there was no other trendy quick service kaiten sushi concept that served affordable Halal Japanese cuisine. Hei Sushi, modelled after its sister brand Sakae Sushi, fulfils this niche for good quality and value-for-money Halal Japanese food.

Diners get to choose from an extensive menu with over 200 varieties of delectable Japanese dishes at Hei Sushi. Apart from a wide selection of sushi, diners can also enjoy items such as Mini Baked Rice with a variety of toppings, perfectly grilled Yakimono items, Fusion Udon with Japanese sesame sauce topped with shredded cheese, Hibachi (slow cooked on a grill plate) and Nabemono (Japanese steamboat). Kids are also able to enjoy kiddy sets created especially for them. Customers can look forward to enjoying dishes crafted with the preferences of the local Muslim community in mind, to appeal to a varied customer base.



## OUR BRANDS



### NOUVELLE EVENTS & CATERING

*Singapore's premier Food & Beverage consultant*

Eighteen years and counting, Nouvelle Events is one of Singapore's premier F&B consultants. Being the first specialist caterer in Singapore; we offer a unique on-site kaiten (conveyor belt) sushi dining experience in a venue of your preference, made possible by our award-winning



### CREPES & CREAM

*Mouth-watering sweet and savoury crepes*

Diners with a craving for something sweet are constantly delighted with our mouth-watering ingenious treats.



### SENJYU

*Premium Japanese food at its best*



patented portable conveyor belt that allows us to bring the kaiten experience into any venue.

Besides offering excellent buffet fare, 'live' stations like ice-crafting Sashimi station, live Teppanyaki station and Crepes station, our dedicated team of chef continues to prepare and serve appetising local or international favourites.

Our state-of-the-art Central Kitchen fully integrates and optimises our processes. The investments made in machineries and our Automatic Storage Retrieval System (ASRS) cold room have brought about greater synergy and efficient operational flow in ensuring food quality and safety. Besides facilitating growth in our business unit, Nouvelle is able to render stronger support to our Sakae restaurants and extend our B2B arm to distribute sushi, air-flown salmon and seafood products to major hotels and restaurants efficiently.



The specialty of Crepes & Cream is its ingenious and inventive crepes.

More than just desserts, Crepes & Cream specialises in sweet and savoury crepes. Its aromatic, wafer thin crepes are from a custom blended crepe mixture, unique to Crepes & Cream.

Reflecting its international appeal, its savoury crepes come in an assortment of fillings that cut across various cuisines including Japanese and Italian. Crepes & Cream has proven itself to be a hip and trendy space, where customers can sit back and enjoy a quick snack or hang-out with friends.



Senjyu, which means 'eternity of life', conveys a lifelong passion in serving the freshest and finest Japanese food. Inspired by the truest traditions of Japanese cuisine and infused with the imagination of contemporary tastes brings about sophistication without excessive price tags.

Senjyu is a mid-to-upscale Japanese restaurant targeted at Japanese food lovers seeking to add a touch of sophistication and class to their palettes. Savour the best of both worlds, perfected with a touch of elegance and creativity. It all adds up to a dining experience that is distinctly Senjyu.

# SAKAE® FINTECH

## SAKAE FINTECH

Sakae Fintech Pte Ltd (a subsidiary of Sakae Holdings Ltd) aims to bring prosperity to the masses through developing and providing useful financial & technological applications and training. We are committed to develop mobile solutions and courses to enhance people's and businesses'

competency when dealing with the uncertain economy and market. Our SakaeForex platform gives investors a cutting edge tool to learn and trade with confidence in new and powerful ways, whether they are doing it manually or on a mobile device. This trading app provides the convenience to help traders automate their trading strategies and optimise their performance. Through our financial and social trading technological partners, we can leverage on the consolidated market sentiment, news and opinion from industry experts which can further improve investors' trading experience.

## BITECOIN

Using blockchain, Dapps and BUN (Bitechain Utility Network) ecosystem to empower consumers and merchants in the F&B industry in the following areas:

- Branding for opportunities for market expansion
- Integrating F&B big data for informed decision making
- Transforming customer engagement with decentralised marketing
- Empowering corporate and individuals with tokens for their various roles in the ecosystem

The partnership combines Sakae's vast retail experience and established network of over 100 outlets worldwide and MC Payment's technical expertise. The decentralised digital token, Bitecoin, aims to provide reliable and secure peer-to-peer transactions between consumers and merchants through an automated process. Bitecoin will leverage on Ethereum blockchain technology, which has the capability for smart contracts (self-operating computer programs), allowing for better security, flexibility and scalability.

# SAKAE® CYBER SECURITY

## CYBER SECURITY

Sakae Cybersecurity (SCS), in partnership with an Israeli cybersecurity solutions firm, brings to the market managed

Cybersecurity services of Network and Enterprise-grade IT infrastructure. We aim to work closely with Small and Medium Enterprises (SMEs) with solutions that help them to deliver new business services and also to grow their revenue with no capital expenditure and minimal incremental operating expenditure. The solutions cover network and devices managements, backup and restore solutions, and constant tracking of network security.





## BOARD OF DIRECTORS

### DOUGLAS FOO PEOW YONG

#### *Chairman*

As Founder and Chairman of Sakae Holdings Ltd., Mr Douglas Foo has led the growth and development of the Group, which has since established outlets and alliances built across Singapore, China, Indonesia, Japan, Malaysia, the Philippines, and Vietnam. He continues to spearhead the overall strategic direction and management of the Group's global strategic plans, and its philanthropic initiatives.

Mr Foo is the recipient of numerous illustrious accolades and awards, which are testament of his outstanding management and entrepreneurial efforts. For his achievements, Mr Foo was awarded JCS Top Outstanding Young Person Award in 2002, Rotary-ASME Entrepreneur of the Year in 2002, Singapore Youth Award in 2003, prestigious ASEAN Youth Award in 2004, International Management Action Award in 2007, Singapore Youth Award (Medal of Commendation) in 2008, WSQ Champion Award in 2010, ASEAN-China Young Entrepreneur Award in 2011, and the Public Service Star Award in 2013 from His Excellency, the President of the Republic of Singapore for his tireless efforts in his philanthropic and voluntary contributions to society.

In 2015, he was crowned the "Entrepreneur of the Year" by Asia Corporate Excellence and Sustainability (ACES). This revered honour is bestowed upon an illustrious entrepreneur who has shown an extraordinary ability to communicate their vision to stakeholders and lead the company towards the status of a mega brand. The recipient of this award displays strong entrepreneurial passion, flair, perseverance, and stands out as a grand example of a remarkable entrepreneur. Mr Foo was also conferred Seri Pangeran Temenggong Sultan Mahmud Badaruddin III (S.P.T.M) which carries the title Dato' Seri by His Royal Highness Sultan Mahmud Badaruddin III, Prabu Diraja, Sultan Palembang Darussalam. Mr Foo was also awarded the NTUC Friend of Labour Award in 2016.

In September 2013, Mr Foo was selected to attend the prestigious Eisenhower Fellowship in the USA which provides professionals who have demonstrated exemplary leadership, with an intensive and individually designed programme that inspires to achieve consequential outcomes across sectors and borders. Through his fellowship, he has broadened his perspective on global branding, charity and foundation establishment sustainability issues and business expansion funding. He will seek to apply this invaluable knowledge to strengthen our Group as we forge ahead.

Mr Foo serves as a director on numerous boards for Corporate, Governmental and Non-profit organisations, and is a Board Member of Intellectual Property Office of Singapore (IPOS) Board. He holds a Bachelor Degree in Business Administration (Finance) from the Royal Melbourne Institute of Technology University.

### FOO LILIAN

#### *Executive Director and Chief Executive Officer*

Ms Foo Lilian was appointed as our Chief Executive Officer with effect from 1 March 2014, and has been our Executive Director since 2 May 2002. With over a decade of F&B experience, Ms Foo helps to drive Strategic Planning, Overall Management, and spearheads Business Development, as well as the Management of Overseas Strategic Development and Store Expansion. With her combined background in F&B, IT and Operations, Ms Foo aims to continue propelling the business towards Sakae's vision of becoming a Global Brand. Ms Foo holds a Master's Degree in Business Administration from Leicester University in the United Kingdom. She also earned herself a Bachelor Degree in Science (Information Systems & Computer Science) from the National University of Singapore, and has a Graduate Diploma in Marketing from The Chartered Institute of Marketing in the United Kingdom.

### CHAN WING LEONG

#### *Non-Executive and Lead Independent Director*

Mr Chan Wing Leong was appointed as an Independent Director on 30 April 2005. Mr Chan holds an honours degree in Economics from the University of Singapore, and joined the Administrative Service in 1981 in the Ministry for Trade and Industry after graduation. He moved to Ministry of Defence companies and the Economic Development Board from 1983 to 1987. From 1988 to 1995, Mr Chan worked at Schroders PLC and Bankers Trust Corp in both Singapore and Hong Kong as an investment banker. He returned to Singapore in 1995 to join SembCorp Limited as CFO and President (New Businesses) where he held concurrent positions as Chairman of SembMedia, SembFoods, Pacific Internet and Delifrance, and was a Board member of Jurong Shipyard Limited. Mr Chan was Chairman and CEO of EasyCall Limited from 2001 to 2002. In 2009, Mr Chan was appointed CFO of the Singapore Institute of Technology, Singapore's fifth autonomous university, and was appointed Deputy President (Administration) from 2012 to date. Mr Chan was a director of NTUC Choice Homes, and is currently a director of NTUC Link Pte Ltd.

## **LOH CHEE PENG**

### ***Non-Executive and Independent Director***

Mr Loh Chee Peng was appointed as an Independent Director on 28th January 2019. Mr Loh holds a Bachelor in Business Administration (2nd Class Upper Honours) and a Master of Science (Financial Engineering), both from the National University of Singapore. He started his career in Keppel Bank Ltd as a Management Trainee and moved on to Industrial Commercial Bank (part of the UOB Group) as a Relationship Manager in the Corporate Banking Department. From 2000 to 2005, Mr Loh was with SPRING Singapore. He was the Head in the Incentive Management Department and helped to strategise, implement and oversee the government's financial assistance initiatives to assist SMEs in their growth. Mr Loh was with Standard Chartered Bank for a short stint as a Product Specialist for SME government Assistance schemes. From 2006 to date, he is with United Overseas Bank Ltd. He has undertaken many different roles and responsibilities in Global Business Development Department, Credit Analyst Department and Product Sales Department. Currently, he is an Executive Director in the Commercial Banking Division of the Bank.

## **FOO MAW SHEN**

### ***Non-Executive and Independent Director***

Mr Foo Maw Shen was appointed as an Independent Director on 28th January 2019. Mr Foo Maw Shen is a senior partner in Dentons Rodyk & Davidson LLP's Litigation & Arbitration Practice Group. He is effectively bilingual in English and Chinese, and has over 25 years of extensive experience in commercial litigation, with particular emphasis on restructuring, insolvency litigation, shareholders' disputes, commercial fraud, trust laws and litigation involving gaming issues. His clients include banks, accounting firms, listed companies, venture capitalists and gaming operators among others.





## KEY MANAGEMENT

### GLADYS LIM CHENG LENG

*Managing Director – Nouvelle Events & Catering*

Ms Gladys Lim joined the Group in May 1999. Other than managing Nouvelle Events, the B2B arm of our business, Ms Lim also ensures smooth operations of our Central Kitchen, warehousing and procurement. Ms Lim is also assisting our CEO in the restaurant operations of the Group in Singapore. Ms Lim graduated from the CBS (Accounting) Course from ITE College.

### TAN YEE CHENG

*Head – Human Resource*

Ms Tan Yee Cheng is responsible for the full spectrum of Human Resource functions of the Company. Ms Tan has more than 20 years broad-based and progressively responsible experience in Human Resource Management. Prior to joining the Group, Ms Tan has amassed a wealth of experience from both Multinational Company and Small Medium Enterprise, both in Food & Beverage and Retail Enterprise, and also in the Energy Logistics Industry. She holds a HCS Chief People Officer Post – Graduate WSQ Specialist Diploma in Human Capital Management.

### SHU KWAN CHYUAN

*Chief Financial Officer*

Mr Shu Kwan Chyuan is responsible for the Group's overall financial reporting, financial planning, treasury and financial control matters. Mr. Shu has more than 15 years of experience in corporate finance as well as tax and treasury management. Prior to joining our Group in March 2018, he was the Group Financial Controller of Attilan Group Limited and has helped the group to obtain new funding to diversify into preschool business and working capital. He has held similar positions in Oriental University City Group, a subsidiary of Raffles Education Corporation Limited.

Mr Shu also has several years of experience as an external auditor with Ernst & Young and KPMG where he dealt primarily with audit and assurance of companies involved in various industry types such as futures, investment, securities, statutory board, REIT, trading, as well as manufacturing.

Mr Shu graduated with a Bachelor of Business Administration (Honours) Degree from the Anglia Ruskin University, United Kingdom. He is a member of the Association of Chartered Certified Accountants and a member of the Institute of Singapore Chartered Accountants.







## CORPORATE SOCIAL RESPONSIBILITY



Sakae is committed to an active and socially responsible corporate culture. This is reflected in the adoption of environmentally friendly technology and equipment at our headquarters and at our outlets.

We believe in giving back to society, and through Sakae Foundation, continue to dedicate time and resources in supporting various charities, communities and causes to serve and give from the heart; as we stand by one of our core values – Compassion to All.

### Sakae Foundation

Sakae Foundation currently contributes to several charitable beneficiaries, rendering our support through sponsorships and visits to various organisations including Radin Mas Senior Citizens' Home and schools. Our foundation will continue to grow our efforts in philanthropic and voluntary contributions, and leave happy frog prints. We launched our Facebook page - "Project Happy Frog Prints", with the hope of fortifying our relationship with global communities and continue bringing joy, one frog print at a time.

### Contributions to Labour Movement

Sakae was awarded the NTUC May Day Friend of Labour Award in 2016. These awards are bestowed on persons and companies that have made significant contributions to the Labour Movement. They are presented annually during the May Day Dinner.

### Supporting National Defence

At Sakae, we strongly believe in contributing towards Singapore's national security. National Service (NS) is a

vital component of national defence, and we support our employees' NS commitments by implementing NS-friendly policies. With our close supportive team culture, many employees are willing to step up to cover duties of their colleagues who needed to be away.

Sakae also regularly takes part in Singapore Armed Forces Day, by encouraging their NSmen colleagues to take part in the SAF Day Rededication Ceremonies. Going beyond that, Sakae also offers attractive SAF Day promotions at our dining establishments to servicemen representing our nation.

With this, Sakae was a recipient of numerous awards and accolades, which are testaments of our contributions towards Total Defence. Some of these awards include the Minister for Defence Award, Honorary Member of the Minister for Defence Award (MiDAs) League, the SAF Day Certificate of Appreciation, the SAF Award for Employers and the Ministry of Home Affairs (MHA) Award for the NS men's Employers Commendation Category.

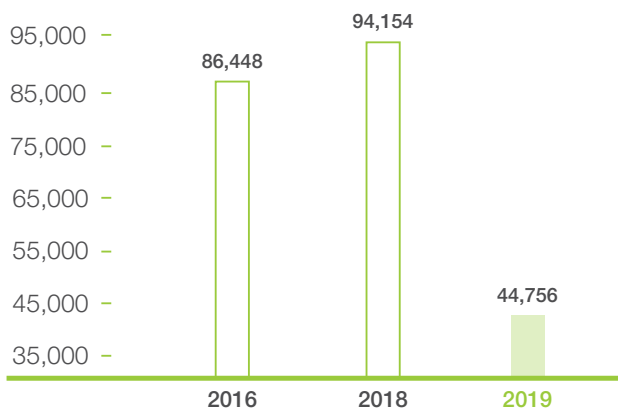
Most recently, Sakae was awarded the NS Advocate Award for Large Companies at the Total Defence Awards (TDA) 2018 Dinner. This is the highest accolade awarded to individuals, businesses or organisations for their exemplary support towards Total Defence and in particular, NS. From 2017 onwards, only the top NS Mark (Gold) accredited companies and organisations will be selected for the NS Advocate Award.



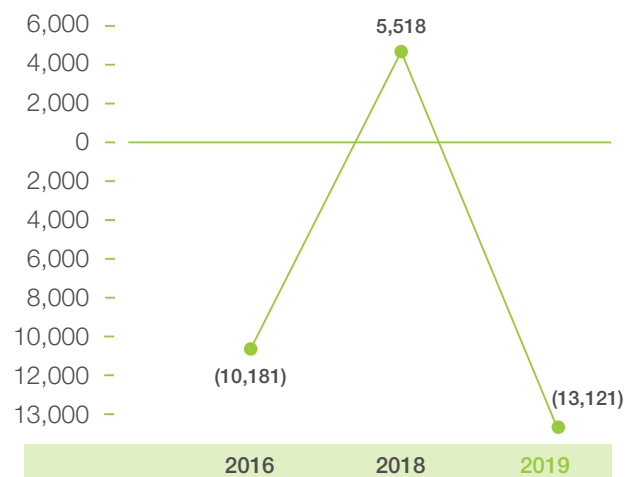
## FINANCIAL HIGHLIGHTS

Results	2016 \$'000	2018 \$'000	2019 \$'000
Revenue	86,448	94,154	44,756
(Losses)/Profits before associates and tax ("Operating (losses)/profits before tax")	(10,181)	5,518	(13,121)
(Losses)/Profits before tax	(12,989)	5,518	(13,121)
(Losses)/Profits attributable to shareholders	(12,636)	5,493	(13,764)
Non-current assets	81,083	92,107	83,732
Non-current liabilities	8,852	7,818	8,813
Total equity / Net tangible assets ("NTA")	33,398	43,038	31,737
Net assets per share (cents)	23.95	30.86	22.76
(Losses)/Earnings per share ("EPS") (cents)	(9.06)	3.94	(9.87)

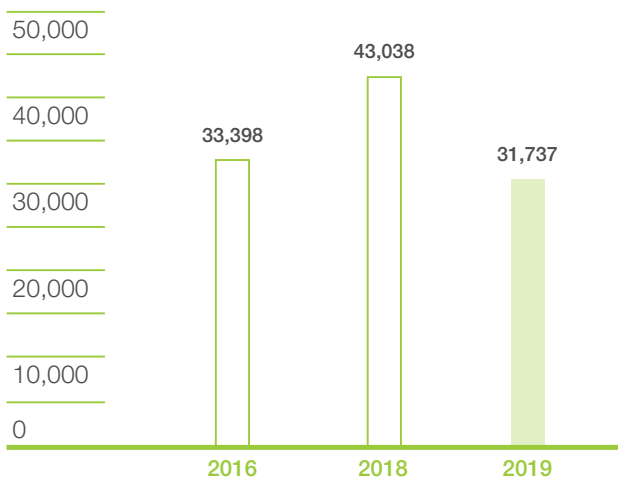
Revenue (\$'000)



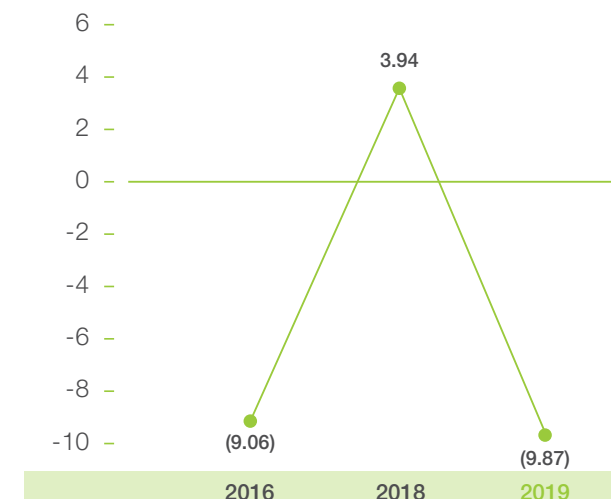
Operating (losses)/profits before tax (\$'000)



NTA (\$'000)



EPS (cents)





Sakae Holdings Ltd. (the “Company” and together with its subsidiaries, the “Group”) is continuously committed to maintain a high standard of corporate governance and has put in place self-regulatory corporate practices to protect the interests of its shareholders and enhance long-term shareholder value.

The Board of Directors (the “Board”) is pleased to report compliance of the Company with the benchmarks set by the 2012 Code of Corporate Governance (the “Code”) during the financial year ended 30 June 2019 (“FY2019”), unless otherwise stated. The Board will continue to improve compliance in line with developments in corporate governance by enhancing its principles and framework.

## BOARD MATTERS

### Principle 1: Board’s Conduct of Affairs

Apart from its statutory duties and responsibilities, the Board oversees the Management and affairs of the Group. It focuses on strategies and policies, with particular attention paid to growth and financial performance. The Board is also responsible for considering sustainability issues relating to the environment and social factors as part of the strategic formulation of the Group. Further, the Board sets the Company’s values and standards and provide guidance to Management to ensure that the Company’s obligations to its shareholders and the public are met. All Directors objectively make decisions at all times as fiduciaries in the interests of the Company. The Board delegates the formulation of business policies and day-to-day management to the Executive Directors.

The principal functions of the Board are:

- (a) to approve the Group’s key business strategies and financial objectives;
- (b) to approve major investments and divestments, and funding proposals;
- (c) to oversee the processes for evaluating the adequacy and effectiveness of the Company’s risk management and internal control systems, including financial, operational, compliance and information technology controls, including safeguarding of shareholder’s interests and the Company’s assets; and,
- (d) to assume responsibility for corporate governance.

The Board has identified and formalised in writing matters reserved for Board approval. This provides clear directions to Management on matters that must be approved by the Board. Some of the matters reserved for the Board are review and approval of periodic financial results announcements and annual audited financial statements, declaration of dividends and other returns to shareholders, major corporate policies on key areas of operation, including corporate or financial restructuring and share issuances, mergers and acquisitions, material acquisitions and disposals, approval of transactions involving interested persons and appointment of new Directors.

The Board discharges its responsibilities either directly or indirectly through Board Committees such as a Nominating Committee, a Remuneration Committee and an Audit Committee. These committees function within clearly defined and written terms of references and operating procedures, which are reviewed on a regular basis. The effectiveness of each committee is also constantly reviewed by the Board. The ultimate responsibility for the final decision on all matters lies with the entire Board.

Every Executive Director receives appropriate training to develop individual skills in order to discharge his or her duties. The Group also provides extensive information about its history, mission and values to the Directors.

The Board holds at least four scheduled meetings each year to review and deliberate on the key activities and business strategies of the Group, including reviewing and approving acquisitions, financial performance, and to endorse the release of the interim and annual financial results. Where necessary, additional meetings may be held to address significant transactions or issues.

Ad-hoc Board meetings are convened as and when they are deemed necessary in between the scheduled meetings.

The Company’s Constitution permits a Board meeting to be conducted by way of tele-conference and video-conference.



## CORPORATE GOVERNANCE REPORT

The number of Board and Board Committee Meetings held in the financial year and the attendance of each member of the Board are presented in the table below. Matters arising from each Board Committee meeting will be followed-up and reported to the Board. Minutes of all Board Committee meetings are circulated for review and confirmation to the individual directors on the respective Board Committees as are the minutes for each Board meeting circulated to each individual Director. These minutes enable Directors to be kept abreast of matters discussed at such meetings. Besides Board meetings, the Board exercises control on matters that require the Board's deliberation and approval through the circulation of Directors' resolution(s).

Name of Director	Board		Audit Committee	
	No. of Meetings Held	No. of Meetings Attended	No. of Meetings Held	No. of Meetings Attended
Douglas Foo Peow Yong	4	4	–	–
Foo Lilian	4	4	–	–
*Loh Chee Peng	3	3	3	3
Chan Wing Leong	4	4	4	4
*Foo Maw Shen	3	3	3	3

Name of Director	Remuneration Committee		Nominating Committee	
	No. of Meetings Held	No. of Meetings Attended	No. of Meetings Held	No. of Meetings Attended
Douglas Foo Peow Yong	1	1	1	1
Foo Lilian	–	–	–	–
*Loh Chee Peng	1	1	–	–
Chan Wing Leong	1	1	1	1
*Foo Maw Shen	–	–	1	1

\* Appointed as Director on 28 January 2019

Mr Loh Chee Peng and Mr Foo Maw Shen were appointed as Independent Directors of the Company on 28 January 2019. They were briefed by the CEO on the Group's business activities, operations, strategic directions and policies. The new Directors were provided with formal letters, setting out their duties and obligations.

The Company worked closely with a professional corporate secretarial firm, Messrs Tricor WP Corporate Services Pte. Ltd. to provide its Directors with regular updates on the latest changes to the Code of Corporate Governance and Listing Manuals.

During the financial year, the Directors received updates on regulatory changes to the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST") and developments in accounting standards with explanation on the impact to the Group. The Directors also received updates on the business activities, operations and strategic directions of the Group through regular meetings and presentations by the Company's CEO and senior management. The regular presentations allow the Board of Directors to get acquainted with senior management, thereby facilitating board interaction and independent access to senior management.

Directors are encouraged to participate in relevant training programmes. The Company will fund all relevant training programmes for Board members.



## Principle 2: Board Composition and Guidance

The Board comprises the following Executive and Non-Executive Directors as at the date of this report:

### **Executive Directors:**

Douglas Foo Peow Yong (Executive Chairman)  
 Foo Lilian (Executive Director and Chief Executive Officer)

### **Non-Executive Directors:**

Loh Chee Peng (Non-Executive and Independent Director)  
 Chan Wing Leong (Non-Executive and Lead Independent Director)  
 Foo Maw Shen (Non-Executive and Independent Director)

The Directors appointed are qualified professionals who possess a diverse range of expertise, qualifications, skills and experience. These include experiences in information technology, management, accounting, banking, finance and law. The Directors, as a group, provide an appropriate balance and diversity of skills, experience and knowledge to the Company. Key information regarding the Directors' academic and professional qualifications and other appointments is set out under the Board of Directors section of the Annual Report.

There is a strong and independent element on the Board with Independent Directors forming at least half of the Board where the Chairman of the Board and Chief Executive Officer are immediate family members. The independence of each Director is reviewed by the Nominating Committee annually. The Nominating Committee adopts the definition of what constitutes an Independent Director from the 2012 Code.

For the purpose of evaluating the true independence of directors who have served beyond nine years from the date of their first appointment, the NC had set out the criteria for the basis for the evaluation. The evaluation criteria includes participation and contribution through quality discussion, rigorous enquiries on the Management's performance and commitment to the Company's affairs to determine whether such directors have acted, and are likely to continue to act, in the best interests of the shareholders. Using these criteria as a basis for its decision, the NC conducted a rigorous evaluation on Mr Chan Wing Leong who has served the Board beyond nine years. The NC considered the director concerned is not involved in any relationships set out under Guideline 2.3(a) to (f) of the 2012 Code. The NC agreed that at all times, the Director concerned has participated, deliberated and expressed his individual viewpoints, objectively debated issues brought up at meetings and scrutinised Board matters and Board Committee matters. The Director concerned has objectively and constructively, challenged the assumptions and viewpoints of the Management. The Director concerned has sought clarification and advice, as and when he considered necessary, from the Management and external advisors to form decisions objectively in the best interests of the Group and its stakeholders. The Director concerned also exercised strong independence in character and judgment whilst discharging his duties as a member of the Board and Board Committees. The Company has benefited from the Director concerned, who had over time, gained substantial insight of the Group's businesses and this helped them to provide views constructively and objectively to the Board and Management. The Board considers the Director concerned brings a high level of experience, invaluable expertise and understanding about the Company and its industry, experience and knowledge which is ultimately beneficial to the Company and its members. The Director concerned, who is familiar with the business, will continue to contribute positively to the deliberation of matters in the Board & Board Committees. The independence of the Director concerned is not in any way affected or impaired by the length of service. No NC member is involved in deliberations in respect of his own independence.

The Board has examined its size and is of the view that it is an appropriate size for effective decision-making, taking into account the scope and nature of the operations of the Company. The Board is of the view that the effective blend of skills, experiences and knowledge remains a priority. The composition of the Board will be reviewed on an annual basis by the Nominating Committee to ensure that the Board has the appropriate mix of expertise and experience. The Board will constantly examine its size annually with a view to determine its impact upon its effectiveness and review its appropriateness for the nature and scope of the Group's operations.

The Board believes that there is a good balance of power and authority as all the Board Committees are chaired by Independent Directors.



## CORPORATE GOVERNANCE REPORT

### Principle 3: Chairman and Chief Executive Officer (“CEO”)

The Group’s Chairman is Mr Douglas Foo Peow Yong who is responsible for spearheading the Group’s overall direction and management of the Group’s global strategic plans.

Ms Foo Lilian is the Group’s CEO who is responsible for the day-to-day operations of the Group. Mr Douglas Foo Peow Yong is a brother of Ms Foo Lilian.

Both Mr Foo and Ms Foo are responsible for the monitoring of the quality, quantity and timeliness of information flow between the Board and the Management and ensure that Directors receive accurate and timely information. They are also responsible for effective communication with shareholders.

Mr Foo is the founder of the Group and has played a key role in developing the Group’s business. Through the Group’s successful development, Mr Foo has demonstrated his vision, strong leadership and enthusiasm in the Group’s businesses.

The Board has considered and is of the view that there are sufficient safeguards and checks to ensure there is a good balance of power and authority. No individual or small group of individuals dominates the Board’s decision-making process. The Board seeks to ensure that decisions are made collectively. Furthermore, all the Board committees are chaired by Independent Directors of the Company.

During FY2019, Mr Chan Wing Leong is the Lead Independent Director. He will continue be the Lead Independent Director until his retirement at the forthcoming Annual General Meeting. The Lead Independent Director is available to shareholders where they have concerns which contact through the normal channels of the Chairman or CEO have failed to resolve or for issues where such contact is inappropriate. . The Lead Independent Director shall represent the independent directors in responding to shareholders’ questions and comments that are directed to the independent directors as a group.

**The Independent and Non-Executive Directors would communicate without the presence of the Management as and when the need arise.**

## BOARD COMMITTEE

### Nominating Committee (“NC”)

#### Principle 4: Board Membership

The NC comprises Mr Foo Maw Shen as Chairman, Mr Chan Wing Leong and Mr Douglas Foo Peow Yong as members as at the date of this report. The majority of whom, including the Chairman of the NC, are Independent Non-Executive Directors. The Chairman of the NC is not associated in any way with any substantial shareholders of the Company. Mr Chan Wing Leong, the Lead Independent Director, is a member of the NC.

The Board has reviewed and updated the written terms of reference of the NC which sets out the objectives and authority of the NC. The NC is primarily responsible for:-

- (a) reviewing and assessing candidates for directorships (including executive directorships) before making recommendations to the Board for the appointment of directors;
- (b) reviewing and recommending to the Board new appointments, re-appointments or re-election of directors to the Board;
- (c) determining annually whether or not a Director is independent;
- (d) deciding, in relation to a Director who has multiple board representations, whether or not such a Director is able to and has been adequately carrying out his duties as a Director of the Company;
- (e) regularly reviewing and recommending to the Board the structure, size and composition of the Board and to make recommendations to the Board with regard to any adjustments that are deemed necessary;



- (f) reviewing and recommending to the Board training and professional development programs for the Board;
- (g) reviewing and recommending to the Board, board succession plans for directors, in particular, the Chairman and the Chief Executive Officer; and
- (h) assessing the performance of the Board as a whole and contribution of each director to the effectiveness of the Board. This assessment process shall be disclosed annually.

#### PARTICULARS OF DIRECTORS AS AT 30 JUNE 2019

Name of Director	Date of first appointment	Date of last re-election	Nature of appointment	Membership of Board committees	Directorship and Chairmanship, both present and those held over the preceding three years, in other listed companies and other principal commitments
Douglas Foo Peow Yong	17 February 1997	27 June 2017	Executive Chairman	Member of Nominating Committee and Remuneration Committee	Director of Sakae Group of companies
Foo Lillian	2 May 2002	27 June 2017	Executive Director / Chief Executive Officer	None	Director of Sakae Group of companies
Loh Chee Peng	28 January 2019	–	Non-Executive and Independent Director	Chairman of Audit Committee and Member of Remuneration Committee	None
Chan Wing Leong	30 April 2005	29 October 2018	Non-Executive and Lead Independent Director	Chairman of Remuneration Committee, Member of Audit Committee and Nominating Committee	None
Foo Maw Shen	28 January 2019	–	Non-Executive and Independent Director	Chairman of Nominating Committee and Member of Audit Committee	Multi-Chem Limited

Other key information of the Directors is set out under the Board of Directors section of this Annual Report.

All Directors are subject to the provisions of the Company's Constitution whereby one-third of the Directors are required to retire and subject themselves to re-election by shareholders at every AGM.

Mr Douglas Foo Peow Yong, Mr Loh Chee Peng, Mr Foo Maw Shen and Mr Chan Wing Leong are due for retirement at the forthcoming Annual General Meeting pursuant to the Company's Constitution. Mr Chan Wing Leong and Mr Foo Maw Shen upon retiring at the forthcoming Annual General Meeting will not be seeking re-election.

The NC, having assessed the overall contribution, performance, participation, preparedness and attendance of Mr Douglas Foo Peow Yong and Mr Loh Chee Peng, recommended to the Board that Mr Douglas Foo Peow Yong and Mr Loh Chee Peng be nominated for re-appointment at the forthcoming Annual General Meeting. The Board concurred with the NC's recommendation.



## CORPORATE GOVERNANCE REPORT

The NC, will identify suitable candidates to fill the vacancy in the Board after retirement of Mr Chan Wing Leong and Mr Foo Maw Shen as Independent Directors and comply with the requirement relating to composition of Board Committees.

In this connection, the NC, in consultation with the Board, determines the selection criteria and identifies candidates with the appropriate expertise and experience for the position. The NC then nominates the most suitable candidate to be appointed to the Board. Under the Company's Constitution, any Director appointed by the Board shall hold office until the conclusion of the next AGM and shall then be eligible for re-election at that meeting.

There was no Alternate Director who shall bear all the duties and responsibilities of a Director.

The independence of Directors is assessed annually by the NC. The NC considers an Independent Director as one who has no relationship with the Company, its related companies, its 10% shareholders or its officers that could interfere, or be reasonably perceived to interfere with the exercise of the Director's independent judgement, which is in the best interests of the Company. On an annual basis, each Director is required to submit a return as to his independence to the Company Secretary. The NC shall review the returns and determine whether the Director is to be considered independent.

The Independent Directors have confirmed that they do not have any relationship with the Company, its related companies, its 10% shareholders, or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Directors' independent business judgement with a view to the best interests of the Company and Group. During the year, the NC had reviewed and determined that Mr Loh Chee Peng, Mr Chan Wing Leong and Mr Foo Maw Shen are Independent Directors of the Company.

The Board is of the view that there are sufficient safeguards and checks to ensure that the process of decision making by the Board is independent and based on collective decisions without any individual or group of individuals exercising any considerable concentration of power or influence and there is accountability for good corporate governance. The Board Committees are chaired by Independent Directors and more than half of the Board consists Independent Directors.

The NC has reviewed board succession planning for directors, in particular, the Chairman and CEO. As part of the succession planning, Ms Foo Lilian was appointed as Chief Executive Officer of the Company with effect from 1 March 2014 while Mr Douglas Foo relinquished his position as Chief Executive Officer and remains as Executive Chairman of the Group to focus on spearheading the Group's overall direction and global strategic plans. The NC and Board acknowledged that there is a need for progressive refreshing of the Board.

All Directors are required to declare their board representations. The NC will consider whether each Director is able to adequately carry out his/her duties as a Director of the Company, taking into consideration the number of listed company board representations and other principal commitments. The NC is satisfied that all the Directors are able to devote sufficient time and attention to the affairs of the Company to adequately discharge their duties as Directors of the Company.

### **Principle 5: Board Performance**

On an annual basis, the NC in consultation with the Chairman of the Board, will review and evaluate the performance of the Board as a whole, taking into consideration the attendance record at the meetings of the Board and Board Committees and also the contribution of each Director to the effectiveness of the Board.

The Board has a formal process for assessing the effectiveness of the Board as a whole with objective performance criteria as well as considering the contribution of each individual Director to the effectiveness of the Board. The NC assessed the functions and effectiveness of the Board as a whole, assessment of the Board Committees, assessment of each individual director to the effectiveness of the Board and assessment of the contribution by the Chairman in the Financial Year 2019. The assessment report was reviewed by the Board and the recommendations were discussed with a view to improve the overall effectiveness of the Board. The NC is of the view that the performance of the Board as a whole has been satisfactory.

Each member of the NC shall abstain from voting on any resolution in respect of the assessment of his performance or re-nomination as a Director.





Directors are required to ensure that they are in a position to devote the necessary time commitment and attention to the Company's matters and for the proper performance of their duties. Directors, while holding office, are at liberty to accept other board appointments, so long as such appointment is not in conflict with the Company's business and does not materially interfere with their performance as a director of the Company. Considering satisfaction of the current directors' participation and involvement in various active discussions relating to the Company, the Board agreed not to determine the maximum number of listed company board representations which any director may hold.

#### **Principle 6: Access to Information**

To assist the Board in fulfilling its responsibilities, the Board is provided with management reports containing complete, adequate and timely information at least quarterly, including board papers and related materials with background and explanatory notes as required to support the decision-making process. The Board is also provided with updates on the relevant laws, regulations and changing commercial risks in the Company's operating environment. Orientation to the Company's business strategies and operations is conducted as and when required.

All Directors have separate and independent access to senior management and to the Company Secretary. The Company Secretary attends all Board and Board Committee meetings and prepares the minutes of meetings, and assists the Chairman in ensuring that Board procedures are followed and reviewed so that the Board functions effectively, and the Company's Constitution and relevant rules and regulations, including requirements of the Companies Act and the Listing Manual of SGX-ST, are complied with. In addition, the Company Secretary's responsibilities include advising the Board on all governance matters. The Board decides on the appointment and removal of the Company Secretary.

In the event that the Directors, whether as a group or individually, require independent professional advice in the furtherance of their duties, the cost of such professional advice will be borne by the Company.

#### **Remuneration Committee ("RC")**

##### **Principle 7: Procedures for Developing Remuneration Policies**

The RC comprises Mr Chan Wing Leong as Chairman and Mr Loh Chee Peng and Mr Douglas Foo Peow Yong as members as at the date of this report. The majority of whom, including the Chairman of the RC, are Independent and Non-Executive Directors.

The Board recognises that the composition of the RC does not comprise entirely of Non-Executive Directors. However, the Board is of the view that the current composition of the RC is able to provide the necessary objective inputs to the various decisions made by the Board. Mr Douglas Foo Peow Yong, a member of the RC and an Executive Director abstained from all discussions, deliberations and decision of his own remuneration.

The Board has reviewed and updated the written terms of reference of the RC, which sets out the objectives and authority of the RC. The RC is primarily responsible for:-

- (a) reviewing and recommending to the Board a general framework of remuneration for the Board and key management personnel;
- (b) determining the specific remuneration packages for each Director and key management personnel;
- (c) determining performance-related elements of remuneration and eligibility for benefits under long-term incentive schemes to align interests of executive Directors and link rewards to corporate and individual performance; and
- (d) administering the Company's share option scheme.

In carrying out the above responsibilities, the RC may obtain independent external legal and other professional advice as it deems necessary. The expenses of such advice shall be borne by the Company.

The RC's recommendations are made in consultation with the Chairman of the Board and submitted to the entire Board for endorsement. The remuneration of the Non-Executive and Independent Directors is in the form of a fixed fee. The payment of fees to Non-Executive Directors is subject to approval at the AGM of the Company. The remuneration of the Executive Directors and CEO as well as key management personnel are reviewed by the RC.

The Directors are not involved on deciding their own remuneration. The members of the RC do not participate in any decisions concerning their own remuneration.



## CORPORATE GOVERNANCE REPORT

### Principle 8: Level and Mix of Remuneration

The Company sets remuneration packages to ensure that it is competitive and sufficient to attract, retain and motivate Directors and key management personnel of the required experience and expertise to run the Company successfully.

In setting remuneration packages for the key management personnel, the RC takes into consideration the pay and employment conditions within the industry and in comparable companies. A significant part of the remuneration package is linked to the achievement of stretching, pre-determined corporate performance targets, focusing on profitability, measures reflecting customer experience and key products for the financial year under review. The RC is satisfied that the performance conditions of the key management personnel have been met.

As part of its review, the RC ensures that the performance-related elements of remuneration form a significant part of the total remuneration package of the Executive Directors and is designed to align the Directors' interest with the creation of sustainable shareholder value and promote long-term success of the Company in terms of profitability and organic growth.

The Company has renewed the service agreements of the two Executive Directors namely Mr Douglas Foo Peow Yong and Ms Foo Lilian respectively for another year. The service agreements cover the terms of employment, specifically salaries and bonuses.

### Principle 9: Disclosure on Remuneration

The following tables show a breakdown of the remuneration of Directors and key management personnel for the financial year FY2019 as follows:

Remuneration band & name of directors	Salary %	Bonus %	Directors' Fees %	Total %
<b>\$500,000 to below \$750,000</b>				
Douglas Foo Peow Yong	100			100
<b>\$250,000 to below \$500,000</b>				
Foo Lilian	100			100
<b>Below \$250,000</b>				
Loh Chee Peng			100	100
Chan Wing Leong			100	100
Foo Maw Shen			100	100

Remuneration band & name of top 5 key management personnel	Salary %	Bonus %	Incentive and other benefits %	Total %
<b>\$500,000 to below \$750,000</b>				
Gladys Lim Cheng Leng	74	26		100
<b>Below \$250,000</b>				
Shu Kwan Chyuan	100			100
Andy Liu Hong Wei	93		7	100
Tan Yee Cheng	100			100



## CORPORATE GOVERNANCE REPORT

For competitive reasons, the Company is disclosing each individual Director's remuneration in bands of \$250,000. The Group remunerates its key management personnel competitively. To maintain confidentiality of staff remuneration and to prevent poaching of key management personnel in a highly competitive industry, the Company discloses the remuneration of the key management personnel of the Group, in this report, in bands of \$250,000 without aggregate of total remuneration paid to the key management personnel.

For the financial year FY2019, there is an employee of the Company namely Mr Foo Kia Hee, being the father of Mr Douglas Foo Peow Yong, the Executive Chairman, and Ms Foo Lillian, the Chief Executive Officer, whose remuneration falls between \$100,000 and \$150,000.

### **Principle 10: Accountability**

The Board is accountable to the shareholders and the Management is accountable to the Board. The Board is provided with management accounts and such explanation and information necessary to assess the Group's performance and make informed decisions. The Board takes adequate steps to ensure compliance with regulatory requirements.

The Company provides a balanced and understandable assessment of the Company's performance through quarterly results reporting.

The Management provides all members of the Board with appropriately detailed management accounts and such explanations and information and as the Board may require from time to time to enable the Board to make a balanced and informed assessment.

### **Principle 11: Risk Management and Internal Controls**

The Board is responsible for the governance of risks and the overall internal control framework. It ensures that Management maintains a sound system of risk management and internal controls to safeguard shareholders' interests and the Group's assets and determines the nature and extent of the significant risks which the Board is willing to take in achieving the Group's strategic objectives.

Management is responsible to the Board for the design, implementation and monitoring of the Group's risk management and internal control systems and to provide the Board with a basis to determine the Group's level of risk exposure, risk tolerance and risk policies.

The Board notes that the system of internal 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. Nonetheless, 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 ("IT") controls. The Board also recognizes its responsibilities in ensuring a sound system of internal controls to safeguard shareholders' interests and the Group's assets. The Board will look into the need for the establishment of a separate Board Risk committee at the relevant time.

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 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.

The Board has received assurance from the CEO and CFO, that the financial records have been properly maintained and the financial statements give a true and fair view of the Company's operations and finances.

As areas of internal control weaknesses requiring improvement/rectification as stated in Note 2 and 10 to the Financial Statements in the Annual Report were identified, the CEO and CFO did not formally provide the Board with sufficient assurance relating to the internal controls of the Group. In considering the above, the Board in concurrence with the AC, is of the view that the Group's internal control systems pertaining to financial and operational controls as well as risk management systems require room for improvement.



## CORPORATE GOVERNANCE REPORT

### **Audit Committee (“AC”) Principle 12: Audit Committee**

As at 30 June 2019, the AC comprises of Mr Loh Chee Peng, Mr Chan Wing Leong and Mr Foo Maw Shen. The Chairman of the AC is Mr Loh Chee Peng. All of the AC members including the Chairman of the AC, are Independent and Non-Executive Directors. The members of the AC, collectively, have expertise or experience in financial management and are qualified to discharge the AC’s responsibilities.

The Board has reviewed and updated the written terms of reference of the AC which sets out the objectives and authority. Its primary functions are as follows:-

- (a) to review and discuss with internal and/or external auditors their reports on major accounting and control issues observed during the annual audit and review management’s implementation of the recommended improvement actions;
- (b) to review the adequacy and effectiveness of the Company’s internal controls, including financial, operational, compliance and information technology controls and financial risk management systems;
- (c) to review the balance sheet and profit and loss account and announcements of results before submission to the Board for approval;
- (d) to review with the external auditors the audit plan, their evaluation of the system of internal accounting controls, their letter to management and the management’s response;
- (e) to review interested person transactions (if any) falling within the scope of Chapter 9 of the Listing Manual;
- (f) to review arrangements by which staff of the Company may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters and to ensure that arrangements are in place for the independent investigation of such matters and for appropriate follow up action;
- (g) to ensure that the internal audit function is adequately resourced and has appropriate standing within the Company; and
- (h) to review the internal control procedures and ensure co-ordination between the internal auditors and the management.

The AC meets regularly and also holds informal meetings and discussions with the external and internal auditors as well as the management from time to time. The AC has full discretion to invite any Director or executive officer to attend its meetings.

The AC has been given full access to and obtained the co-operation from the management of the Company. The AC has reasonable resources to enable it to discharge its functions properly. It receives periodic updates on changes in accounting standards from external auditors.

The AC has met with the external auditors without the presence of the management to review matters that might be raised privately. The AC also met with the external auditors to discuss the results of their examinations and their evaluations of the systems of internal accounting controls. During the year, the AC has reviewed the scope and quality of their audits and the independence and objectivity of the external auditors as well as the cost effectiveness. The AC is satisfied that the Company’s auditors are still able to meet the audit requirements and statutory obligation of the Company.

The AC has reviewed the volume of all audit and non-audit services to the Group by the external auditors. Please refer to the notes to the financial statements for details of the audit and non-audit fees. The AC is satisfied that the nature and extent of such services will not prejudice the independence and objectivity of the external auditors. The AC is pleased to recommend the re-appointment of Messrs. Deloitte & Touche LLP as the Company’s external auditors at the forthcoming Annual General Meeting. The AC receives update on changes in accounting standards from external auditors.

The AC shall continue to monitor the scope, cost effectiveness and result of the audit.



## CORPORATE GOVERNANCE REPORT

The AC and the Board are satisfied that the appointment of different auditors for its Singapore-incorporated subsidiaries would not compromise the standard and effectiveness of the audit of the Company. The Company has also engaged suitable auditing firm for its foreign-incorporated subsidiaries. The Company therefore is in compliance with Rule 712, 715 and 716 of the Listing Manual of the SGX-ST.

The AC had established a whistle blowing policy and had formed a Whistle Blowing Committee which consists of two Independent Non-Executive Directors of the Company, i.e. Mr Chan Wing Leong and Mr Loh Chee Peng, as a channel for persons employed by the Group to report in confidence any possible corporate improprieties in matters of financial reporting or non-compliance with regulations, policies and fraud, etc., without any prejudicial implications for these employees. The Whistle Blowing Committee and the AC is vested with the power and authority to receive, investigate and enforce appropriate action when any such non-compliance matter is brought to its attention.

As at date of report, there were reports received through the whistle-blowing mechanism. In handling the whistle-blowing reports, the AC carefully considers the allegations raised, makes consultations with independent advisors, and carries out necessary investigations.

The Board will look into the composition of the Whistle Blowing Committee following the retirement of Mr Chan Wing Leong the forthcoming Annual General Meeting,

### **Principle 13: Internal Audit**

The Company has appointed Messrs. Crowe Horwath First Trust Risk Advisory Services Pte Ltd as the Company's internal auditor 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. Crowe Horwath First Trust Risk Advisory Services Pte Ltd meets the standards for the Professional Practice of Internal Auditing set by The Institute of Internal Auditors.

## **SHAREHOLDER RIGHTS AND RESPONSIBILITIES**

### **Principle 14: Shareholder Rights**

The Board treats all shareholders fairly and equitably and facilitates the exercise of shareholders' rights.

The Board is accountable to the shareholders and recognise its obligation to provide timely and fair disclosure of material information to shareholders, investors and public.

The Board allows all shareholders to exercise its voting rights by participation and voting at general meetings. Shareholders are informed about the voting procedures that govern general meetings of shareholders. The Company's Constitution allows a member of the Company to appoint one or two proxies to attend and vote at general meetings.

The Board will review the Company's Constitution from time to time. Where amendment to its Constitution is required to align the relevant provisions with the requirements of the Listing Manual of the SGX-ST, shareholders' approval will be obtained.

### **Principle 15: Communication with Shareholders**

The Company does not practice selective disclosure. Information on any new initiative is disseminated via SGXNET, news releases and the Company's website. The Company provides timely updates on its website at [www.sakaeholdings.com](http://www.sakaeholdings.com) through which shareholders can access information on the Group. Price-sensitive information is publicly released on an immediate basis where required under the Listing Manual. Where an immediate announcement is not possible, the announcement is made as soon as possible to ensure that shareholders and the public have fair access to the information.



## CORPORATE GOVERNANCE REPORT

General meetings have always been the principal forum for dialogue with shareholders. At these meetings, shareholders are able to engage the Board and the Management on the Group's business activities, financial performance and other business-related matters. These meetings allow the Company to gather views or input and address shareholders' concern.

The Board does not have a fixed dividend policy at present. The form, frequency and amount of dividends declared each year will take into consideration the Group's profit growth, cash position, positive cash flow generated from operations, projected capital requirements for business growth and other factors as the Board may deem appropriate. The Board did not declare any dividend for the financial year ended 30 June 2019 in order to conserve cash for future operations in view of prevailing business conditions of the Group.

### **Principle 16: Conduct of Shareholder Meetings**

The AGM of the Company is a principal forum for dialogue and interaction with all shareholders. All shareholders will receive the Annual Report and the notice of AGM. Notice of AGM is dispatched to shareholders together with explanatory notes or circulars on items of special business (if necessary), at least 14 days before the meeting. Shareholders are encouraged to attend the AGM of the Company to ensure a high level of accountability and to stay informed of the Company's strategy and goals. A shareholder who is a relevant intermediary (as defined in the Companies Act, Cap. 50) can appoint more than 2 proxies to attend the AGM. At the AGM, shareholders will be given the opportunity to voice their views and to direct questions regarding the Group to the Directors including the chairpersons of each of the Board committees. The external auditors are also present to assist the Directors in addressing any relevant queries from the shareholders. Minutes of general meetings include substantial and relevant queries or comments from shareholders relating to the agenda of the meeting and responses from the Board and Management. These minutes would be available to shareholders upon their request.

The Company ensures that there are separate resolutions at general meetings on each distinct issue.

All resolutions were put to vote by poll at the AGM held on 29 October 2019 in the presence of independent scrutineers in accordance with the provisions of the Company's Constitution and Listing Manual. Detailed results of the poll were released to the public after the meeting. As the present Constitution of the Company does not have a provision to allow shareholders to vote in absentia, via methods such as e-mail, fax, etc., and the legal and regulatory environment is not entirely conducive for voting in absentia, the Company does not allow a shareholder to vote in absentia at general meetings. The introduction of absentia voting methods will be deferred until an appropriate time.

## **RISK MANAGEMENT**

(Listing Manual Rule 1207(4)(b)(iv))

The Company's Board of Directors as a whole performs the duties of a Risk Management Committee. The Management regularly reviews the Company's businesses and operational activities to identify areas of significant business risks as well as appropriate measures to control and mitigate these risks. The Management reviews all significant control policies and procedures and highlights all significant matters to both the AC and the Board.

## **SECURITIES TRANSACTIONS**

(Listing Manual Rule 1207(19))

The Company has adopted an internal code on dealings in securities which is applicable to all Directors and employees of the Group and its subsidiaries with regards to dealing in the Company's securities.

The Company issues circulars to its Directors, officers and employees of the Group to inform them not to deal in the Company's Listed Securities by the Company, its Directors, Officers and employees on short term considerations or whilst they are in possession of unpublished material price sensitive information and during the period commencing two weeks before the announcement of the Company's quarterly financial results and one month before the announcement of the Company's half year and full year financial results and ending on the date of the announcement of such financial results. All Directors are required to file with the Company reports on all their dealing in the Company's Listed Securities on a timely basis.



## **MATERIAL CONTRACTS**

(Listing Manual Rule 1207(8))

There were no material contracts of the Company or its subsidiaries involving the interest of any Director or controlling shareholders subsisting as at the financial year ended 30 June 2019.

## **INTERESTED PERSON TRANSACTIONS**

(Listing Manual Rule 907)

The Company has established procedures to ensure that all transactions with interested persons are reported in a timely manner to the AC and that the transactions are on an arm's length basis.

For the financial year under review, the Group has not carried out interested person transactions.



## DIRECTORS' STATEMENT

The directors present their statement together with the audited consolidated financial statements of the Group and statement of financial position and statement of changes in equity of the Company for the financial year ended June 30, 2019.

In the opinion of the directors, the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company as set out on pages 38 to 134 are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at June 30, 2019, and the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the financial year then ended and at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts when they fall due.

### 1 DIRECTORS

The directors of the Company in office at the date of this statement are:

Douglas Foo Peow Yong

Foo Lilian

Chan Wing Leong

Loh Chee Peng

(Appointed on January 28, 2019)

Foo Maw Shen

(Appointed on January 28, 2019)

### 2 ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE BENEFITS BY MEANS OF THE ACQUISITION OF SHARES AND DEBENTURES

Neither at the end of the financial year nor at any time during the financial year did there subsist any arrangement whose object is to enable the directors of the Company to acquire benefits by means of the acquisition of shares or debentures in the Company or any other body corporate.

### 3 DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

The directors of the Company holding office at the end of the financial year had no interests in the share capital and debentures of the Company and related corporations as recorded in the register of directors' shareholdings kept by the Company under Section 164 of the Singapore Companies Act except as follows:





Name of directors and Company in which interests are held	Shareholdings registered in name of director		Shareholdings in which directors are deemed to have an interest	
	At beginning of year	At end of year	At beginning of year	At end of year
<u>The Company</u>				
Ordinary shares				
Douglas Foo Peow Yong	31,926,740	31,926,740	60,000,100	60,000,100
Foo Lilian	100	100	-	-

By virtue of Section 7 of the Singapore Companies Act, Douglas Foo Peow Yong is deemed to have an interest in the Company and all the related corporations of the Company.

The directors' interests in the shares and options of the Company at July 21, 2019 were the same at June 30, 2019.

#### 4 SHARE OPTIONS

- (a) The Sakae Performance Share Scheme ("PSS") was approved by the shareholders of the Company at an Extraordinary General Meeting held on April 21, 2008.

The committee administering the PSS comprises:

Chan Wing Leong (Chairman)  
 Loh Chee Peng (Appointed on January 28, 2019)  
 Douglas Foo Peow Yong

The Performance Share Scheme complements the ESOS as it increases the Company's flexibility and effectiveness in its continuing efforts to reward, retain and motivate employees to achieve superior performance. Shares will be awarded based on pre-determined dollar amounts such that the quantum of shares is dependent on the closing price of shares transacted on the market day the award is vested. The PSS shall continue in force at the discretion of the Committee, up to a maximum of ten years. The PSS has expired during the year.

- (b) *Option to take up unissued shares*

During the financial year, no options to take up unissued shares of the Company or any corporation in the Group were granted.

- (c) *Option exercised*

During the financial year, there were no shares of the Company or any corporation in the Group issued by virtue of the exercise of an option to take up unissued shares.

- (d) *Unissued shares under option*

At the end of the financial year, there were no unissued shares of the Company or any corporation in the Group under option.



## DIRECTORS' STATEMENT

### 5 AUDIT COMMITTEE

The Audit Committee of the Company, consisting all non-executive directors, is chaired by Mr Loh Chee Peng and other members include Mr Chan Wing Leong and Mr Foo Maw Shen. The Audit Committee has met four times since the last Annual General Meeting ("AGM") and has reviewed the following, where relevant, with the executive directors and the external and internal auditors of the Company:

- (a) The audit plans and results of the internal auditors' examination and evaluation of the Group's systems of internal accounting controls;
- (b) The Group's financial and operating results and accounting policies;
- (c) The financial statements of the Company and the consolidated financial statements of the Group before their submission to the Board of Directors of the Company and the external auditors' report on those financial statements;
- (d) The quarterly, half-yearly and annual announcements as well as the related press releases on the results and financial position of the Company and the Group;
- (e) The co-operation and assistance given by the management to the Group's internal and external auditors; and
- (f) The re-appointment of the internal and external auditors of the Group.

The Audit Committee has full access to and co-operation of the management and has been given the resources required for it to discharge its function properly. It also has full discretion to invite any director and executive officer to attend its meetings. The external and internal auditors have unrestricted access to the Audit Committee.

The Audit Committee has recommended to the directors the nomination of Deloitte & Touche LLP for re-appointment as external auditors of the Group at the forthcoming AGM of the Company.

ON BEHALF OF THE DIRECTORS

.....  
Douglas Foo Peow Yong

.....  
Foo Lilian

October 11, 2019



## INDEPENDENT AUDITOR'S REPORT

To the members of Sakae Holdings Ltd.

### Report on the Audit of the Financial Statements

#### Disclaimer of Opinion

We were engaged to audit 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, 2019 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 then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 38 to 134.

We do not express an opinion on the accompanying financial statements. Because of the significance of the matters described in the *Basis for Disclaimer of Opinion* section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

#### Basis for Disclaimer of Opinion

We were unable to satisfy ourselves by alternative means on the following:

- a) As disclosed in Note 2(i) to the financial statements, the Group has not applied the equity accounting method to account for its share of results and net assets of its associates, Griffin Real Estate Investment Holdings Pte. Ltd. ("GREIH") and Gryphon Capital Management Pte. Ltd. ("GCM"), since the financial year ended December 31, 2012 and the Group and Company had provided full allowance for impairment loss on its investment in GREIH amounting to \$6,642,000 and \$10,099,000 at the Company level and the Group level respectively and its investment in GCM amounting to \$150,000 and \$369,000 at the Company level and the Group level respectively since 2012 until the date of liquidation.

For the financial period from January 1, 2017 to June 30, 2018, the Group and the Company made a full reversal of the allowance for impairment loss on its investments in GREIH and GCM as a result of the High Court and subsequently the Court of Appeals rulings in favour of the Company. GREIH and GCM commenced liquidation in April 2017 and August 2017 respectively.

Subsequent to year end, the Group received an amount of \$8,148,000 from the liquidator being the partial return of capital relating to the Group's investments in GREIH and GCM.



## INDEPENDENT AUDITOR'S REPORT

To the members of Sakae Holdings Ltd.

- (i) The non-equity accounting of its investment in the associates, GREIH and GCM up to the date when the Company ceases to have significant influence in these two investees is not in accordance with SFRS(I) 1-28 *Investment in Associate and Joint Ventures*.

As the unaudited management accounts of GREIH and GCM were considered by management to be unreliable as described in Note 2(i), we have not been able to determine what the Group's share of results and net assets of GREIH and GCM and the related disclosures under SFRS(I) 12 *Disclosure of Interests in Other Entities* should have been had the equity accounting method been applied.

- (ii) We were also unable to obtain sufficient appropriate audit evidence of the recoverable amount of the investments in GREIH and GCM to determine whether the full reversal of allowance for impairment loss during the financial period ended June 30, 2018 was appropriate and whether such reversal should have been recorded in the previous years.
- (iii) Pursuant to the reclassification from available-for-sale investments to equity investments at fair value through profit or loss as the result of adopting SFRS (I) 9 *Financial Instruments* ("SFRS(I) 9"), the fair values of the investments as at July 1, 2018 and June 30, 2019 have not been determined as required by SFRS(I) 9 (Note 12). We are unable to determine what the carrying amount of the investments at the year end and the effect on the current year's results should have been had valuations been performed.

Our opinion on the financial statements for the financial period ended June 30, 2018 was also qualified in respect of non-equity accounting of its investment in associates up to the date the Company ceased to have significant influence and the full reversal of allowance for impairment loss on investments in associates.

- b) 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 can 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 financial period ended June 30, 2018 was qualified accordingly.



## INDEPENDENT AUDITOR'S REPORT

To the members of Sakae Holdings Ltd.

- c) As disclosed in Note 2(iii) to the financial statements, the Group ceased consolidating one of its subsidiaries, Cocosa Export S.A ("Cocosa Export"), as the Group has assessed that it has lost control over 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 loss on derecognition of \$3,446,000 (Note 35). The Group and the Company made a loss allowance of \$2,791,000 out of the gross receivables due from Cocosa Export amounting to \$5,412,000 (Note 9). However, we have not been provided with sufficient appropriate audit evidence to enable us to evaluate whether the Group continues to have control over Cocosa Export or the point in time when such control is lost and the appropriateness of the classification of the investment in Cocosa Export if the control has indeed been lost.

Further, we are unable to ascertain the existence of the gross receivables due from Cocosa Export amounting to \$5,412,000 and the recoverability of this receivable. Accordingly, we are unable to determine if the loss allowance made of \$2,791,000 is appropriate and whether any adjustments were necessary to the financial statements of the Group and the Company for the year ended June 30, 2019.

- d) As disclosed in Note 2(iv) to the financial statements, the Group has a receivable due from a related party, being a company owned by the non-controlling shareholder of Cocosa Export, amounting to \$1,337,000 as at year end. We are unable to obtain a confirmation from the related party to satisfy ourselves on the existence of the receivable.

In addition, a loss allowance on this receivable has not been made by the Group and the Company. We have not been provided with sufficient appropriate audit evidence to determine if any loss allowance for the receivable should be made and the amount of the allowance to be made. Accordingly, we are unable to determine if any adjustments were necessary to the financial statements of the Group and the Company for the year ended June 30, 2019.

- e) As of the date of our report, management is still in the process of resolving the differences arising from the intragroup balances amounting to \$1,540,000 which has been included in the "other receivables" of the Group as disclosed in Note 9 to the financial statements. As a result, we were unable to determine whether any adjustments to the accompanying financial statements might have been found necessary in respect of such differences.

Due to the above, we were unable to assess whether the Group has devised and maintained appropriate internal control over financial reporting so as to enable the Group to identify any material misstatement in the financial statements.



## INDEPENDENT AUDITOR'S REPORT

To the members of Sakae Holdings Ltd.

### **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 FRSs, 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 responsibility is to conduct an audit of the Group's consolidated financial statements and the Company's statement of financial position and statement of changes in equity in accordance with Singapore Standards on Auditing and to issue an auditor's report. However, because of the matters described in the *Basis for Disclaimer of Opinion* section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority (ACRA) 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.



## INDEPENDENT AUDITOR'S REPORT

To the members of Sakae Holdings Ltd.

### Report on Other Legal and Regulatory Requirements

In our opinion, in view of the significance of the matters referred to in the *Basis for Disclaimer of Opinion* section of our report, we do not express an opinion on whether the accounting and other records required by the Act to be kept by the Company and by the subsidiary corporation 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 auditor's report is Ms Lim Bee Hui.

DELOITTE & TOUCHE LLP  
Public Accountants and  
Chartered Accountants  
Singapore

October 11, 2019



## STATEMENT OF FINANCIAL POSITION

As at June 30, 2019

Note	Group			Company				
	June 30, 2019 \$'000	June 30, 2018 \$'000 (Restated)	January 1, 2017 \$'000 (Restated)	June 30, 2019 \$'000	June 30, 2018 \$'000 (Restated)	January 1, 2017 \$'000		
<b>ASSETS</b>								
<b>Current assets</b>								
	Cash and bank balances	7	1,169	4,148	8,627	316	1,282	3,327
	Trade receivables	8	1,304	3,068	1,871	188	205	1,332
	Other receivables and prepayments	9	9,591	10,871	11,304	2,847	3,158	3,855
	Inventories	10	938	1,830	2,357	67	64	1,524
	Convertible loan note receivable	11	-	-	-	-	-	-
	Equity investments at fair value through profit or loss	12	377	2,046	2,790	25	1,507	2,113
	Income tax recoverable		1,015	1,209	838	-	-	-
	<b>Total current assets</b>		<b>14,394</b>	<b>23,172</b>	<b>27,787</b>	<b>3,443</b>	<b>6,216</b>	<b>12,151</b>
<b>Non-current assets</b>								
	Other investments	13	-	10,573	192	-	6,792	-
	Subsidiaries	14	-	-	-	10	10	10
	Due from subsidiaries	14	-	-	-	14,417	22,122	17,316
	Associates	15	-	-	-	-	-	-
	Joint venture	16	350	350	150	-	-	-
	Equity investments at fair value through profit or loss	12	10,468	-	-	6,792	-	-
	Property, plant and equipment	17	69,384	73,974	77,237	63,856	61,733	63,176
	Investment properties	18	2,810	2,920	2,800	-	-	-
	Intangible asset	19	-	322	-	-	-	-
	Goodwill	20	720	3,968	3,929	-	-	-
	<b>Total non-current assets</b>		<b>83,732</b>	<b>92,107</b>	<b>84,308</b>	<b>85,075</b>	<b>90,657</b>	<b>80,502</b>
	<b>Total assets</b>		<b>98,126</b>	<b>115,279</b>	<b>112,095</b>	<b>88,518</b>	<b>96,873</b>	<b>92,653</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>								
<b>Current liabilities</b>								
	Bank loans	21	50,001	54,998	50,227	48,930	52,081	46,822
	Trade payables	22	4,008	4,053	6,657	1,604	1,819	4,322
	Other payables and accruals	23	2,333	4,161	6,883	1,180	2,240	2,152
	Provisions	24	550	748	4,616	131	133	2,702
	Due to subsidiaries	14	-	-	-	7,041	4,640	1,064
	Income tax payable		684	463	28	-	-	2
	<b>Total current liabilities</b>		<b>57,576</b>	<b>64,423</b>	<b>68,411</b>	<b>58,886</b>	<b>60,913</b>	<b>57,064</b>
<b>Non-current liabilities</b>								
	Bank loans	21	-	-	388	-	-	-
	Deferred tax liabilities	25	8,813	7,818	8,464	8,376	7,818	7,900
	<b>Total non-current liabilities</b>		<b>8,813</b>	<b>7,818</b>	<b>8,852</b>	<b>8,376</b>	<b>7,818</b>	<b>7,900</b>
<b>Capital, reserves and non-controlling interests</b>								
	Issued capital	26	10,736	10,736	10,736	10,736	10,736	10,736
	Treasury shares	27	(892)	(892)	(892)	(892)	(892)	(892)
	Capital reserve		166	166	166	-	-	-
	Currency translation reserve		(738)	(854)	(2,179)	-	-	-
	Revaluation reserve	28	45,462	43,035	41,559	45,696	42,196	40,744
	Accumulated losses		(23,020)	(10,499)	(15,992)	(34,284)	(23,898)	(22,899)
	Equity attributable to equity holders of the Company		31,714	41,692	33,398	21,256	28,142	27,689
	Non-controlling interests		23	1,346	1,434	-	-	-
	<b>Total equity</b>		<b>31,737</b>	<b>43,038</b>	<b>34,832</b>	<b>21,256</b>	<b>28,142</b>	<b>27,689</b>
	<b>Total liabilities and equity</b>		<b>98,126</b>	<b>115,279</b>	<b>112,095</b>	<b>88,518</b>	<b>96,873</b>	<b>92,653</b>

See accompanying notes to the financial statements.



# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year Ended 30 June 2019



	Note	Group	
		12 months from July 1, 2018 to June 30, 2019 \$'000	18 months from January 1, 2017 to June 30, 2018 \$'000 (Restated)
<b>Revenue</b>	29	44,756	94,154
Cost of sales		(16,628)	(37,743)
<b>Gross profit</b>		28,128	56,411
Other operating income	30	4,689	21,964
Administrative expenses		(21,833)	(40,877)
Other operating expenses		(22,516)	(28,558)
Non-operating expenses		-	(1,463)
Finance costs - interest expense on bank loans		(1,589)	(1,959)
<b>(Loss)/Profit before tax</b>		(13,121)	5,518
Income tax expense	31	(643)	(83)
<b>(Loss)/Profit for the year/period</b>	32	(13,764)	5,435
(Loss)/Profit attributable to:			
Equity holders of the Company		(13,764)	5,493
Non-controlling interests		-	(58)
		(13,764)	5,435
Basic and diluted (loss) earnings per share (cents)	33	(9.87)	3.94



## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year Ended 30 June 2019

Note	Group	
	12 months from July 1, 2018 to June 30, 2019 \$'000	18 months from January 1, 2017 to June 30, 2018 \$'000 (Restated)
	(13,764)	5,435
Other comprehensive income:		
<i>Items that will not be reclassified subsequently to profit or loss</i>		
	Revaluation of properties	28 4,441 1,666
	Deferred tax liability relating to revaluation of properties	25 (771) (190)
		3,670 1,476
<i>Items that may be reclassified subsequently to profit or loss</i>		
	Currency translation differences of foreign operations and de-recognition of foreign operations	116 1,295
		3,786 2,771
	<b>Total comprehensive (loss) profit for the year/period</b>	<b>(9,978) 8,206</b>
<b>Total comprehensive (loss)/profit attributable to:</b>		
	Equity holders of the Company	(9,978) 8,294
	Non-controlling interests	- (88)
		(9,978) 8,206

See accompanying notes to the financial statements.

# STATEMENTS OF CHANGES IN EQUITY

Year Ended 30 June 2019



	Issued capital \$'000	Treasury shares \$'000	Capital reserve \$'000	Currency translation reserve \$'000	Revaluation reserve \$'000	Accumulated losses \$'000	Attributable to equity holders of the Company \$'000	Non-controlling interests \$'000	Total \$'000
<b>Balance as at January 1, 2017</b>	10,736	(892)	166	(2,179)	41,559	(15,992)	33,398	1,434	34,832
Total comprehensive income (loss) for the period (Restated)	-	-	-	-	-	5,493	5,493	(58)	5,435
Profit (Loss) for the period	-	-	-	1,325	1,476	-	2,801	(30)	2,771
Other comprehensive income (loss)	-	-	-	(1,325)	1,476	5,493	8,294	(88)	8,206
Total (Restated)	10,736	(892)	166	(854)	43,035	(10,499)	41,692	1,346	43,038

Group

## Balance as at January 1, 2017

Total comprehensive income (loss) for the period (Restated)

Profit (Loss) for the period

Other comprehensive income (loss)

Total (Restated)

## Balance as at June 30, 2018 (Restated)



## STATEMENTS OF CHANGES IN EQUITY

Year Ended 30 June 2019

Group	Issued capital \$'000	Treasury shares \$'000	Capital reserve \$'000	Currency translation reserve \$'000	Revaluation reserve \$'000	Accumulated losses \$'000	Attributable to equity holders of the Company \$'000		Total \$'000
							Company	Non-controlling interests	
<b>Balance as at July 1, 2018</b>	10,736	(892)	166	(854)	43,035	(10,499)	41,692	1,346	43,038
Total comprehensive income (loss) for the year	-	-	-	-	-	(13,764)	(13,764)	-	(13,764)
Loss for the year	-	-	-	116	3,670	-	3,786	-	3,786
Other comprehensive income	-	-	-	(116)	3,670	(13,764)	(9,978)	-	(9,978)
<b>Total</b>	-	-	-	-	(1,243)	1,243	-	(1,323)	(1,323)
Transactions with owner, recognised directly in equity	-	-	-	-	-	-	-	-	-
De-recognition of subsidiary (Note 35)	-	-	-	-	-	-	-	-	-
<b>Balance as at June 30, 2019</b>	10,736	(892)	166	(738)	45,462	(23,020)	31,714	23	31,737



## STATEMENTS OF CHANGES IN EQUITY

Year Ended 30 June 2019

<u>Company</u>	Issued capital \$'000	Treasury shares \$'000	Revaluation reserve \$'000	Accumulated losses \$'000	Total \$'000
<b>Balance as at January 1, 2017</b>	10,736	(892)	40,744	(22,899)	27,689
Total comprehensive income (loss) for the period					
Loss for the period	-	-	-	(999)	(999)
Other comprehensive income	-	-	1,452	-	1,452
Total	-	-	1,452	(999)	453
<b>Balance as at June 30, 2018</b>	10,736	(892)	42,196	(23,898)	28,142
Total comprehensive income (loss) for the year					
Loss for the year	-	-	-	(10,386)	(10,386)
Other comprehensive income	-	-	3,500	-	3,500
Total	-	-	3,500	(10,386)	(6,886)
<b>Balance as at June 30, 2019</b>	10,736	(892)	45,696	(34,284)	21,256

See accompanying notes to financial statements.



## CONSOLIDATED STATEMENT OF CASH FLOWS

Year Ended June 30, 2019

	Group	
	12 months from July 1, 2018 to June 30, 2019 \$'000	18 months from January 1, 2017 to June 30, 2018 \$'000 (Restated)
<b>Operating activities</b>		
(Loss) Profit before tax	(13,121)	5,518
Adjustments for:		
Depreciation of property, plant and equipment	2,807	5,329
Depreciation of investment property	24	51
Amortisation of prepaid lease	51	76
(Gain) Loss on disposal of property, plant and equipment, net	(19)	133
Write-off of property, plant and equipment	968	1,061
Allowance for inventory obsolescence	-	5,695
Impairment loss on property, plant and equipment	493	4
Impairment loss (reversed) recognised on trade receivables	(187)	91
Impairment loss recognised on other receivables	2,775	-
Loss on derecognition of subsidiary	3,446	-
Impairment loss recognised on intangible asset	322	-
Dividend income from equity investments	(308)	(99)
Fair value loss on equity investments at FVTPL	311	744
Reversal of provision for early termination of leases	-	(2,379)
Reversal of provision for reinstatement costs	(28)	(143)
Unrealised foreign exchange loss (gain)	136	(1,920)
Interest expense	1,589	1,959
Interest income	(32)	(59)
Write-back of impairment loss on investment in associates	-	(10,468)
Operating cash flows before movements in working capital	(773)	5,593
Trade receivables	786	(798)
Other receivables and prepayments	(5,769)	356
Inventories	500	(5,168)
Trade payables	40	(2,604)
Other payables and accruals	5,561	666
Cash generated from (used in) operations	345	(1,955)
Interest paid	(1,589)	(1,959)
Interest received	32	59
Income taxes and withholding taxes refunded (paid)	27	(287)
Net cash used in operating activities	(1,185)	(4,142)

# CONSOLIDATED STATEMENT OF CASH FLOWS

Year Ended 30 June 2019



	Group	
	12 months from July 1, 2018 to June 30, 2019 \$'000	18 months from January 1, 2017 to June 30, 2018 \$'000 (Restated)
<b>Investing activities</b>		
Purchase of property, plant and equipment	(721)	(1,136)
Proceed from disposal of property, plant and equipment	19	-
Purchase of intangible asset	-	(322)
Dividend income from equity investments	308	99
Proceeds from disposal of held for equity investments	1,344	-
Investment in unquoted investment	-	(105)
Cash payment for acquisition of subsidiary	-	(3,225)
Redemption of preference shares	105	192
Investment in joint venture	-	(200)
Derecognition of subsidiary	(157)	-
Net cash from (used in) investing activities	<u>898</u>	<u>(4,697)</u>
<b>Financing activities</b>		
Proceeds from bank loans	-	17,205
Repayment of bank loans	(3,724)	(12,822)
Net cash (used in) from financing activities	<u>(3,724)</u>	<u>4,383</u>
Net decrease in cash and cash equivalents	(4,011)	(4,456)
Cash and cash equivalents at beginning of year/period	4,148	8,627
Effects on exchange rate changes on the balance of cash held in foreign currencies	(39)	(23)
<b>Cash and cash equivalents at end of year/period (Note 7)</b>	<u>98</u>	<u>4,148</u>

Note: As there are no non-cash changes for liabilities arising out of financing activities, no reconciliation has been presented.

See accompanying notes to financial statements.



## NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

### 1 GENERAL

The Company (Registration No. 199604816E) is incorporated in Singapore with its principal place of business and registered office at 28 Tai Seng Street, Singapore 534106. The Company is listed on the Singapore Exchange Securities Trading Limited. The financial statements are expressed in Singapore dollars.

The principal activities of the Company consist of the business of operating restaurants, kiosks and cafes, trading, sushi processing and operating as caterer and franchiser.

The principal activities of the subsidiaries, associates and joint venture are disclosed in Notes 14, 15 and 16 to the financial statements respectively.

The consolidated financial statements of the Group and statement of financial position and statement of changes in equity of the Company for the year ended June 30, 2019 were authorised for issue by the Board of Directors on October 11, 2019.

For all periods up to and including the year ended June 30, 2018, the financial statements were prepared in accordance with the previous framework, Financial Reporting Standards in Singapore ("FRSs"). These financial statements for the year ended June 30, 2019 are the first set that the Group and the Company have prepared in accordance with Singapore Financial Reporting Standards (International) ("SFRS(I)"). Details of first-time adoption of SFRS(I) are included in Note 37.

### 2 SIGNIFICANT MATTERS

- (i) Investments in Griffin Real Estate Investment Holdings Pte. Ltd. ("GREIH") and Gryphon Capital Management Pte. Ltd. ("GCM")

The Company made the following announcements in relation to the matters concerning the Company's associate companies - Griffin Real Estate Investment Holdings Pte. Ltd. ("GREIH") and Gryphon Capital Management Pte. Ltd. ("GCM") below:

- (a) The Company invested in associates, GREIH and GCM, pursuant to a Subscription and Joint Venture Agreement (the "JVA") dated September 3, 2010, which the Company and other companies, including a company owned by an ex-Non-Executive (and also Non-Independent) Director of the Company (the "Company's ex-NED"), are parties thereto. The Company invested \$4,000,000 and \$2,642,000 in GREIH in January 2011 and June 2012 respectively and \$150,000 in GCM in January 2011 to acquire a 24.69% and 20% equity stake in GREIH and GCM respectively. The details of the Company's investments in GREIH and GCM are described in Note 15 to the financial statements.
- (b) The Company is represented on the board of GREIH by the Company's Executive Chairman, who engaged a reputable international firm of accountants in 2012 to inspect the accounting records and report on the financial affairs of GREIH (the "Accountants' Report"), arising from concerns over certain transactions undertaken in GREIH which had come to the notice of the Company's Executive Chairman. The findings in the Accountants' Report state that various financial transactions undertaken in GREIH may appear to be irregular and in breach of the Singapore Companies Act (the "Act") and the JVA (the "Subject Transactions"), and may also adversely affect the Company's interests and value of its investments in GREIH. The Subject Transactions include payments of substantial sums of monies that have been made by GREIH and apparent contracts which purport to oblige GREIH to make substantial payments to companies related to senior management of GREIH that had not been properly disclosed to the Company or to the Company's representative on the board of GREIH in breach of the JVA.





## NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

- (c) The Subject Transactions have been recognised in the unaudited management accounts for the financial year ended December 31, 2012 (the "Management Accounts") of GREIH which were provided to the Company. As the GREIH's Management Accounts included the questionable Subject Transactions identified in the Accountants' Report, there were some concerns by management about the reliability of the associates' Management Accounts for the purpose of equity accounting in accordance with SFRS(I) 1-28. Accordingly, the Company did not rely on the Management Accounts of GREIH and GCM for equity accounting purposes since the financial year ended December 31, 2012, and its share of associates' results in GREIH and GCM for the financial years ended December 31, 2012, 2013, 2014, 2015, 2016 and June 30, 2018 and 2019 were not accounted for.
- (d) In February 2013, the Company commenced an action (Suit 122) against the Company's ex-NED in the High Court of Singapore in respect of alleged breaches of his duties as director of the Company.
- (e) In January 2013, the Company's Executive Chairman brought the Subject Transactions to the attention of the Commercial Affairs Department, which has been investigating the matter. In December 2013, the Company also filed two separate actions in the High Court of Singapore (Suit 1098 and Suit 1099) against various defendants in connection with the affairs of GREIH and GCM. It is contended by the Company in the two actions that the affairs of GREIH and GCM have been conducted in a manner that is oppressive and prejudicial to the interests of the Company.
- The Company has sought various reliefs from the High Court of Singapore, an order that GREIH be wound up, alternatively, an order that the Company's shares in GREIH be bought out, including declarations that certain agreements and transactions are void, repayment of various sums of monies by one or more of the defendants to GREIH and GCM, an account by one or more of the defendants of all profits and gains that they have made or received as a result of a number of transactions which the Company says were not properly authorised and repayment of certain sums of monies to the Company. The above does not represent an exhaustive list of the reliefs sought by the Company in the two actions.
- (f) In September 2014, a shareholder of GREIH, Gryphon Real Estate Investment Corporation Pte. Ltd. ("GREIC") commenced another action (Suit 969) against the Company and the Company's Executive Chairman, a director of the Company (the "Director"). It is alleged in the claim, among other things, that the Company and the Director have conducted the affairs of GREIH in a manner oppressive to GREIC and/or in disregard of and/or prejudicial to GREIC's interests as a shareholder of GREIH. GREIC in this action seeks, among other things, declarations that the Company and the Director are liable to account to, or indemnify, GREIH for certain sums of monies, and an order that dividends or interim dividends be distributed to the shareholders of GREIH. The Company and the Director have denied, through their lawyers, the claims against them in this action.
- (g) The trial of Suit 122 and Suit 1098 commenced on January 15, 2016. The trial of these two Suits concluded on February 26, 2016. All parties have filed their Closing and reply Closing Submissions by the timelines stipulated by the High Court. Suit 1099 and Suit 969 have been deferred for now pursuant to directions made by the High Court.



## NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

- (h) In the legal actions that the Company has commenced in the High Court of Singapore, one of the reliefs that Sakae seeks is that a portion of the sale proceeds from ERC Unicampus Pte Ltd's ("ERC Unicampus") sale of Big Hotel be repaid to GREIH. ERC Unicampus sold Big Hotel to a third party sometime in December 2015. The Company has therefore filed an application for an interim proprietary injunction to restrain ERC Unicampus from disposing of or otherwise dealing with a portion of the sale proceeds from ERC Unicampus' recent sale of Big Hotel and for that portion to be placed with ERC Unicampus' solicitors, Rajah & Tann Singapore LLP, as stakeholders, pending the final disposal of the legal actions. In that application, the Company has calculated the amount that should be restrained as being in the region of \$33,000,000 based on the limited information that the Company has. The injunction and the amount are being contested by ERC Unicampus.

On June 30, 2016, the High Court granted the Company's application for the interim proprietary injunction, and calculated the amount that should be restrained as being \$9,710,000. The Company applied to the High Court for leave to appeal against the part of the High Court's decision which relates to the quantum of monies over which the injunction has been granted. The Company did so, on the basis that the quantification of the monies raises, among other things, a novel point in law. The leave application was heard on August 31, 2016. On April 5, 2017, the High Court refused the Company's application for leave to appeal and maintained the decision that the amount that should be restrained as being \$9,710,000.

- (i) On April 7, 2017, the High Court handed down its Judgment in Suit Nos. 122 and 1098 of 2013. The High Court found that the Company had made out most of its claims of minority oppression. In its Judgment, the High Court granted a substantial number of the reliefs that the Company had sought in these Suits, including, but not limited to the following:
- (i) the Company's ex-NED to pay to the Company the sum of \$2,642,000 and interest thereon from February 8, 2013;
  - (ii) various reliefs that the Company's ex-NED, Andy Ong, and his associates, Ho Yew Kong and Ong Han Boon to pay a total of about \$35,000,000 to GREIH; and
  - (iii) the Company was invited to put forward its nomination for a private liquidator for GREIH.
- (j) On April 20, 2017, the High Court ordered that GREIH be wound up and appointed the Company's nominees, Mr Aaron Loh Cheng Lee and Ms Ee Meng Yen Angela of Ernst & Young Solutions LLP, as liquidators of GREIH. In August 2017, GCM has also been ordered to be wound up.
- (k) On May 5, 2017 and May 8, 2017, Mr Ho Yew Kong filed a Notice of Appeal to the Court of Appeal against part of the High Court's Judgment ("CA 86"). On May 8, 2017, ERC Holdings Pte Ltd, Mr Andy Ong, Mr Ong Han Boon, Gryphon Capital Management Pte Ltd, ERC Unicampus Pte Ltd, ERC Institute Pte Ltd and ERC Consulting Pte Ltd also filed a Notice of Appeal to the Court of Appeal against the whole of the High Court's Judgment ("CA 87").

## NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019



- (l) On May 12, 2017 and May 15, 2017, the Company received from Mr Andy Ong the sums of \$3,200,000 (Note 30). On May 16, 2017, the High Court also made the following orders:
- (i) With regards to Suit 122, Mr Andy Ong shall pay the Company costs of that Suit on a standard basis;
  - (ii) With regards to Suit 1098, Mr Andy Ong, Mr Ho Yew Kong and Mr Ong Han Boon shall pay the Company costs of the Suit on a standard basis; and
  - (iii) The Company shall pay ERC Unicampus Pte Ltd \$25,000.
- (m) On November 28, 2017, GCM withdrew its appeal against the High Court Judgment and the Court of Appeal heard CA 86 and CA 87.
- (n) On June 29, 2018, the Court of Appeal handed down its Judgment in the appeals:
- (i) Allowed CA 86;
  - (ii) Dismissed CA 87 save in respect of a "Share Option Agreement" which purported to grant ERC Holdings an option to buy additional shares in GREIH;
  - (iii) Made the following Orders:
    - The Company's subscription for the additional 2,641,975 shares in GREIH and ERC Holdings' subscription for 8,058,025 shares in GREIH be invalidated;
    - GREIH shall repay the Company the sum of \$2,641,975; and
    - The sum paid by ERC Holdings for the 8,058,025 shares in GREIH shall be held by GREIH in escrow, and the Company and ERC Holdings shall have liberty to apply to the Court of Appeal within 30 days of its Judgment for an appropriate Order as to how the sum is to be disbursed.
- (o) The Court of Appeal also directed that unless the parties come to an agreement on the costs of the appeals, the parties are to furnish written submissions to the Court of Appeal on the same within 30 days of its Judgment.
- (p) On July 2, 2018, the Company was served with a copy of statutory demand by Mr Andy Ong to the Company, of which Mr Andy Ong has demanded that having regards to the Court of Appeal Judgment, the Company pay him the sum of \$3,200,000 within 21 days from the date the statutory demand was served on the Company, failing which Mr Andy Ong will present a winding up application for a winding up order to be made against the Company.
- (q) On July 30, 2018, the parties filed their written submissions on costs in respect of CA 86, CA 87 and the other matters relating to the appeals. On August 27, 2018, the Court of Appeal ordered ERC Holdings, Mr Andy Ong, Mr Ong Han Boon, GCM, ERC Unicampus, ERC Institute Pte Ltd and ERC Consulting Pte Ltd to jointly and severally pay the Company costs fixed at \$80,000 in respect of CA 87, inclusive of disbursements. The Court of Appeal also ordered GREIH to pay the Company pre-judgment interest on the sum of \$2,641,975 at the rate of 5.33% per annum from June 21, 2012 until June 29, 2018.

As for CA 86, the Court of Appeal ordered the Company to pay Mr Ho costs fixed at \$50,000, inclusive of disbursements. The Court of Appeal also ordered the parties to furnish submissions on the costs orders to be made in respect of Mr Ho in Suit 1098.



## NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

- (r) On September 10, 2018, the parties filed their written submissions in respect of the costs of Suit 1098. On September 13, 2018, the Court of Appeal ordered the Company to pay Mr Ho costs of \$120,000, inclusive of disbursements, in relation to Suit 1098.

The Court of Appeal also ordered that the sum that was paid by ERC Holdings to GREIH for the shares ERC Holdings received in GREIH is to be retained by GREIH and used to be set off the following liabilities: (a) \$8,000,000 shall be set off against Mr Andy Ong's personal liability to GREIH; and (b) \$58,025 shall be set off against Mr Andy Ong's and Mr Ong Han Boon's joint and several liabilities to GREIH. The Court of Appeal also ordered GREIH to pay costs to Mr Ho arising from the abortive enforcement proceedings that the liquidators had taken out.

- (s) On September 26, 2018, the Company filed a proof of debt for \$3,525,072.89 with the liquidators of GREIH. That sum comprised the \$2,641,975 that the Court of Appeal ordered GREIH to pay to the Company, pre-judgment interest of \$848,375 accruing on that sum from June 21, 2012 until June 29, 2018 and post-judgment interest of \$34,722 as at September 26, 2018.

With the closure of the above appeal during the period ended June 30, 2018, the Group had written back the impairment loss on its investment in GREIH and GCM that they had previously made full allowance for potential impairment loss.

- (t) On September 12, 2019, the Company announced the High Court has approved a partial return of capital to the contributories of GREIH, in the total sum of \$33 million, which is to be divided between the shareholders based on its respective shareholdings. Accordingly, \$8,148,000 was paid to the Company on September 27, 2019.

During the year, with further developments in the liquidation process and new information surfacing which confirms circumstances that existed as at June 30, 2018, the Company has assessed and is of the view that they had lost significant influence over its associates when they were placed under liquidation. Accordingly, the cost of investments in associates were reclassified to available-for-sale investments (Note 13) as at June 30, 2018. As of July 1, 2018, the Group reclassified the available-for-sale investments to equity investments at fair value through profit or loss due to the adoption of SFRS(I) 9 *Financial Instruments*.

- (ii) Sugar transactions

The Company made the following announcements in relation to a sugar trade business below:

- (a) The Company previously appointed a Representative under its subsidiary, Sakae Capital Pte Ltd ("SCPL") to conduct commodity trading. As this was the first time that SCPL worked with this Representative, SCPL conducted four small commodity trades under US\$150,000 each where this Representative was authorised to find the buyer and seller for the commodity. These four transactions were successfully completed and the receivables were fully collected.

## NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019



- (b) In July/August 2017, the Representative brought to SCPL a 12,800 metric tonne sugar transaction. This sugar transaction was purportedly sold to two customers, A and B. Customer A took delivery of 3,457 metric tonnes of sugar and paid SCPL US\$1.6 million in October 2017. In December 2017, Customer B took delivery of 9,343 metric tonnes of sugar with a sale value of US\$4.3 million (\$5.93m) ("the Transaction"). Customer B did not pay and a full provision of doubtful debts was made in the financial statements of the Company.
  - (c) Due to the substantial amount involved, on August 27, 2018, the nature of the Transaction and the related provision for the receivable were highlighted to the Board. On August 30, 2018, an independent corporate governance and internal audit firm ("Independent Internal Auditor") was appointed to undertake the review on this Transaction from a bona fide perspective.
  - (d) On September 6, 2018, preliminary findings revealed that the shareholders and directors of Customer B were uncontactable and that a visit to the place of business of Customer B showed that it was apparently not in business. The Independent Internal Auditor requested for a meeting with the Representative but to no avail and who to date, remains uncontactable. The Independent Internal Auditor visited the registered residential address of the Representative and was informed by the occupiers that no such person lives there.
  - (e) On September 21, 2018, the Company received the report (the "Report") from the Independent Internal Auditor on its review of the Transaction in which SCPL was involved. The Report shows no indication of criminal misconduct on the part of the Company, the Group and/or its Officers. However, the Report finds the nature of the Transaction to be highly questionable as the Representative as well as the shareholders and directors of Customer B remain uncontactable. The Report also states that the physical location of the inventory cannot be ascertained by SCPL.
  - (f) In accordance with the recommendations of the Report, the Board agreed, and, the Company had since filed a police report on the Transaction. SCPL had accordingly reversed the sales transactions and related receivables of US\$4.3m (\$5.93m) from its books, as if the Transactions had not taken place for the financial period ended June 30, 2018. Since the physical location of the inventory cannot be ascertained, SCPL had made a full provision of \$5,695,000 of the inventory relating to this Transaction, as disclosed in Note 10 to the financial statements. During the current year, the matter remains under investigation.
- (iii) Cocosa Export S.A.

The Company made the following announcement in relation to the derecognition of Cocosa Export.

- (a) On March 6, 2016, the Group acquired 51% equity interest in a Chilean based frozen seafood production and trading company, Cocosa Export S.A. ("Cocosa Export"). As a result of the acquisition, a total \$4.175 million was invested leading to a goodwill on acquisition of \$3,225,000.



## NOTES TO THE 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. Management is of the view that the receivable will remain collectible and accordingly, no loss allowance has been made during the financial year ended June 30, 2019.

### 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.



Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability which market participants would take into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of SFRS(I) 2 *Share-based Payment*, leasing transactions that are within the scope of SFRS(I) 1-17 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as *net realisable value* in SFRS(I) 1-2 *Inventories* or value in use in SFRS(I) 1-36 *Impairment of Assets*.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

SFRS(I) ISSUED BUT NOT YET EFFECTIVE – At the date of authorisation of these financial statements, the following SFRS(I) pronouncements were issued but not effective.

- SFRS(I) 16 *Leases*<sup>1</sup>
- Annual Improvements to SFRS(I)s 2015-2017 Cycle<sup>1</sup>
- Amendments to SFRS(I) 10 *Consolidated Financial Statements*<sup>2</sup>
- SFRS(I) INT 23 *Uncertainty over Income Tax Treatments*<sup>1</sup>

<sup>1</sup> Applies to annual periods beginning on or after January 1, 2019

<sup>2</sup> Deferred indefinitely

The management anticipates that the adoption of the above SFRS(I), SFRS(I) INTs and Amendments to SFRS(I) in future periods will not have a material impact on the financial statements of the Group and of the Company in the period of their initial adoption except for the following:

### **SFRS(I) 16 Leases**

The standard provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessees and lessors. The identification of leases, distinguishing between leases and service contracts, are determined on the basis of whether there is an identified asset controlled by the customer.

Significant changes to lessee accounting are introduced, with the distinction between operating and finance leases removed and assets and liabilities recognised in respect of all leases (subject to limited exemptions for short-term leases and leases of low value assets). The standard maintains substantially the lessor accounting approach under the existing framework.



## NOTES TO THE FINANCIAL STATEMENTS

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As at June 30, 2019, the Group has non-cancellable operating lease commitments of \$34,551,000 as disclosed in Note 34. A preliminary assessment indicates that these arrangements will meet the definition of a lease under SFRS(I) 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of SFRS(I) 16. In addition, the application of new requirements may result in changes in measurement, presentation and disclosure.

It is not practical to provide a reasonably estimable impact to the Group's financial statements until management completes its detailed assessment.

**BASIS OF CONSOLIDATION** - The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- The size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- Potential voting rights held by the Company, other vote holders or other parties;
- Rights arising from other contractual arrangements; and
- Any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.





## Changes in the Group's ownership interests in subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable SFRS(I). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under SFRS (I) 9, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

In the Company's financial statements, investments in subsidiaries and associates are carried at cost less any impairment in net recoverable value that has been recognised in profit or loss.

**BUSINESS COMBINATIONS** - Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the acquisition date fair values of assets given, liabilities incurred by the Group to the former owners of the acquiree, and equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition-date fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments (see below). The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not re-measured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates at fair value, with changes in fair value recognised in profit or loss.

Where a business combination is achieved in stages, the Group's previously held interests in the acquired entity are re-measured to fair value at the acquisition date (i.e. the date the Group attains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.



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The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under the SFRS(I) are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with SFRS(I) 1-12 *Income Taxes* and SFRS(I) 1-19 *Employee Benefits* respectively;
- liabilities or equity instruments related to share-based payment transactions of the acquiree or the replacement of an acquiree's share-based payment awards transactions with share-based payment awards transactions of the acquirer in accordance with the method in SFRS(I) 1-12 *Share-based Payment* at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with SFRS(I) 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another SFRS(I).

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see below), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as of the acquisition date and is subject to a maximum of one year from acquisition date.

**FINANCIAL INSTRUMENTS** - Financial assets and financial liabilities are recognised on the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instruments.

### Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial instrument and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial instrument, or where appropriate, a shorter period. Income and expense are recognised on an effective interest basis for debt instruments.

### **Financial assets (before July 1, 2018)**

All financial assets are recognised and de-recognised on a trade date basis where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value plus transaction costs, except for those financial assets classified as at fair value through profit or loss which are initially measured at fair value.



Financial assets are classified into the following specified categories: financial assets “at fair value through profit or loss”, “available-for-sale” financial assets and “loans and receivables”. The classification depends on the nature and purpose of financial assets and is determined at the time of initial recognition.

## Financial assets at fair value through profit or loss (FVTPL)

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- It has been acquired principally for the purpose of selling it in the near future; or
- On initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- It is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- The financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group’s documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- It forms part of a contract containing one or more embedded derivatives, and FRS 39 *Financial Instruments: Recognition and Measurement* permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at fair value through profit or loss are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset and is included in ‘other gains and losses’ line in the statement of profit or loss and other comprehensive income. Fair value is determined in the manner described in Note 5(c)(v).

## Cumulative redeemable preference shares

Preference shares that provide for mandatory redemption by the issuer for fixed or determinable amount at a fixed or determinable future date, or give the holders the right to require the issuer to redeem the instruments at or after a particular date for a fixed or determinable amount, are classified as “Other investment”, and stated at cost less impairment in recoverable value.

Dividends are recognised in profit or loss when the Group’s right to receive payments is established.



## NOTES TO THE FINANCIAL STATEMENTS

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### Available-for-sale investments

Certain shares held by the Group are classified as being available for sale and are stated at fair value. Fair value is determined in the manner described in Notes 5(c)(v) and 13. Gains and losses arising from changes in fair value are recognised in other comprehensive income with the exception of impairment losses, interest calculated using the effective interest method and foreign exchange gains and losses on monetary assets which are recognised directly in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in other comprehensive income and accumulated in revaluation reserve is reclassified to profit or loss. Dividends on available-for-sale equity instruments are recognised in profit or loss when the Group's right to receive payments is established. The fair value of available-for-sale monetary assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at end of the reporting period. The change in fair value attributable to translation differences that result from a change in amortised cost of the available-for-sale monetary asset is recognised in profit or loss, and other changes are recognised in other comprehensive income.

The fair value of quoted investments is based on current bid prices. For investments where there is no active market, the fair value is determined using valuation techniques. Such techniques include using recent arm's length transactions, reference to the underlying net asset value of the investee companies, discounted cash flow analysis and option pricing models. For unquoted equity investments without quoted market prices in active markets whose fair values cannot be reliably measured by management using alternative valuation methods, such investments are carried at cost less any impairment loss.

### Loans and receivables

Trade and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as "loans and receivables". Loans and receivables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method less impairment. Interest is recognised by applying the effective interest method, except for short-term receivables when the effect of discounting is immaterial.

### Convertible loan note receivable

Convertible loan notes are regarded as compound instruments, consisting of an asset component and an equity conversion component. The component parts of compound instruments are classified separately as financial assets and equity in accordance with the substance of the contractual arrangement. At the date of issue, the fair value of the asset component is estimated using the prevailing market interest rate for a similar non-convertible instrument. This amount is recorded as an asset on an amortised cost basis until extinguished upon conversion or at the instrument's maturity date. The equity conversion component is determined by deducting the amount of the asset component from the fair value of the compound instrument as a whole.



## Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

For all other financial assets, objective evidence of impairment could include:

- Significant financial difficulty of the issuer or counterparty; or
- Default or delinquency in interest or principal payments; or
- It becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 45 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables where the carrying amount is reduced through the use of an allowance account. When a trade or other receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

For financial assets measured at amortised costs, if in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

## Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.



## NOTES TO THE FINANCIAL STATEMENTS

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### **Financial assets (from July 1, 2018)**

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

#### Classification of financial assets

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

- the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- the contractual terms of the instrument give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are subsequently measured at fair value through profit or loss (FVTPL).

#### Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

The effective interest rate is the rate that exactly discount estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount if the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance.

#### Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI are measured at FVTPL.

Specifically, investment in equity instruments are classified as at FVTPL, unless the Group designates an equity investment that is neither held for trading nor a contingent consideration arising from a business combination as at FVTOCI on initial recognition.

Financial assets at FVTPL are measured at fair value as at each reporting date, with any fair value gains or losses recognised in profit or loss to the extent they are not part of a designated hedging relationship. Fair value is determined in the manner described in Note 5(c)(v).



## Foreign exchange gains and losses

The carrying amount of financial assets that are dominated in a foreign currency is determined in that foreign currency and translated at the spot rate as at each reporting date. Specifically,

- For financial assets measured at amortised cost that are not part of a designated hedging relationship, exchange differences are recognised in profit and loss in the "other operating expense" line item; and
- For financial assets measured at FVTPL that are not part of a designated hedging relationship exchange differences are recognised in profit and loss in the "other operating expense" line item.

## Impairment of financial assets

The Group recognises a loss allowance for expected credit losses ("ECL") on investment in debt instruments that are measured at amortised cost or at FVTOCI. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognise lifetime ECL for trade receivables. The expected credit losses on these financial assets are estimated using provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group recognise lifetime ECL when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instruments at an amount equal to 12m ECL. The assessment of whether lifetime ECL should be recognised is based on significant increased in the likelihood or risk of default occurring since initial recognition instead of on evidence of a financial asset being credit-impaired at the reporting date or actual default occurring.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12m ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instruments that are possible within 12 months after the reporting date.

## Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.



## NOTES TO THE FINANCIAL STATEMENTS

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In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor; and
- significant increases in credit risk on other financial instruments of the same debtor.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if i) the financial instrument has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

### Definition of default

The Group considers the following as constituting an event for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the counterparty; or
- information developed internally or obtained from external sources indicates that the debtors is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.





### Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- (a) significant financial difficulty of the issuer or the borrower;
- (b) a breach of contract, such as a default or past due event; or
- (c) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

### Write off policy

The Group writes off a financial asset when there is information indicating that there counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

### Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate. If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12m ECL at the current reporting date.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

### Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.



## NOTES TO THE FINANCIAL STATEMENTS

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### **Financial liabilities and equity instruments**

#### Classification as debt or equity

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

#### Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments are recorded at the proceeds received, net of direct issue costs.

#### Other financial liabilities

Trade and other payables are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost, using the effective interest method, with interest expense recognised on an effective yield basis.

Interest-bearing bank loans are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest method. Interest expense calculated using the effective interest method is recognised over the term of the borrowings in accordance with the Group's accounting policy for borrowing costs (see below).

#### Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

#### Offsetting arrangements

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when the Group has a legally enforceable right to set off the recognised amounts; and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously. A right to set-off must be available today rather than being contingent on a future event and must be exercisable by any of the counterparties, both in the normal course of business and in the event of default, insolvency or bankruptcy.

The Group does not have any financial instruments which are subject to offsetting, enforceable master netting arrangements or similar netting arrangements.



**LEASES** - Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

## The Group as lessor

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease unless another systematic basis is more representative of the time pattern in which use benefit derived from the leased asset is diminished. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as expense over the lease term on the same basis as the lease income.

## The Group as lessee

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease unless another systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

**INVENTORIES** - Inventories comprising beverages and food supplies, non-food supplies and merchandise, are stated at the lower of cost (first-in first-out method) and net realisable value. Cost comprises direct materials, and where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

**PROPERTY, PLANT AND EQUIPMENT** - Land and building held for use in the production or supply of goods or services, or for administrative purposes, are stated in the statement of financial position at the revalued amount, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the end of the reporting period.

Any revaluation increase arising on the revaluation of the land and building is recognised in other comprehensive income and accumulated in revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously charged. A decrease in carrying amount arising on the revaluation of the land and building is charged to profit or loss to the extent that it exceeds the balance, if any, held in the property revaluation reserve relating to a previous revaluation of the asset.

Plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.



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Depreciation is charged so as to write off the cost or valuation of assets, other than freehold land and construction-in-progress, over their estimated useful lives, using the straight-line method, on the following bases:

Building on freehold land	-	1.00% to 2.00%
Leasehold building	-	Over the remaining lease period
Production equipment	-	6.70%
Restaurant equipment	-	20%
Renovation	-	20%
Furniture and fittings	-	20%
Computers	-	100%
Motor vehicles	-	20% to 25%
Office equipment	-	20%

Assets under construction-in-progress are not depreciated as these assets are yet available for use. Depreciation will commence when these assets are available for their intended use.

The estimated useful lives and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

Fully depreciated assets still in use are retained in the financial statements.

The gain or loss arising on disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the revaluation reserve is transferred directly to accumulated profits. No transfer is made from the revaluation reserve to accumulated profits except where an asset is derecognised.

**INVESTMENT PROPERTIES** - Investment properties, which are property held to earn rentals and/or for capital appreciation, including property under construction or redevelopment for such purposes, is measured initially at its cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation (except for freehold land) and any accumulated impairment losses.

Depreciation is charged so as to write-off the cost of investment property, other than freehold land, over its estimated useful life, using the straight-line method on the following bases:

Building on freehold land	-	1.00% to 2.00%
Freehold property	-	1.00%

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.



**INTANGIBLE ASSETS** - Research costs are expensed as incurred. Deferred development costs arising from development expenditures on an Forex Trading Apps are recognised as an intangible asset when the Company can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete and the ability to measure reliably the expenditures during the development.

The cost of an internally generated intangible asset comprises all directly attributable costs necessary to create, produce and prepare the assets to be capable of operating in the manner intended by management.

Following initial recognition of the deferred development costs as an intangible asset, it is carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation of the intangible asset begins when development is complete and the asset is available for use. Deferred development costs have a finite useful life and are amortised over the period of expected sales from the related project (ranging from 5 to 10 years) on a straight line basis.

**GOODWILL** - Goodwill arising in a business combination is recognised as an asset at the date that control is acquired (the acquisition-date). Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest (if any) in the entity over net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. Gain on acquisition of subsidiary arises when the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition date fair value of any previous equity interest in the acquiree is less than the fair value of the identifiable net assets of the subsidiary acquired. This difference is recognised in profit or loss.

If, after reassessment, the Group's interest in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain. Before recognising a gain on a bargain purchase, management shall reassess whether it has correctly identified all of the assets acquired and all of the liabilities assumed and shall recognise any additional assets or liabilities that are identified in that review.

Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary or the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.



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**ASSOCIATES AND JOINT VENTURE** - An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates or joint ventures are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with SFRS(I) 5. Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of SFRS(I) 9 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate or a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with SFRS(I) 1-36 *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount, any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with SFRS(I) 1-36 to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate or a joint venture, or when the investment is classified as held for sale. When the Group retains an interest in the former associate or joint venture and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with SFRS(I) 9. The difference between the carrying amount of the associate or joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.



## NOTES TO THE FINANCIAL STATEMENTS

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The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

When the Group reduces its ownership interest in an associate or a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

**IMPAIRMENT OF NON-FINANCIAL ASSETS EXCLUDING GOODWILL** - At the end of each reporting period, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of impairment loss is treated as a revaluation increase.

**PROVISIONS** - Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event. It is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.



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**GOVERNMENT GRANTS** - Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and the grants will be received. Government grants whose primary condition is that the Group should purchase, construct, or otherwise acquire non-current assets are recognised as deferred income in the statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Other government grants are recognised as income over the periods necessary to match them with the costs for which they are intended to compensate, on a systematic basis. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

**REVENUE RECOGNITION (before July 1, 2018)** - Revenue is measured at the fair value of the consideration received or receivable. Revenue from the rendering of food and beverage services is recognised at the point of consumption or sale.

### Sale of goods

Revenue from the sale of goods is recognised when all the following conditions are satisfied:

- The Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- The amount of revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the entity; and
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

### Service charges and consultancy fee income

Service charges and consultancy fee income are recognised when the services are rendered on a time proportionate basis.

**REVENUE RECOGNITION (from July 1, 2018)** - The Group recognises revenue from the following major sources:

- Food and beverage sales
- Service charge

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances. The Group recognises revenue when it transfers control of a good or service to a customer.





## Food and beverage sales

Revenue from the sales of food and beverage is recognised when control of the goods has transferred to the customer, being at the point the food and beverages are served or delivered.

## Service charge and consultancy fee income

Revenue from services performed is recognised when control of the service has transferred to the customer, being at the point the services are delivered and performed.

## Interest income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

## Rental income

Rental income is recognised on a straight-line basis over the term of the relevant lease.

**BORROWING COSTS** - Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

**RETIREMENT BENEFIT COSTS** - Payments to defined contribution retirement benefit plans are charged as an expense when employees have rendered the services entitling them to the contributions. Payments made to state-managed retirement benefit schemes, such as the Singapore Central Provident Fund, are dealt with as payments to defined contribution plans where the Group's obligations under the plans are equivalent to those arising in a defined contribution retirement benefit plan.

**EMPLOYEE LEAVE ENTITLEMENT** - Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period.

**INCOME TAX** - Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or tax deductible. The Group's liability for current tax is calculated using tax rates (and tax laws) that have been enacted or substantively enacted in countries where the Company and its subsidiaries operate by the end of the reporting period.



## NOTES TO THE FINANCIAL STATEMENTS

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Deferred tax is recognised on the differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised on taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised based on the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items credited or debited outside profit or loss (either in other comprehensive income or directly in equity), in which case the tax is also recognised outside profit or loss (either in other comprehensive income or directly in equity, respectively), or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in calculating goodwill or determining the excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost.

**FOREIGN CURRENCY TRANSACTIONS AND TRANSLATION** - The individual financial statements of each group entity are measured and presented in the currency of the primary economic environment in which the entity operates (its functional currency). The consolidated financial statements of the Group and the statement of financial position and the statement of changes in equity of the Company are presented in Singapore dollars, which is the functional currency of the Company and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency are recorded at the rates of exchange prevailing on the date of the transaction. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the end of the reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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Exchange differences arising on the settlement of monetary items, and on retranslation of monetary items are included in profit or loss for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income. For such non-monetary items, any exchange component of that gain or loss is also recognised in other comprehensive income.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations (including comparatives) are expressed in Singapore dollars using exchange rates prevailing at the end of the reporting period. Income and expense items (including comparatives) are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in a separate component of equity under the header of currency translation reserve.

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, loss of joint control over a jointly controlled entity that includes a foreign operation, or loss of significant influence over an associate that includes a foreign operation), all of the accumulated exchange differences in respect of that operation attributable to the Group are reclassified to profit or loss. Any exchange differences that have previously been attributed to non-controlling interests are derecognised, but they are not reclassified to profit or loss.

In the case of a partial disposal (i.e. no loss of control) of a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences is re-attributed to non-controlling interest and not recognised in profit or loss. For all other partial disposals (i.e. of associates or jointly controlled entities that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities (including monetary items that, in substance, form part of the net investment in foreign entities), and of borrowings and other currency instruments designated as hedges of such investments, are recognised in other comprehensive income and accumulated in currency translation reserve.

Goodwill arising on the acquisition of a foreign operation is treated as asset of the foreign operation and translated at the closing rate.

**SEGMENT REPORTING** - An operating segment is a component of the Group that engages in business activities from which it may earn revenue and incur expenses, including revenue and expenses that relate to transactions with any of the Group's other components.

The Group determines and presents operating segments based on information that internally is provided to the Group's chief operating decision makers. All operating segments' operating results are reviewed regularly by the Group's chief operating decision makers to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

**CASH AND CASH EQUIVALENTS IN THE STATEMENT OF CASH FLOWS** - Cash and cash equivalents in the statement of cash flows comprise cash at bank and on hand and short-term deposits and bank overdrafts that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.



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### 4 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

#### (i) ***Critical judgements in applying the Group's accounting policies***

The following are the critical judgements, apart from those involving estimations (see below), that management has made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

##### (a) Rental of portions of the leasehold building under operating leases

The Group rents out portions of a leasehold building under non-cancellable operating leases (Note 34). In accordance with SFRS(I) 1-40 *Investment Property*, when a property comprises a portion that is held to earn rentals and another portion that is held for use in the production or supply of goods or services or for administrative purposes, if these portions could be sold separately (or leased out separately as a finance lease), the Group accounts for the portions separately. However, if the portions could not be sold separately, the property is investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes.

As at June 30, 2019, about 3 out of 7 floors (2018 : 3 out of 7 floors) of the leasehold building are leased out to tenants as operating leases. As the leasehold building is currently not strata-titled and it could not be sold separately, and a significant portion of the leasehold building is held for use as offices and factories by the Group, management is of the view that the leasehold building should be accounted for as property, plant and equipment (Note 17).



(b) Derecognition of Cocosa Export

During the year ended June 30, 2019, the Group has derecognised one of its subsidiaries, Cocosa Export, on grounds that management has lost control over it. This is evidenced by the inability of the Group to obtain the management accounts and to direct the operations unilaterally.

As a result of the derecognition of one of its subsidiaries, the Group recorded a loss of \$3,446,000 (Note 35) and made a loss allowance of \$2,791,000 (Note 35) relating to the other receivables due from Cocosa Export.

**(ii) Key sources of estimation uncertainty**

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

(a) Calculation of loss allowance

When measuring ECL, the Group uses reasonable and supportable forward-looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.

Loss given default is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral.

Probability of default constitutes a key input in measuring ECL. Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions. Any changes in the probability in default may result in a change in the loss allowance currently provided for. The carrying amount of the trade and other receivables have been disclosed in Notes 8 and 9 respectively.

(b) Fair value measurements and valuation process

Some of the Group's assets and liabilities are measured at fair value for financial reporting purposes.

In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation.

Information about the valuation techniques and inputs used in determining the fair value of the convertible bonds and investment properties are disclosed in Notes 11 and 18.



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(c) Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value-in-use of the cash-generating unit to which goodwill has been allocated. The value-in-use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value, details of which are described in Note 20. During the year, the Group recorded an impairment on goodwill amounting to \$3,225,000 as a result of its investment in Cocosa Export S.A. (Note 2(iii)(b)) The carrying amount of goodwill at the end of the reporting period was \$720,000 (2018 : \$3,968,000).

(d) Impairment of property, plant and equipment

The Group and Company assess annually whether property, plant and equipment have any indication of impairment in accordance with its accounting policy. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Recoverable amount is the higher of the fair value less costs to sell and value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset. Management is confident that the allowance for impairment, where necessary, is adequate. The carrying amounts of property, plant and equipment of the Group and Company at the end of the reporting period are disclosed in Note 17 to the financial statements.



(e) Valuation of freehold land, building on freehold land and leasehold building

As described in Note 17, the Group's freehold land, building on freehold land and leasehold building are revalued based on the valuation performed by independent professional valuers.

In determining the fair value of the Group's leasehold building in Singapore, the valuer has used various methods of valuation which involve the making of certain assumptions and the use of estimates, which includes the Group being able to perform and observe all the stipulations contained in the lease agreement, one of which is that the Group has fulfilled the requirement to make a fixed investment in plant and machinery of \$6.95 million to exercise the option to extend the lease for another 30 years beyond the original lease term of 30 years. Although the Group did not invest the stipulated amount, Jurong Town Corporation ("JTC") had confirmed in writing on June 5, 2012 that JTC had agreed to waive the investment shortfall and approved the option to extend the lease by another 30 years. In relying on the valuation report of the professional valuer, the Group has exercised judgement in arriving at a value which is reflective of the current market conditions. In 2019, the Group recognised a revaluation surplus of \$3,500,000 (2018 : \$1,452,000), net of deferred tax, on the building. As at June 30, 2019, the carrying amount of the building was \$63.0 million (2018 : \$60.0 million).

The fair value of the Group's freehold land, leasehold building and building on freehold land are disclosed in Note 17 to the financial statements.

(f) Depreciation and useful lives of property, plant and equipment

The cost of property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives. As described in Note 3, the Group reviews the estimated useful lives of its property, plant and equipment at the end of each annual reporting period. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual value of these assets. The carrying amounts of the property, plant and equipment are disclosed in Note 17 to the financial statements.



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### 5 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT

#### (a) *Categories of financial instruments*

The following table sets out the financial instruments as at the end of the reporting period:

	Group			Company		
	June 30, 2019 \$'000	June 30, 2018 \$'000 (Restated)	January 1, 2017 \$'000 (Restated)	June 30, 2019 \$'000	June 30, 2018 \$'000 (Restated)	January 1, 2017 \$'000
<b>Financial assets</b>						
Amortised cost:						
Loans and receivables	11,301	17,245	20,682	2,681	3,898	7,540
Due from subsidiaries	-	-	-	14,417	22,122	17,316
Equity investments at fair value through profit or loss	10,845	2,046	2,790	6,817	1,507	2,113
Other investment	-	10,573	192	-	6,792	-
	<u>22,146</u>	<u>29,864</u>	<u>23,664</u>	<u>23,915</u>	<u>34,319</u>	<u>26,969</u>
<b>Financial liabilities</b>						
Amortised cost	<u>55,411</u>	<u>62,470</u>	<u>62,706</u>	<u>58,353</u>	<u>60,527</u>	<u>53,850</u>

#### (b) **Financial instruments subject to offsetting, enforceable master netting arrangements and similar agreements**

In 2019 and 2018, the Group and Company do not have any financial instruments which are subject to offsetting under enforceable master netting arrangements or similar netting arrangements.

#### (c) **Financial risk management policies and objectives**

Risk management is carried out by the Finance Department under policies approved by the Board of Directors. The Group's overall risk management programme seeks to minimise potential adverse effects of financial performance of the Group.

The Group's activities expose it to a variety of financial risks, including the effects of changes in debt and equity market prices, foreign currency exchange rates and interest rates. The Group does not hold or issue derivative financial instruments for speculative purpose.



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There has been no change to the Group's exposure to these financial risks or the manner in which it manages and measures the risk. Market risk exposures are measured using sensitivity analysis indicated below.

### (i) Foreign exchange risk management

The Group is exposed to foreign currency risk as a result of its transactions where the denominations differ from the functional currencies of the respective Group entities.

At the end of reporting period, the carrying amounts of monetary assets and monetary liabilities denominated in currencies other than the Group's functional currency are as follows:

	Assets			Liabilities		
	June 30, 2019 \$'000	June 30, 2018 \$'000	January 1, 2017 \$'000	June 30, 2019 \$'000	June 30, 2018 \$'000	January 1, 2017 \$'000
Australian dollar	-	-	99	-	-	-
Chilean peso	-	110	-	-	(485)	-
United States dollar	82	151	852	-	(2,432)	-

### *Foreign currency sensitivity*

The following table details the sensitivity to a 10% increase and decrease in the relevant foreign currencies against Singapore dollars. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates.

If the United States dollar strengthen/weaken by 10% against the functional currency of the respective group entity, loss before tax will increase/(decrease) (2018: profit before tax will (decrease)/increase) by:

	Group		
	June 30, 2019 \$'000	June 30, 2018 \$'000	January 1, 2017 \$'000
United States dollar	8	(228)	85

The Group does not expect any material impact on the Group's profit or loss arising from reasonably possible changes to exchange rate movements between Australian dollar and Chilean peso against the Singapore dollar.

### (ii) Interest rate risk management

Summary quantitative data of the Group's interest-bearing financial instruments can be found in section (iv) of this Note.



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### *Interest rate sensitivity*

The sensitivity analysis below have been determined based on the exposure to interest rates for non-derivative instruments at the end of the reporting period and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period in the case of instruments that have floating rates. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the possible change in interest rates.

If the interest rates had been 50 basis points higher or lower and all other variables were held constant, the loss before tax of the Group's and Company's for the year ended June 30, 2019 would increase/decrease by \$15,000 and \$15,000 respectively. (2018 : profit before tax would decrease/increase by \$24,000 and \$24,000 respectively). This is mainly attributable to the Group's and Company's exposure to interest rates on its variable rate borrowings.

### (iii) Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by the counterparty limits that are reviewed and approved by the risk management committee annually.

Trade receivables consist of a large number of customers. Ongoing credit evaluation is performed on the financial condition of accounts receivables.

The Group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The Group defines counterparties as having similar characteristics if they are related entities. Concentration of credit risk did not exceed 5% of gross monetary assets at any time during the year. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The carrying amount of financial assets recorded in the financial statements, grossed up for any allowances for losses, represents the Group's maximum exposure to credit risk.

Further details of credit risks on trade and other receivables are disclosed in Notes 8 and 9 to the financial statements respectively.

# NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019



The Group's current credit risk grading framework comprises the following categories:

Category	Description	Basis for recognising expected credit losses (ECL)
Performing	The counterparty has a low risk of default and does not have any past-due amounts.	12-month ECL
Doubtful	Amount is >30 days past due or there has been a significant increase in credit risk since initial recognition.	Lifetime ECL - not credit-impaired
In default	Amount is >90 days past due or there is evidence indicating the asset is credit-impaired.	Lifetime ECL - credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery.	Amount is written off

The tables below detail the credit quality of the Group's and the Company's financial assets, as well as the maximum exposure to credit risk:

	Note	Internal credit rating	12-month or lifetime ECL	Gross carrying amount	Loss allowance	Net carrying amount
<u>Group</u>						
<u>2019</u>						
Trade receivables	8	(a)	Lifetime ECL (simplified approach)	2,321	(1,017)	1,304
Other receivables	9	(b)	12-month ECL	4,870	-	4,870
Other receivables	9	(b)	Lifetime ECL	7,142	(3,184)	3,958
				<u>14,333</u>	<u>(4,201)</u>	<u>10,132</u>
<u>Company</u>						
<u>2019</u>						
Trade receivables	8	(a)	Lifetime ECL (simplified approach)	1,163	(975)	188
Other receivables	9	(b)	12-month ECL	840	-	840
Amounts due from subsidiaries	14	(c)	12-month ECL	11,796	-	11,796
Other receivables and amounts due from subsidiaries	9,14	(b),(c)	Lifetime ECL	34,663	(30,705)	3,958
				<u>48,462</u>	<u>(31,680)</u>	<u>16,782</u>



## NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

- (a) The Group determines the expected credit losses on trade receivables by using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate.
- (b) The Group and Company determine that these receivables are not past due and have low risk of default except that the Group's and Company's other receivables include an amount of \$7,142,000 and \$1,730,000 respectively. Accordingly, the loss allowance is measured at an amount equal to 12-month expected credit losses (ECL) for those receivables that are not past due and have low risk of default.

Management has determined the loss allowance for the other receivables amounting to \$3,184,000 and \$393,000 for the Group and the Company respectively based on lifetime ECL as there has been a significant increase in credit risk since initial recognition.

- (c) For purpose of impairment assessment, the amount due from subsidiaries net of loss allowance made is considered to have low credit risk as the timing of payment is controlled by the holding company taking into account cash flow management within the holding company's group of companies and there has been no significant increase in the risk of default on the loan since initial recognition. Accordingly, for the purpose of impairment assessment for this loan, the loss allowance is measured at an amount equal to 12-month expected credit losses (ECL).

Management has determined the loss allowance based on lifetime ECL for amount due from those subsidiaries amounting to \$32,933,000 for which there has been a significant increase in credit risk since initial recognition.

(iv) Liquidity risk management

Liquidity risk reflects the risk that the Group will have insufficient resources to meet its financial liabilities as they fall due. The Group's strategy to manage liquidity risk is to ensure that the Group has sufficient funds to meet all its potential liabilities as they fall due, including shareholder distributions.

As at June 30, 2019, the Group and Company have net current liabilities of \$43,182,000 (2018 : \$41,251,000) and \$55,443,000 (2018 : \$54,697,000) 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, 2019, the Group has met the financial covenants as stipulated by the bank.

Based on projected cash flows for twelve months from the end of the reporting period, management is of the view that the Group and the Company will be able to operate as going concern and that there is no material uncertainty on the following grounds:

- (a) Ability of the Group to continue to generate sufficient cash flows from its future operations in order to meet its day-to-day expenditure;
- (b) Credit facilities from the Group's lenders to be available over the next twelve months from the end of the reporting period. At the end of the reporting period, the Group and the Company have short-term revolving bank loans of \$47 million (2018 : \$45.8 million) which are renewable at maturity and unutilised credit facilities of \$3.2 million (2018:\$Nil); and

## NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019



- (c) Subsequent to the end of the financial year, the Company received an amount of \$8,148,000 being the partial return of capital to the contributors of GRIEH and GCM (See Note 2(i)(t)).

### *Liquidity and interest risk analyses*

#### Non-derivative financial liabilities

The following tables detail the remaining contractual maturity for non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group and Company can be required to pay. The table includes both interest and principal cash flows. The adjustment column represents the possible future cash flows attributable to the instrument included in the maturity analysis which is not included in the carrying amount of the financial liabilities on the statement of financial position.

	Weighted average effective interest rate	On demand or within 1 year	Within 2 to 5 years	After 5 years	Adjustments	Total
	%	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Group</b>						
<b>June 30, 2019</b>						
Non-interest bearing instruments	-	5,410	-	-	-	5,410
Fixed interest rate instruments	3.28	48,523	-	-	(1,541)	46,982
Variable interest rate instruments	3.15	3,096	-	-	(77)	3,019
		<u>57,029</u>	<u>-</u>	<u>-</u>	<u>(1,618)</u>	<u>55,411</u>
<b>June 30, 2018 (restated)</b>						
Non-interest bearing instruments	-	7,472	-	-	-	7,472
Fixed interest rate instruments	2.94	51,636	-	-	(1,402)	50,234
Variable interest rate instruments	2.44	4,924	-	-	(160)	4,764
		<u>64,032</u>	<u>-</u>	<u>-</u>	<u>(1,562)</u>	<u>62,470</u>



## NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

	Weighted average effective interest rate %	On demand or within 1 year \$'000	Within 2 to 5 years \$'000	After 5 years \$'000	Adjustments \$'000	Total \$'000
<b>Company</b>						
<b>June 30, 2019</b>						
Non-interest bearing instruments	-	9,423	-	-	-	9,423
Fixed interest rate instruments	3.28	47,417	-	-	(1,506)	45,911
Variable interest rate instruments	3.15	3,096	-	-	(77)	3,019
		<u>59,936</u>	<u>-</u>	<u>-</u>	<u>(1,583)</u>	<u>58,353</u>
<b>June 30, 2018 (restated)</b>						
Non-interest bearing instruments	-	8,446	-	-	-	8,446
Fixed interest rate instruments	2.79	47,627	-	-	(310)	47,317
Variable interest rate instruments	2.44	4,924	-	-	(160)	4,764
		<u>60,997</u>	<u>-</u>	<u>-</u>	<u>(470)</u>	<u>60,527</u>

### Non-derivative financial assets

The Group's and Company's non-derivative financial assets are interest-free and repayable on demand or due within 12 months from the end of the reporting period except for the amounts due from subsidiaries (Note 14).

#### (v) Fair value of financial assets and financial liabilities

The carrying amounts of financial assets and financial liabilities approximate their respective fair values, either due to their relatively short-term maturity or that they are floating rate instruments that are re-priced to market interest rates on or near the end of reporting period.

The fair values of the other financial assets and non-current liabilities are disclosed in Notes 12, 13 and 21 to the financial statements.

#### (d) **Capital management policies and objectives**

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern, to maximise the return to stakeholders through the optimisation of the debt and equity balances, and to ensure that all externally imposed capital requirements are complied with.

The capital structure of the Group consists of debt, which includes the borrowings disclosed in Note 21, and equity attributable to the equity holders of the Company, comprising issued capital as disclosed in Note 26, reserves and accumulated profits. The Group is required to maintain certain financial ratios in order to comply with covenants in bank loan agreements with banks.

## NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019



The management reviews the capital structure on a semi-annual basis. As a part of this review, the management considers the cost of capital and the risks associated with each class of capital. The management also ensures that the Group and the Company maintain the financial ratios within a set range to comply with the financial loan covenants imposed by the banks.

Based on recommendations of the management, the Group will balance its overall capital structure through the payment of dividends and new share issues as well as the issue of new debt or the redemption of existing debt.

The Group's overall strategy remains unchanged from prior year.

### 6 OTHER RELATED PARTY TRANSACTIONS

Some of the Group's transactions and arrangements are with related parties and the effect of these on the basis determined between the parties is reflected in these financial statements. The balances are unsecured, interest-free and repayable on demand unless otherwise stated.

In addition to the related party information disclosed elsewhere in the notes to the financial statements, group entities entered into the following transactions with related parties during the year/period.

	12 months from July 1, 2018 to June 30, 2019 \$'000	18 months from January 1, 2017 to June 30, 2018 \$'000
Sales	-	(204)
Purchases	15	4,899
Rental expense	-	6
Rental income	-	(68)

#### Compensation of directors and key management personnel

The remuneration of directors and other members of key management during the year/period was as follows:

	12 months from July 1, 2018 to June 30, 2019 \$'000	18 months from January 1, 2017 to June 30, 2018 \$'000
Short-term benefits	1,917	2,688
Post-employment benefits	93	142
Directors' fee	85	150
Total	2,095	2,980

The remuneration of directors and key management is determined by the remuneration committee having regard to the performance of individuals and market trends.



## NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

### 7 CASH AND BANK BALANCES

	Group			Company		
	June 30, 2019 \$'000	June 30, 2018 \$'000	January 1, 2017 \$'000	June 30, 2019 \$'000	June 30, 2018 \$'000	January 1, 2017 \$'000
Cash at bank	1,102	4,079	8,447	293	1,259	3,300
Cash on hand	67	69	180	23	23	27
Cash and bank balances	1,169	4,148	8,627	316	1,282	3,327
Less: Bank overdrafts (Note 21)	(1,071)	-	-	-	-	-
Cash and cash equivalents in the statement of cash flows	98	4,148	8,627	316	1,282	3,327

Cash and cash equivalents comprised cash held by the Group and short-term deposits with an original maturity of three months or less. The carrying amounts of these assets approximate their fair values.

The bank overdrafts bears interest rates ranging from 2.20 % to 2.35% per annum.

### 8 TRADE RECEIVABLES

	Group			Company		
	June 30, 2019 \$'000	June 30, 2018 \$'000	January 1, 2017 \$'000	June 30, 2019 \$'000	June 30, 2018 \$'000	January 1, 2017 \$'000
Outside parties	2,255	4,141	2,852	1,097	1,114	2,290
GST	-	65	-	-	-	-
Less: Loss allowance	(951)	(1,138)	(981)	(909)	(909)	(958)
	1,304	3,068	1,871	188	205	1,332
Related party (Note 6)	66	66	66	66	66	66
Less: Loss allowance	(66)	(66)	(66)	(66)	(66)	(66)
	-	-	-	-	-	-
	1,304	3,068	1,871	188	205	1,332

The average credit period on sales of goods is 45 days (2018 : 45 days). No interest is charged on the overdue trade receivables.

Loss allowance for trade receivables has been measured at an amount equal to lifetime expected credit losses ("ECL"). The ECL on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period in assessing the loss allowance for trade receivables.

A trade receivable is written-off when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery.



## NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019



The following table details the risk profile of trade receivables from contracts with customers based on the Group's provision matrix. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer base.

	Group Trade receivables – days past due					Total
	Not past due	1 to 30 days	31 to 60 days	61 to 90 days	> 90 days	
2019	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Expected credit loss rate	*%	*%	*%	*%	84%	
Estimated total gross carrying amount at default - collectively assessed	723	241	72	71	1,214	2,321
Lifetime ECL	-	-	-	-	(1,017)	(1,017)
Net	723	241	72	71	197	1,304

\* The expected credit loss rate is assessed as negligible.

	Company Trade receivables – days past due					Total
	Not past due	1 to 30 days	31 to 60 days	61 to 90 days	> 90 days	
2019	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Expected credit loss rate	*%	*%	*%	*%	95%	
Estimated total gross carrying amount at default - collectively assessed	105	4	20	13	1,021	1,163
Lifetime ECL	-	-	-	-	(975)	(975)
Net	105	4	20	13	46	188

### Previous accounting policy for impairment of trade receivables

Prior to July 1, 2018, the Group had recognised an allowance for doubtful debts of 100% against all receivables over 180 days because historical experience is such that receivables that are past due beyond 180 days are generally not recoverable. Allowance for doubtful debts are recognised against trade receivables between 90 and 180 days made on a case-by-case basis based on estimated irrecoverable amounts from the sale of goods, determined by reference to past default experience.

21% of the Group's trade receivables and 54% of the Company's trade receivables respectively were neither past due nor impaired. The credit risk on this balance was limited due to the customer base being large and unrelated. Management believed that no allowance of doubtful debts was required as these trade receivables were considered to be of good credit quality and recoverable. There were only three customers who represented more than 5% of the total balance of the Group's and Company's trade receivables respectively.



## NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

Included in the Group's and Company's trade receivable balances were debtors with total carrying amount of \$2,409,000 and \$95,000 respectively, which were past due at the reporting date for which the Group and Company had not provided as there had not been a significant change in credit quality and the amounts were still considered recoverable. The Group and Company respectively did not hold any collateral over these balances.

The table below is an analysis of trade receivables as at June 30, 2018:

	Group June 30, 2018 \$'000	Company June 30, 2018 \$'000
Not past due and not impaired	659	110
Past due but not impaired <sup>(i)</sup>	2,409	95
	<u>3,068</u>	<u>205</u>
Impaired receivables - individually assessed <sup>(ii)</sup>	1,138	909
Less: Allowance for doubtful debts	<u>(1,138)</u>	<u>(909)</u>
	-	-
Total trade receivables, net	<u>3,068</u>	<u>205</u>

(i) Aging of receivables that are past due but not impaired

	Group June 30, 2018 \$'000	Company June 30, 2018 \$'000
31 to 60 days	292	95
61 to 90 days	55	-
> 90 days	2,062	-
	<u>2,409</u>	<u>95</u>

(ii) These amounts are stated before any deduction for impairment losses.

Movement in the allowance for doubtful debts:

	Group June 30, 2018 \$'000	Company June 30, 2018 \$'000
Balance at beginning of the period	1,047	1,024
Impairment loss recognised in profit or loss (Note 32)	211	-
Reversal of impairment loss (Note 32)	<u>(120)</u>	<u>(115)</u>
Balance at end of the period	<u>1,138</u>	<u>909</u>

# NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019



## 9 OTHER RECEIVABLES AND PREPAYMENTS

	Group			Company		
	June 30, 2019 \$'000	June 30, 2018 \$'000	January 1, 2017 \$'000	June 30, 2019 \$'000	June 30, 2018 \$'000	January 1, 2017 \$'000
Other receivables <sup>(1)</sup>	7,978	856	1,153	395	496	553
Less: Loss allowance	(3,184)	(409)	(409)	(393)	(409)	(409)
	4,794	447	744	2	87	144
Amount due from related party (Note 6)	1,337	6,254	1,667	1,337	1,337	-
Advance to related party (Note 6)	-	-	2,960	-	-	-
Government grant receivable	-	-	172	-	-	172
Deposits	2,648	3,276	4,641	838	987	2,565
Prepayments	763	842	1,120	670	747	974
Amount due from shareholder	49	52	-	-	-	-
Total	9,591	10,871	11,304	2,847	3,158	3,855

- (1) During the year, the Group derecognised one of its subsidiaries, Cocosa Export as a result of loss of control. The receivables due from Cocosa Export amounting to \$5,412,000 has been reclassified from amount due from subsidiaries (Note 14) to other receivables. Management is of the view that there has been a significant increase in credit risk since initial recognition and therefore, a loss allowance of \$2,791,000 (Note 35) has been recognised.

Included in the other receivables of the Group are unreconciled differences between intragroup balances amounting to \$1,554,000 as at June 30, 2019.

The movements in credit loss allowance are as follows:

	Group			Company		
	June 30, 2019 \$'000	June 30, 2018 \$'000	January 1, 2017 \$'000	June 30, 2019 \$'000	June 30, 2018 \$'000	January 1, 2017 \$'000
At beginning of the year	409	409	409	409	409	409
Arising during the year	2,775	-	-	(16)	-	-
At end of the year	3,184	409	409	393	409	409

An other receivable is written-off when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery.

Deposits and other receivables, other than an amount of \$7,142,000 and \$1,730,000 at the Group and the Company respectively, are considered to have low risk of default as they are not due for payment at the end of reporting period and there has been no significant increase in the risk of default on the receivables since initial recognition. Accordingly, for the purpose of impairment assessment for these receivables, the loss allowance is measured at the amount equal to 12 month ECL.

Management has determined the loss allowance for the other receivables of the Group and the Company amounting to \$3,184,000 and \$393,000 respectively based on lifetime ECL as they are of the view that there has been a significant increase in credit risk since initial recognition.

In determining the ECL, management has taken into account the historical default experience and the financial position of the counterparties, adjusted for factors that are specific to the debtors and general economic conditions of the industry in which the debtors operate. In estimating the probability of default of each of these financial assets occurring within their respective loss assessment time horizon, as well as the loss upon default in each case.



## NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

There has been no change in the estimation techniques or significant assumptions made during the current reporting period in assessing the loss allowance for other receivables.

### Previous accounting policy for impairment of other receivables

Prior to July 1, 2018, in determining the recoverability of other receivables, management considers any change in the credit quality of the other receivables from the date credit was initially granted up to the reporting date. The concentration of credit risk of other debtors is limited as the other debtors' base is large and unrelated.

Except for the allowance for impairment loss of \$409,000 the Group and Company had not recognised any other allowances as management was of the view that these receivables were recoverable.

In 2016, advance to a related party represented advance to a supplier for the production of trading products supplied to a subsidiary, Cocosa Export, which has been derecognised in the current financial year, as disclosed in Note 2(iii).

## 10 INVENTORIES

	Group			Company		
	June 30, 2019 \$'000	June 30, 2018 \$'000	January 1, 2017 \$'000	June 30, 2019 \$'000	June 30, 2018 \$'000	January 1, 2017 \$'000
Inventories	6,633	7,525	2,357	67	64	1,524
Less: Allowance for inventory obsolescence (Note 2(ii)(f))	(5,695)	(5,695)	-	-	-	-
	<u>938</u>	<u>1,830</u>	<u>2,357</u>	<u>67</u>	<u>64</u>	<u>1,524</u>
Commodities	5,695	5,695	-	-	-	-
Less: Allowance for inventory obsolescence (Note 2(ii)(f))	(5,695)	(5,695)	-	-	-	-
Beverages and food supplies	807	1,274	1,854	50	50	1,170
Non-food supplies	95	527	378	17	14	265
Merchandise	36	29	125	-	-	89
	<u>938</u>	<u>1,830</u>	<u>2,357</u>	<u>67</u>	<u>64</u>	<u>1,524</u>

Based on management's assessment, an allowance amount has been determined by the Group based on the estimates made. As of June 30, 2019, the total allowance for inventory obsolescence amounted to \$5,695,000 (2018: \$5,695,000).

## 11 CONVERTIBLE LOAN NOTE RECEIVABLE

	Group and Company		
	June 30, 2019 \$'000	June 30, 2018 \$'000	January 1, 2017 \$'000
Convertible loan note	1,017	1,017	1,017
Less: Allowance for impairment loss	(1,017)	(1,017)	(1,017)
Net	<u>-</u>	<u>-</u>	<u>-</u>

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The unsecured convertible loan note which bore interest of 6% per annum, payable quarterly, was subscribed on September 25, 2015 from a private company incorporated in Australia ("Australian Private Company"). Included in the convertible note agreement were the following conditions:

- (a) The note is convertible into ordinary shares of the note issuer at any time between date of issue of the note and the redemption date (i.e. September 24, 2016) at the option of the Company as follows:
- (i) If the EBIDTA of the note issuer achieved and exceeded AUD1,000,000, the loan note will be convertible based on the following formula: or;
- $$\frac{\text{Total value of convertible note to be converted}}{\text{EBIDTA} \times 5}$$
- (ii) Upon completion of trade sale which is defined as the sale of (a) the main undertaking of the business of the note issuer or (b) more than 50% of all fully paid ordinary shares of the note issuer then on issue at the time of such sale; or
- (iii) If the note issuer successfully applied to list on the Australian Stock Exchange (being 10% for AUD500,000 and 20% for AUD1,000,000).
- (b) The Company may at any time up to the redemption date by written notice to the note issuer to redeem the convertible notes.
- (c) The Company may at any time after the redemption date convert the notes to ordinary shares.

On May 20, 2016, an additional unsecured convertible loan note of AUD500,000 was subscribed, subject to the same conditions as set out above.

In 2016, pursuant to discussions held in relation to the acquisition of a business by the Australian Private Company ("Business Acquisition"), the Company had agreed to convert, by way of issuing a letter, dated May 20, 2016 (the "Conversion Letter"), both notes and outstanding interests, into ordinary shares representing 20% of equity interest in the Australian Private Company ("Conversion"). It has always been the understanding and agreement between the Company and the Australian Private Company that the parties had entered into the Agreement for the sole purpose of, inter alia, the Business Acquisition being completed on terms acceptable to the Company. This was also stated in the Conversion Letter. As at the date of the financial statements, the Business Acquisition deal did not materialise, and the Company has yet to receive any documents evidencing its legal and beneficial ownership in the Australian Private Company. As far as the Company is aware and to the best of its knowledge, the Company is not a shareholder of the Australian Private Company, and it has also issued a letter, dated April 27, 2017, to revoke the Conversion Letter with immediate effect. As such, management is of the view that the Company should remain as a convertible loan note holder.

Management has assessed the economic performance of the investment and is of the view that full impairment is required.

### 12 EQUITY INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group			Company		
	June 30, 2019	June 30, 2018	January 1, 2017	June 30, 2019	June 30, 2018	January 1, 2017
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Presented as non-current asset: Unquoted equity shares, at fair value*	10,468	-	-	6,792	-	-

\* Reclassified from available-for-sale investments (Note 13) due to adoption of SFRS(I) 9 *Financial Instruments* on July 1, 2018.



## NOTES TO THE FINANCIAL STATEMENTS

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The unquoted equity shares relates to the Group's investments in GREIH and GCM (Note 15). The fair values of the investments were not determined at the time of transfer and at year end.

	Group			Company		
	June 30, 2019	June 30, 2018	January 1, 2017	June 30, 2019	June 30, 2018	January 1, 2017
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000

Presented as current asset:

Quoted equity shares, at fair value	377	2,046	2,790	25	1,507	2,113
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The investment above includes investments in quoted equity securities that offer the Group and the Company the opportunity for return through dividend income and fair value gains. The fair values of these securities are based on closing quoted bid price in an active market on the last market day of the financial year. The quoted equity shares are classified as Level 1 (2018 : Level 1) in the fair value hierarchy.

### 13 OTHER INVESTMENTS

	Group			Company		
	June 30, 2019	June 30, 2018	January 1, 2017	June 30, 2019	June 30, 2018	January 1, 2017
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000

Unquoted investments:

- Cumulative redeemable preference shares	-	-	192	-	-	-
- Investment in unit trust	-	105	-	-	-	-
- Available-for-sale investments*	-	10,468	-	-	6,792	-
	-	10,573	192	-	6,792	-

\* Reclassified to equity investments at fair value through profit and loss (Note 12) due to adoption of SFRS(I) 9 *Financial Instruments* on July 1, 2018.

In 2018, the investment in the unquoted preference shares, comprising of 601,206 Class A Preference Share at RM1.00 each, represented an investment in an entity that is in the business of distributing, wholesaling and retailing of fast moving consumer goods, in particular, edible goods. The preference shares were redeemed during the period ended June 30, 2018.

Short-term investments represented unit trust fund that invests in money market instrument, deposits and cash. The unit trust fund aims to provide investors with capital preservation, liquidity and reasonable return. During the year, the Group disposed its investment in unit trust.

As disclosed in Notes 2(i)(t) and 15, the Group assessed that it has lost significant influence over its associates, GREIH and GCM given that they were placed under liquidation by the High Court (Note 2(i)(j)). Accordingly, the cost of investments in GREIH and GCM was reclassified to available-for-sale investments, carried at cost less any accumulated impairment as at June 30, 2018. The financial statements for the year ended June 30, 2018 were restated accordingly.

## NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019



### 14 SUBSIDIARIES

	Company		
	June 30, 2019 \$'000	June 30, 2018 \$'000 (Restated)	January 1, 2017 \$'000
Unquoted equity shares, at cost	364	364	364
Less: Allowance for impairment loss	(354)	(354)	(354)
Net	10	10	10
Due from subsidiaries	44,729	46,130	35,037
Less: Allowance for impairment loss	(30,312)	(24,008)	(17,721)
Net	14,417	22,122	17,316
Due to subsidiaries	7,041	4,640	1,064

In determining the ECL, management has taken into account the financial position of the subsidiaries, adjusted for factors that are specific to the subsidiaries and general economic conditions of the industry in which the related company operates, in estimating the probability of default of the receivables as well as the loss upon default. Management determines the amount due from subsidiaries is subject to immaterial credit loss except for an amount of \$32,933,000 for which management has assessed that there has been a significant increase in credit risk since initial recognition.

Management is of the view that the amounts due from the subsidiaries represent deemed capital investment in subsidiaries, as there is no contractual obligation for repayment by the subsidiaries.

Movement in the allowance for impairment loss on amounts due from subsidiaries:

	Company		
	June 30, 2019 \$'000	June 30, 2018 \$'000 (Restated)	January 1, 2017 \$'000
Balance at beginning of the year/period	24,008	17,721	12,826
Impairment loss recognised in profit and loss	6,304	6,287	4,895
Balance at end of the year/period	30,312	24,008	17,721

Management carried out a review of the investments in subsidiaries and amount due from subsidiaries at the end of each reporting period to determine whether there is any indication that the investments and receivables have suffered an impairment loss in accordance with the accounting policy. Management made the assessment based on existing financial performance as well as operating profit forecasts of certain subsidiaries. The review led to an accumulated impairment loss on investment of \$354,000 (2018 : \$354,000) and accumulated impairment loss on receivables of \$30,312,000 (2018 : \$24,008,000) as at year end.

During the year ended June 30, 2019, the Group has derecognised one of its subsidiaries, Cocosa Export, on grounds that management has lost control over it. This is evidenced by the inability of the Group to obtain the management accounts and to direct the operations unilaterally (Note 2(iii)). Management has also assessed and is of the view that the costs outweighs the benefits of taking any legal action against the subsidiary.



## NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

Details of the Group's significant subsidiaries as at June 30, 2019, and 2018 are as follows:

Subsidiaries	Effective equity interest and voting power held by the Group		Country of incorporation (or registration) and operations	Principal activities
	2019 %	2018 %		
<u>Held by the Company</u>				
Apex-Pal Investment Pte. Ltd. <sup>(1)</sup>	100	100	Singapore	Investment holding
Sakae Corporate Advisory Pte. Ltd. <sup>(5)</sup>	100	100	Singapore	Provision of corporate advisory services
<u>Held by Apex-Pal Investment Pte. Ltd.</u>				
Alliance Support Services Pte. Ltd. <sup>(5)</sup>	100	100	Singapore	Provision of cleaning services
Apex-Pal Malaysia Sdn. Bhd. <sup>(4)</sup>	100	100	Malaysia	Operation of restaurants, kiosks and cafes
Apex-Pal F&B (Beijing) Ltd <sup>(3)</sup>	100	100	People's Republic of China	Dormant
Apex-Pal (Chengdu) Co. Ltd. <sup>(3)</sup>	100	100	People's Republic of China	Operation of restaurants, kiosks and cafes
Nouvelle Events Sdn Bhd <sup>(2)</sup>	100	100	Malaysia	Investment property holder
Swift Equity Sdn Bhd <sup>(2)</sup>	100	100	Malaysia	Investment property holder
Oishi Sushi Pte. Ltd. <sup>(5)</sup>	100	100	Singapore	Operation of restaurants, kiosks and cafes
Sakae Kyo Pte. Ltd. <sup>(5)</sup>	100	100	Singapore	Operation of restaurants, kiosks and cafes
Sakae Sushi (Scape) Pte. Ltd. <sup>(5)</sup>	100	100	Singapore	Operation of restaurants, kiosks and cafes
Sakae Sushi (J8) Pte. Ltd. <sup>(5)</sup>	100	100	Singapore	Operation of restaurants, kiosks and cafes
Yummy Venture Pte. Ltd. <sup>(5)</sup>	100	100	Singapore	Operation of restaurants, kiosks and cafes
Hei Restaurants Chain Pte. Ltd. <sup>(5)(6)</sup>	100	100	Singapore	Operation of restaurants, kiosks and cafes
Sakae Global Resources Pte. Ltd. <sup>(5)</sup>	100	100	Singapore	General wholesale trading
Nouvelle Events Holdings Pte. Ltd. <sup>(5)(6)</sup>	100	100	Singapore	Providing cold storage warehousing and logistics services



# NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019



Subsidiaries	Effective equity interest and voting power held by the Group		Country of incorporation (or registration) and operations	Principal activities
	2019	2018		
	%	%		
<u>Held by Sakae Global Resources Pte. Ltd.</u>				
Cocosa Holdings Pte. Ltd. <sup>(5)</sup>	51	51	Singapore	Investment holding
Cocosa Asia Pte Ltd. <sup>(5)</sup>	51	51	Singapore	Trading in canned and froz seafood products
Cocosa Export S.A. <sup>(7)</sup>	-	51	Chile	Trading in canned and frozen seafood products
<u>Held by Sakae Corporate Advisory Pte. Ltd.</u>				
Sakae Fintech Pte. Ltd. <sup>(5)</sup>	100	100	Singapore	Provision of corporate advisory services, dormant
Sakae Capital Pte. Ltd. <sup>(5)</sup>	100	100	Singapore	Sale of commodities goods, dormant
Sakae Financial Services Pte. Ltd. <sup>(5)</sup>	100	100	Singapore	Provision of corporate finance advisory services, dormant
Sakae Fund Management Pte. Ltd. <sup>(5)</sup>	100	100	Singapore	Provision of fund management advisory services, dormant
<u>Held by Sakae Fintech Pte. Ltd</u>				
Bitecoin Pte. Ltd. <sup>(9)</sup>	80	80	Singapore	Dormant
<u>Held by Bitecoin Pte. Ltd.</u>				
Bitechain Pte Ltd <sup>(8) (9)</sup>	80	-	Singapore	Dormant

## Notes

- (1) Audited by Deloitte & Touche LLP, Singapore
- (2) Audited by Beh, Lee & Associates
- (3) Audited by Si Chuan Yi Dian Tong Certified Public Accountants Co., Ltd.
- (4) Audited by Deloitte & Touche PLT
- (5) Audited by HLB Atrede LLP
- (6) Audited by Deloitte & Touche LLP, Singapore for purpose of consolidating the results for the Group's financial statements.



## NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

- (7) Audited by Deloitte & Touche LLP, Chile in 2018. During the year, the Group has derecognised the subsidiary, as disclosed in Note 2(iii) to the financial statements.
- (8) Newly incorporated during the year.
- (9) No auditor has been appointed yet as the subsidiaries have not commenced operations.

Management has assessed and considered that there are no subsidiary which has non-controlling interests that are material to the Group.

### 15 ASSOCIATES

	Group			Company		
	June 30, 2019 \$'000	June 30, 2018 \$'000 (Restated)	January 1, 2017 \$'000	June 30, 2019 \$'000	June 30, 2018 \$'000 (Restated)	January 1, 2017 \$'000
Cost of investments in associates	-	6,792	6,792	-	6,792	6,792
Share of post-acquisition losses	-	(55)	(55)	-	-	-
	-	6,737	6,737	-	6,792	6,792
Excess of interests in the net fair value of associates' identifiable net assets over cost of investment	-	3,731	3,731	-	-	-
	-	10,468	10,468	-	6,792	6,792
Allowance for impairment loss Reclassified to available-for-sale investments (Note 13)	-	(10,468)	(10,468)	-	-	(6,792)
	-	(10,468)	-	-	(6,792)	-
	-	-	-	-	-	-

Movement in the allowance for impairment loss:

	Group			Company		
	June 30, 2019 \$'000	June 30, 2018 \$'000	January 1, 2017 \$'000	June 30, 2019 \$'000	June 30, 2018 \$'000	January 1, 2017 \$'000
Balance at beginning of the year/period	-	10,468	10,468	-	6,792	6,792
Less: Write-back allowance for impairment loss (Note 30, 2(i)(s))	-	(10,468)	-	-	(6,792)	-
Balance at beginning of the year/period	-	-	10,468	-	-	6,792

# NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019



The breakdown in allowance for impairment loss on investments in associates is as follows:

	Group			Company		
	June 30, 2019 \$'000	June 30, 2018 \$'000	January 1, 2017 \$'000	June 30, 2019 \$'000	June 30, 2018 \$'000	January 1, 2017 \$'000
GREIH	-	-	10,099	-	-	6,642
GCM	-	-	369	-	-	150
	-	-	10,468	-	-	6,792

Details of the Group's associates as at June 30, 2019 are as follows:

Associates	Proportion of ownership interest and voting power held		Country of incorporation and operations	Principal activities
	2019	2018		
	%	%		
Griffin Real Estate Investment Holdings Pte Ltd ("GREIH")	24.69	24.69	Singapore	Investment property holding
Gryphon Capital Management Pte Ltd ("GCM")	20.00	20.00	Singapore	Provision of management and consultancy services

On September 3, 2010, the Company announced the acquisition of the associates (the "Acquisitions") from an ex-NED as follows:

- (i) 24.69% equity interest in GREIH for \$4,000,000. On March 17, 2010, GREIH had completed the purchase of a commercial property at 470 North Bridge Road for a consideration of \$46,000,000;
- (ii) 20% equity interest in GCM for \$150,000. GCM provides management services to GREIH.

In January 2011, the Acquisitions were approved by the Company's shareholders and were completed. Accordingly, the effective date of acquisition of the associates was determined to be January 31, 2011.

In 2011, the excess of interests in the net fair value of associates' identifiable net assets over cost of investment of \$3,731,000 arose from the value of the commercial property of GREIH as at the effective date of acquisition. Thereafter, the Group's share in the commercial property of GREIH is carried at this fair value at the effective date of acquisition less subsequent accumulated depreciation. In the unaudited management accounts of GREIH, the commercial property is accounted for as investment property which is carried at cost less accumulated depreciation.



## NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

The Group has applied the equity method of accounting in 2011 using the unaudited management accounts of GREIH and GCM from January 1, 2011 to December 31, 2011 as the financial year-end of the associates is June 30. The results of the associates were not material to the Group in 2011.

In June 2012, the Company invested an additional \$2,642,000 in new shares in GREIH as part of GREIH's shares issue exercise in order to maintain the Company's equity interest at 24.69%. For the financial years ended June 30, 2019 and 2018 and December 31, 2016, 2015, 2014, the Company did not apply the equity method of accounting on its investments in associates. Full allowance for impairment loss was made on its investments in GREIH and GCM at the Company level and the Group level as described in Note 2(i) to the financial statements from the year ended December 31, 2012 up to December 31, 2016. The Group and the Company reversed the impairment in the financial period ended June 30, 2018 as disclosed in Note 2(i)(s).

During the year ended June 30, 2019, management has assessed that the Company has lost significant influence over the associates and accordingly, reclassified the cost of investments in associates to available-for-sale investments in "other investments" (Note 13) as at June 30, 2018. The financial statements for the period ended June 30, 2018 were restated accordingly.

### 16 JOINT VENTURE

	Group		
	June 30, 2019	June 30, 2018	January 1, 2017
	\$'000	\$'000	\$'000
Cost of investment in joint venture	350	350	150

Details of the Group's joint venture as at June 30, 2019 and 2018 are as follows:

Joint Venture	Proportion of ownership interest and voting power held		Country of Incorporation and operations	Principal activities
	2019 %	2018 %		
Novitee Pte. Ltd.	40.00	40.00	Singapore	Provision of software consultancy and development services
<u>Held by Novitee Pte. Ltd.</u>				
Balanced Consultancy Pte. Ltd.	40.00	40.00	Singapore	Provision of software consultancy and development services
Jerisys Pte. Ltd.	40.00	40.00	Singapore	Provision of software consultancy and development services

## NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019



On November 24, 2016, the Group announced the acquisition of shares from Novitee Pte. Ltd., through its wholly owned subsidiary. Pursuant to the share subscription agreement, the Group shall subscribe for 66,667 new ordinary shares, representing 40.0% of the enlarged share capital of Novitee Pte. Ltd., for a total consideration of \$350,000. As at June 30, 2018, the Group made an additional payment of \$200,000.

The Group has joint control over Novitee Pte. Ltd. by virtue of its contractual right to appoint two out of four directors to its board.

The Group has not recognised contribution from Novitee Pte. Ltd. as management is of the view it is immaterial.



# NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

## 17 PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land \$'000 (ii), (iii)	Building on freehold land \$'000 (ii), (iii)	Leasehold building \$'000 (i)	Production equipment \$'000	Restaurant equipment \$'000 (v)	Renovation \$'000	Furniture and fittings \$'000	Computers \$'000	Motor vehicles \$'000	Office equipment \$'000	Construction in-progress \$'000	Total \$'000
<b>Cost or valuation:</b>												
At January 1, 2017	5,759	2,803	60,000	427	13,594	13,332	6,655	3,627	1,507	228	632	108,564
Adjustments	-	-	-	-	(22)	(28)	(159)	(130)	-	-	-	(339)
Additions	-	-	-	-	370	211	287	168	88	1	11	1,136
Disposals	-	-	-	-	(41)	(119)	(26)	(9)	-	(1)	-	(196)
Write-offs	-	-	-	-	(385)	(4,586)	(813)	(52)	-	-	-	(5,836)
Eliminated on revaluation	-	(26)	(1,749)	-	-	-	-	-	-	-	-	(1,775)
Revaluation increase (decrease)	83	(52)	1,749	-	-	-	-	-	-	-	-	1,780
Exchange differences	63	29	-	(9)	289	95	181	73	2	3	-	726
At June 30, 2018	5,905	2,754	60,000	418	13,805	8,905	6,125	3,677	1,597	231	643	104,060
Reclassifications	-	-	-	-	-	643	-	-	-	-	(643)	-
Additions	-	-	-	-	255	148	180	33	-	2	103	721
Disposals	-	-	-	-	(120)	-	-	-	-	-	-	(120)
Write-offs	-	-	-	-	(2,361)	(1,586)	(1,360)	(353)	-	-	-	(5,660)
Eliminated on revaluation	-	(26)	(1,217)	-	-	-	-	-	-	-	-	(1,243)
Revaluation increase	172	52	4,217	-	-	-	-	-	-	-	-	4,441
Exchange differences	(80)	(35)	-	-	(169)	(140)	(116)	(46)	(1)	(1)	(1)	(589)
Derecognition of subsidiary (Note 35)	(3,344)	(1,606)	-	(418)	-	-	-	-	(22)	(2)	-	(5,392)
At June 30, 2019	2,653	1,139	63,000	-	11,410	7,970	4,829	3,311	1,574	230	102	96,218

# NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019



**Comprising:**

	Freehold land \$'000 (ii), (iii)	Building on freehold land \$'000 (ii), (iii)	Leasehold building \$'000 (i)	Production equipment \$'000	Restaurant equipment \$'000 (v)	Renovation \$'000	Furniture and fittings \$'000	Computers \$'000	Motor vehicles \$'000	Office equipment \$'000	Construction in-progress \$'000	Total \$'000
June 30, 2019												
At cost	2,653	1,139	63,000	-	11,410	7,970	4,829	3,311	1,574	230	102	29,426
At valuation	2,653	1,139	63,000	-	11,410	7,970	4,829	3,311	1,574	230	102	66,792
June 30, 2018												
At cost	5,905	2,754	60,000	418	13,805	8,905	6,125	3,677	1,597	231	643	35,401
At valuation	5,905	2,754	60,000	418	13,805	8,905	6,125	3,677	1,597	231	643	68,659
January 1, 2017												
At cost	5,759	2,803	60,000	427	13,594	13,332	6,655	3,627	1,507	228	632	40,002
At valuation	5,759	2,803	60,000	427	13,594	13,332	6,655	3,627	1,507	228	632	68,562
												108,564



# NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

	Freehold land \$'000 (ii), (iii)	Building on freehold land \$'000 (ii), (iii)	Leasehold building \$'000 (i)	Production equipment \$'000	Restaurant equipment \$'000 (v)	Renovation \$'000	Furniture and fittings \$'000	Computers \$'000	Motor vehicles \$'000	Office equipment \$'000	Construction in-progress \$'000	Total \$'000
<b>Accumulated depreciation:</b>												
At January 1, 2017	-	51	-	9	10,782	9,409	5,259	3,527	1,109	214	-	30,360
Adjustments	-	-	-	-	5	32	3	-	-	-	-	40
Depreciation	-	56	1,749	34	1,244	1,034	831	129	243	9	-	5,329
Disposals	-	-	-	-	(33)	(3)	(18)	(9)	-	-	-	(63)
Write-offs	-	-	-	-	(292)	(3,693)	(745)	(45)	-	-	-	(4,775)
Eliminate on revaluation	-	(26)	(1,749)	-	-	-	-	-	-	-	-	(1,775)
Exchange differences	-	(1)	-	-	556	145	155	72	-	(1)	-	926
At June 30, 2018	-	80	-	43	12,262	6,924	5,485	3,674	1,352	222	-	30,042
Depreciation	-	26	1,217	-	501	726	201	33	102	1	-	2,807
Disposals	-	-	-	-	(120)	-	-	-	-	-	-	(120)
Write-offs	-	-	-	-	(1,807)	(1,413)	(1,076)	(352)	-	-	-	(4,648)
Eliminate on revaluation	-	(26)	(1,217)	-	-	-	-	-	-	-	-	(1,243)
Exchange differences	-	(80)	-	(43)	(110)	(109)	(98)	(44)	(4)	(2)	-	(490)
At June 30, 2019	-	-	-	-	10,726	6,128	4,512	3,311	1,450	221	-	26,348



# NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019



	Freehold land \$'000 (ii), (iii)	Building on freehold land \$'000 (ii), (iii)	Leasehold building \$'000 (i)	Production equipment \$'000	Restaurant equipment \$'000 (v)	Renovation \$'000	Furniture and fittings \$'000	Computers \$'000	Motor vehicles \$'000	Office equipment \$'000	Construction in-progress \$'000	Total \$'000
At January 1, 2017	-	-	-	-	20	870	77	-	-	-	-	967
Impairment loss during the year	-	-	-	-	-	4	-	-	-	-	-	4
Write-off	-	-	-	-	-	(858)	(69)	-	-	-	-	(927)
At June 30, 2018	-	-	-	-	20	16	8	-	-	-	-	44
Impairment loss during the year	-	-	-	-	6	307	180	-	-	-	-	493
Write-off	-	-	-	-	(20)	(16)	(8)	-	-	-	-	(44)
Exchange differences	-	-	-	-	-	(4)	(3)	-	-	-	-	(7)
At June 30, 2019	-	-	-	-	6	303	177	-	-	-	-	486
<b>Carrying amount:</b>												
At June 30, 2019	2,653	1,139	63,000	-	678	1,539	140	-	124	9	102	69,384
At June 30, 2018	5,905	2,674	60,000	375	1,523	1,965	632	3	245	9	643	73,974
At January 1, 2017	5,759	2,752	60,000	418	2,792	3,053	1,319	100	398	14	632	77,237

## Accumulated impairment:

At January 1, 2017  
 Impairment loss during the year  
 Write-off  
 At June 30, 2018  
 Impairment loss during the year  
 Write-off  
 Exchange differences  
 At June 30, 2019

## Carrying amount:

At June 30, 2019  
 At June 30, 2018  
 At January 1, 2017



# NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

Company	Leasehold building \$'000	Restaurant equipment \$'000	Renovation \$'000	Furniture and fittings \$'000	Computers \$'000	Motor vehicles \$'000	Office equipment \$'000	Construction in-progress \$'000	Total \$'000
(iv)									
<b>Cost or valuation:</b>									
At January 1, 2017	60,000	6,381	7,183	2,602	2,037	1,444	166	633	80,446
Additions	-	7	32	-	101	88	-	10	238
Disposals	-	(384)	(1,113)	(180)	(140)	-	-	-	(1,817)
Write-offs	-	(121)	(3,439)	(781)	(7)	-	-	-	(4,348)
Eliminated on revaluation	(1,749)	-	-	-	-	-	-	-	(1,749)
Revaluation increase	1,749	-	-	-	-	-	-	-	1,749
At June 30, 2018	60,000	5,883	2,663	1,641	1,991	1,532	166	643	74,519
Reclassifications	-	-	643	-	-	-	-	(643)	-
Additions	-	-	-	-	7	-	-	-	7
Disposals	-	(120)	-	-	-	-	-	-	(120)
Write-offs	-	(475)	(48)	-	(210)	-	-	-	(733)
Eliminated on revaluation	(1,217)	-	-	-	-	-	-	-	(1,217)
Revaluation increase	4,217	-	-	-	-	-	-	-	4,217
At June 30, 2019	63,000	5,288	3,258	1,641	1,788	1,532	166	-	76,673

# NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019



## Comprising:

	Leasehold building \$'000 (iv)	Restaurant equipment \$'000	Renovation \$'000	Furniture and fittings \$'000	Computers \$'000	Motor vehicles \$'000	Office equipment \$'000	Construction in-progress \$'000	Total \$'000
June 30, 2019									
At cost	-	5,288	3,258	1,641	1,788	1,532	166	-	13,673
At valuation	63,000	5,288	3,258	1,641	1,788	1,532	166	-	63,000
June 30, 2018									
At cost	-	5,883	2,663	1,641	1,991	1,532	166	643	14,519
At valuation	60,000	5,883	2,663	1,641	1,991	1,532	166	643	60,000
January 1, 2017									
At cost	-	6,381	7,183	2,602	2,037	1,444	166	633	20,446
At valuation	60,000	6,381	7,183	2,602	2,037	1,444	166	633	60,000
									80,446



# NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

	Leasehold building \$'000	Restaurant equipment \$'000	Renovation \$'000	Furniture and fittings \$'000	Computers \$'000	Motor vehicles \$'000	Office equipment \$'000	Construction in-progress \$'000	Total \$'000
(iv)									
<b>Accumulated depreciation:</b>									
At January 1, 2017	-	5,503	5,601	2,306	2,023	1,071	166	-	16,670
Depreciation	1,749	342	529	220	27	236	-	-	3,103
Disposals	-	(312)	(966)	(172)	(140)	-	-	-	(1,590)
Write-offs	-	(107)	(2,807)	(731)	(3)	-	-	-	(3,648)
Eliminated on revaluation	(1,749)	-	-	-	-	-	-	-	(1,749)
At June 30, 2018	-	5,426	2,357	1,623	1,907	1,307	166	-	12,786
Depreciation	1,217	200	479	14	21	102	-	-	2,033
Disposals	-	(120)	-	-	-	-	-	-	(120)
Write-offs	-	(475)	(35)	-	(209)	-	-	-	(719)
Eliminated on revaluation	(1,217)	-	-	-	-	-	-	-	(1,217)
At June 30, 2019	-	5,031	2,801	1,637	1,719	1,409	166	-	12,763
<b>Accumulated impairment:</b>									
At January 1, 2017	-	16	532	52	-	-	-	-	600
Write-off	-	(16)	(532)	(52)	-	-	-	-	(600)
At June 30, 2018	-	-	-	-	-	-	-	-	-
Impairment loss during the year	-	6	47	1	-	-	-	-	54
At June 30, 2019	-	6	47	1	-	-	-	-	54
<b>Carrying amount:</b>									
At June 30, 2019	63,000	251	410	3	69	123	-	-	63,856
At June 30, 2018	60,000	457	306	18	84	225	-	643	61,733
At January 1, 2017	60,000	862	1,050	244	14	373	-	633	63,176

## NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019



- (i) The Group has pledged the leasehold building with carrying amount of \$63 million (2018 : \$60.0 million) to secure the bank loans as disclosed in Note 21.
- (ii) A freehold land and building on freehold land were stated at valuation based on the market valuation as at June 30, 2019 as determined by International Property Consultants (M) Sdn Bhd ("KGV") [2018 : KGV], an independent valuer not connected with the Group. The market valuation was determined by adopting the market comparable method which considers recent transaction prices for similar properties in the vicinity. There has been no change to the valuation technique during the year. The net revaluation surplus, after related deferred tax provision, for both the freehold land and building on freehold land amount to RM456,000 (\$148,000) [2018 : RM73,000 (\$22,000)] has been recorded in the revaluation reserve. Had the freehold land and building on freehold land been carried at historical cost, their carrying amounts would have been approximately RM5,274,000 (\$1,724,650) [2018 : RM5,274,000 (\$1,788,000)] and RM2,925,000 (\$961,000) [2018 : RM2,925,000 (\$986,000)] respectively.

Based on the market valuation as determined by KGV, the allocation of the market valuation between freehold land and building on freehold land as at June 30, 2019 were RM8,115,000 (\$2,653,000) [2018 : RM7,595,000 (\$2,560,000)] and RM3,485,000 (\$1,139,000) [2018 : RM3,405,000 (\$1,148,000)] respectively.

The freehold land and building on freehold land is a 2 ½ storey commercial boutique bungalow with an area of 1,605 sqm, located at No. 7 Jalan Udang Harimau 2, Medan Niaga Kepong, 51200 Kuala Lumpur, Malaysia. The building on freehold land is used as office and factory and the Group has 100% (2018 : 100%) interest in the property.

The freehold land and building on freehold land have been pledged to financial institutions to secure credit facilities.

- (iii) In 2018, a freehold land and building on freehold land were stated at valuation based on the market valuation as at June 30, 2018 as determined by Jose Mardones G., an independent valuer not connected with the Group. The market valuation was determined by adopting the market comparable method which considered recent transaction prices for similar properties in the vicinity. Had the freehold land and building on freehold land been carried at historical cost in 2018, their carrying amounts would have been approximately CLP\$1,414,000,000 (\$3,056,000) and CLP\$236,000,000 (\$510,000) respectively.

Based on the market valuation as determined by Jose Mardones G., the allocation of the market valuation between freehold land and building on freehold land as at June 30, 2018 were CLP\$1,577,641,000 (\$3,345,000) and CLP\$757,587,000 (\$1,606,000) respectively.

The freehold land and building on freehold land are production plant and land located in the town of Calbuco X region, Chile. The building on freehold land is used as office and factory and the Group has 100% interest in the property.

The freehold land and building on freehold land have been pledged to financial institutions to secure credit facilities.

During the current financial year, the freehold land and building on freehold land had been derecognised along with the derecognition of Cocosa Export (Note 35).



## NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

- (iv) The leasehold building was stated at valuation based on the market valuation as at June 30, 2019 as determined by RHT Chestertons Valuation and Advisory Pte Ltd [2018 : Dennis Wee Realty Pte Ltd], an independent valuer not connected with the Group. The market valuation was determined by adopting the comparable sales method, making reference to sales of similar properties in the vicinity and adjustments for differences in location, land area, land shape, floor area, floor loading, ceiling height, age, condition, tenure, design and layout, dates of transaction, and the prevailing market conditions. There has been no change to the valuation technique during the year. The net revaluation surplus, after related deferred tax provision, amounted to \$3,500,000 (2018 : \$1,452,000) which has been recorded in the revaluation reserve. Had the leasehold building been carried under the cost model, the carrying amount would have been approximately \$11.2 million (2018 : \$12.9 million).

The leasehold building is a 7-storey commercial building with an area of 18,743 sqm, located at 28 Tai Seng Street, Singapore 534106, and used as office, warehouse and central kitchen production. The Group and Company have 100% (2018 : 100%) interest in the property. The property is held under a land use term for 30 years with expiry on August 31, 2036, with an option at expiry to extend for a further 30 years.

- (v) Included in the cost of renovation as of year end is a provision for reinstatement costs for the Group and Company of \$472,000 and \$131,000 (2018 : \$563,000 and \$133,000) respectively.
- (vi) The Group has carried out a review of the recoverable amount of its property, plant and equipment, having regard to the ongoing performance of its outlets. The review has led to an additional impairment loss of \$493,000 in the current period (2018 : \$4,000) recognised in profit or loss due to closure of outlets.

The Group classified fair value measurement using a fair value hierarchy that reflects the nature and complexity of the significant inputs used in making the measurement. Details of the freehold property, freehold land, building on freehold land and leasehold building, and information about the fair value hierarchy are as follows:

	Level 1	Level 2	Level 3	Fair values
	\$'000	\$'000	\$'000	\$'000
<u>Group</u>				
<u>As at June 30, 2019</u>				
Freehold land	-	-	2,653	2,653
Building on freehold land	-	-	1,139	1,139
Leasehold building	-	-	63,000	63,000
	-	-	66,792	66,792
<u>As at June 30, 2018</u>				
Freehold land	-	-	5,905	5,905
Building on freehold land	-	-	2,674	2,674
Leasehold building	-	-	60,000	60,000
	-	-	68,579	68,579
<u>As at January 1, 2017</u>				
Freehold land	-	-	5,759	5,759
Building on freehold land	-	-	2,752	2,752
Leasehold building	-	-	60,000	60,000
	-	-	68,511	68,511

# NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019



	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Fair values \$'000
<u>Company</u>				
<u>As at June 30, 2019</u>				
Leasehold building	-	-	63,000	63,000
<u>As at June 30, 2018</u>				
Leasehold building	-	-	60,000	60,000
<u>As at January 1, 2017</u>				
Leasehold building	-	-	60,000	60,000

There were no transfers between the levels during the year. Details of valuation techniques and significant unobservable inputs used in the fair value measurement are as follows:

Description	Fair values			Valuation techniques	Significant unobservable input(s)	Range		
	June 30, 2019 \$'000	June 30, 2018 \$'000	January 1, 2017 \$'000			June 30, 2019	June 30, 2018	January 1, 2017
<u>Malaysia</u>								
Freehold land	2,653	2,560	2,350	Comparable sales method	Price per square metre <sup>(1)</sup>	\$1,487 to \$2,016	\$1,504 to \$1,604	\$1,412 to \$1,481
Building on freehold land	1,139	1,148	1,167	Comparable sales method	Price per square metre <sup>(1)</sup>	\$705 to \$881	\$726 to \$907	\$688 to \$861
<u>Chile</u>								
Freehold land	-	3,345	3,409	Comparable sales method	Price per square metre <sup>(1)</sup>	NIL	\$45	\$45
Building on freehold land	-	1,606	1,636	Comparable sales method	Price per square metre <sup>(1)</sup>	NIL	\$398	\$398
<u>Singapore</u>								
Leasehold building	63,000	60,000	60,000	Comparable sales method	Price per square metre (built-in) <sup>(1)</sup>	\$3,361	\$3,095 to \$3,200	\$3,095 to \$3,200

<sup>(1)</sup> Any significant increases (decreases) in these inputs would result in a significantly higher (lower) fair value measurement.



## NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

### 18 INVESTMENT PROPERTIES

	Freehold land \$'000	Building on freehold land \$'000	Freehold properties \$'000	Total \$'000
<u>Group</u>				
<b>Cost:</b>				
At January 1, 2017	1,065	479	1,321	2,865
Exchange difference	57	25	95	177
At June 30, 2018	1,122	504	1,416	3,042
Exchange difference	(34)	(15)	(43)	(92)
At June 30, 2019	1,088	489	1,373	2,950
<b>Accumulated depreciation:</b>				
At January 1, 2017	-	34	31	65
Depreciation	-	15	37	52
Exchange difference	-	2	3	5
At June 30, 2018	-	51	71	122
Depreciation	-	10	14	24
Exchange difference	-	(5)	(1)	(6)
At June 30, 2019	-	56	84	140
<b>Carrying amount:</b>				
At June 30, 2019	1,088	433	1,289	2,810
At June 30, 2018	1,122	453	1,345	2,920
At January 1, 2017	1,065	445	1,290	2,800

Rental income from the investment properties amounted to \$93,000 (2018 : \$164,000) and direct operating expenses (including repair and maintenance) arising from the rental generating investment properties during the year is \$14,000 (2018 : \$22,000).

The Group has pledged the investment properties with carrying amount of \$2,957,000 (2018 : \$2,983,000) to secure the bank loans as disclosed in Note 21.



## NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019



Particulars of the investment properties as at June 30, 2019 are as follows:

Name of property	Description	Tenure	Existing use	Strata Gross floor area	Group's interest in the property
No. 3 Jalan Udang Harimau 2 Medan Niaga Kepong 51200 Kuala Lumpur Malaysia	2½ storey commercial boutique bungalow	Freehold	Property rental	899 sqm	100%
Surian Residences Condominium Jalan PJU 7/15 Mutiara Damansara 47810 Petaling Jaya Selangor Darul Ehsan Malaysia	One condominium unit (with 2 carparks)	Freehold	Property rental	194 sqm	100%
No. B4 Garden Shoppe @ One City Jalan USJ 25/1A 47650 Subang Jaya Selangor Darul Ehsan Malaysia	An intermediate four-storey shop-coffee building	Freehold	Property rental	163.5 sqm	100%

The market valuation of the freehold land and building on freehold land as at June 30, 2019 were RM4,550,000 (\$1,495,000) [2018 : RM4,115,000 (\$1,387,000)] and RM1,650,000 (\$542,000) [2018 : RM1,835,000 (\$619,000)] respectively. The total market valuation of the freehold properties as at June 30, 2019 were RM4,360,000 (\$1,433,000) [2018 : RM4,435,000 (\$1,495,000)]. The market valuations were determined by KGV [2018 : KGV], an independent valuer not connected with the Group, who have appropriate qualifications and recent experience in the fair value measurement of the properties in the relevant locations.

The market valuation was determined by adopting the market comparable method which considers recent transaction prices for similar properties in the vicinity. There has been no change to the valuation technique during the year for the freehold land and building on freehold land. In estimating the fair value of the properties, the highest and best use of the properties is the current use.



## NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

### Fair value measurement of the Group's investment properties

The fair value of the Group's investment properties are as disclosed above. The Group classified fair value measurement using a fair value hierarchy that reflects the nature and complexity of the significant inputs used in making the measurement.

Details of the Group's investment properties and information about the fair value hierarchy are as follows:

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Fair values \$'000
<u>As at June 30, 2019</u>				
Freehold land	-	-	1,495	1,495
Building on freehold land	-	-	542	542
Freehold properties	-	-	1,433	1,433
	-	-	3,470	3,470
<u>As at June 30, 2018</u>				
Freehold land	-	-	1,387	1,387
Building on freehold land	-	-	619	619
Freehold properties	-	-	1,495	1,495
	-	-	3,501	3,501
<u>As at January 1, 2017</u>				
Freehold land	-	-	1,317	1,317
Building on freehold land	-	-	557	557
Freehold properties	-	-	1,469	1,469
	-	-	3,343	3,343

There were no transfers between the levels during the year. Details of valuation techniques and significant unobservable inputs used in the fair value measurement are as follows:

Description	Fair values			Valuation techniques	Significant unobservable input(s)
	June 30, 2019 \$'000	June 30, 2018 \$'000	January 1, 2017 \$'000		
Freehold land	1,495	1,387	1,317	Comparable sales method	Price per square metre
Building on freehold land	542	619	557	Comparable sales method	Price per square metre
Freehold properties	1,433	1,495	1,469	Comparable sales method	Price per square metre

# NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019



## 19 INTANGIBLE ASSETS

<u>Group</u>	<u>Development cost</u> \$'000
<b>Cost:</b>	
At January 1, 2017	-
Addition	322
At June 30, 2018 and 2019	<u>322</u>
<b>Accumulated amortisation:</b>	
At January 1, 2017	-
Charge for the period	-
At June 30, 2018 and 2019	<u>-</u>
<b>Accumulated impairment:</b>	
At January 1, 2017 and June 30, 2018	-
Impairment loss during the year	322
At June 30, 2019	<u>322</u>
<b>Net carrying amount:</b>	
At June 30, 2019	<u>-</u>
At June 30, 2018	<u>322</u>
At January 1, 2017	<u>-</u>

## 20 GOODWILL

	Group		
	June 30, 2019 \$'000	June 30, 2018 \$'000	January 1, 2017 \$'000 (Restated)
At beginning of the year/period	3,968	3,929	718
Impairment loss during the year	(3,225)	-	-
Prior year adjustments (i)	-	-	3,225
Exchange differences	(23)	39	(14)
At end of period/year	<u>720</u>	<u>3,968</u>	<u>3,929</u>

- (i) Prior year adjustment arose due to revision of purchase consideration as a result of new information surfacing during the measurement period.



## NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

Goodwill acquired in a business combination is allocated to the cash generating units ("CGUs") that are expected to benefit from that business combination. The carrying amount of goodwill had been allocated to the CGUs as follows:

	Group		
	June 30, 2019	June 30, 2018	January 1, 2017
	\$'000	\$'000	\$'000 (Restated)
Cocosa Export S.A.	-	3,225	3,225
Apex-Pal (Malaysia) Sdn Bhd	720	743	704
	<u>720</u>	<u>3,968</u>	<u>3,929</u>

### Impairment testing of goodwill

The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired.

The recoverable amount of the CGU is determined from value-in-use calculations. The key assumptions for the value-in-use calculation are those regarding the discount rates, growth rates and expected changes to selling prices and direct costs during the period. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGU. The growth rates are based on industry growth forecasts. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market.

The pre-tax discount rate applied to the cash flow projections is 6% (2018 : range from 4.65% to 7%) per annum and reflects specific risks relating to the business segment and cash flows beyond the one-year period. The growth rates used are based on the historical trend.

At the end of the reporting period, any reasonably possible change to the key assumptions applied is not likely to cause the recoverable amounts to be below the carrying amounts of the CGU.

During the year, an impairment loss of \$3,225,000 has been recorded under other operating expenses in the consolidated statement of profit or loss. This is as a result of the derecognition of its subsidiary, Cocosa Export due to a loss in control (Note 2(iii)). Management is of the view that the investment made is not recoverable and accordingly, fully impaired the corresponding goodwill arising from acquisition.

## 21 BANK LOANS

	Group			Company		
	June 30, 2019	June 30, 2018	January 1, 2017	June 30, 2019	June 30, 2018	January 1, 2017
	\$'000	\$'000 (Restated)	\$'000	\$'000	\$'000 (Restated)	\$'000
Loan A (1) (Secured)	3,019	4,762	7,322	3,019	4,762	7,322
Loan A (2) (Secured)	44,360	44,360	37,500	44,360	44,360	37,500
Loan A (3) (Secured)	786	1,459	-	786	1,459	-
Loan B	765	1,500	2,000	765	1,500	2,000
Loan C (1) (Secured)	-	2,917	698	-	-	-
Loan C (2) (Secured)	-	-	2,431	-	-	-
Loan D	-	-	664	-	-	-
Bank overdrafts (Note 7)	1,071	-	-	-	-	-
	<u>50,001</u>	<u>54,998</u>	<u>50,615</u>	<u>48,930</u>	<u>52,081</u>	<u>46,822</u>
Less: Non-current portion of long term loans	-	-	(388)	-	-	-
Current portion	<u>50,001</u>	<u>54,998</u>	<u>50,227</u>	<u>48,930</u>	<u>52,081</u>	<u>46,822</u>



Details of the bank loans are set out below:

Loan A (1) A long-term bank loan of \$12,374,000 was raised to finance the construction of the operational headquarters, the leasehold building at Tai Seng Street [Note 17(iv)]. The bank loan carries variable interest at rates ranging between 1.98% and 3.15% (2018 : 1.94% and 2.75%) per annum. The 10 year term loan is repayable over 120 monthly instalments which commenced in February 2011. The outstanding loan amount is \$3,019,000 (2018 : \$4,762,000) at the end of reporting period. As the loan contains callable clause giving the bank unconditional rights to demand for repayment, the loan has been classified as current liability.

Loan A (2) Short-term bank loans of \$44,360,000 (2018 : \$44,360,000) bear interests at rates ranging from 3.15% to 3.32% (2018 : 2.27% to 2.95%) per annum and are renewable upon maturity for one to three months (2018 : one to three months).

Loan A (3) Trust receipts financing of \$786,000 (2018 : \$1,459,000) bear interests at rates ranging from 0.57% to 3.46% (2018 : 2.64% to 5.14%) per annum and are renewable upon maturity for one to three months (2018 : one to three months).

The Group has pledged the leasehold building [See Note 17(i)] with carrying amount of \$63 million (2018 : \$60.0 million) to secure the bank loans A (1), A (2) and A (3).

Loan B Short-term bank loans of \$765,000 (2018 : \$1,500,000) bear interest rates ranging from 4.14% to 4.31% (2018 : 3.27% to 3.68%) per annum and are renewable upon maturity for one to three months (2018 : one to three months). This loan is unsecured.

Loan C (1) In prior year, a long term bank loan was novated from a related party (Note 6) to the Group's newly acquired subsidiary (Note 35). This loan was raised to finance the purchase of a freehold land and building on freehold land which is pledged as security for the loan. The bank loan carries fixed interest rate at 5.38% per annum. The 3-year term loan is repayable over 12 quarterly instalments which commenced from April 2016. As at June 30, 2018, the outstanding loan amount was CLP\$1,321,971,481 (\$2,917,000). During the year, the subsidiary has been derecognised, as disclosed in Note 2(iii).

Loan C (2) As at January 1, 2017, the Group has pledged the freehold land and building on freehold land [See Note 17(iii)] with carrying amount of CLP\$2,335,228,000 (\$5,045,000) to secure the bank loan.

Loan D As at January 1, 2017, short-term bank loan of CLP\$307,295,000 (\$664,000) bore fixed interest rate at 5.38% per annum and was renewable upon maturity for three to six months. The loan was fully repaid in 2018.

Management is of the view that the carrying amounts of the above loans approximate fair values based on the borrowing rates currently available for bank loans with similar terms and maturity and the interest rates approximate the market interest rates.



## NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

### 22 TRADE PAYABLES

	Group			Company		
	June 30, 2019	June 30, 2018	January 1, 2017	June 30, 2019	June 30, 2018	January 1, 2017
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Outside parties	3,077	3,311	5,596	1,202	1,566	3,812
GST	301	183	-	67	58	-
Deferred revenue	630	559	1,061	335	195	510
	<u>4,008</u>	<u>4,053</u>	<u>6,657</u>	<u>1,604</u>	<u>1,819</u>	<u>4,322</u>

The average credit period on purchases of goods is 30 days (2018 : 30 days). No interest is charged for outstanding balances exceeding its credit period.

Deferred revenue arises from the Group's and Company's customer loyalty programmes. The consideration received in sales transaction is allocated between the loyalty award credits and the other component of the sales. The amount allocated to the loyalty award credits is determined by reference to its fair value and is deferred until the awards are redeemed or liability is extinguished.

### 23 OTHER PAYABLES AND ACCRUALS

	Group			Company		
	June 30, 2019	June 30, 2018	January 1, 2017	June 30, 2019	June 30, 2018	January 1, 2017
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
		(Restated)	(Restated)			
Accrued expenses	890	1,553	2,234	509	1,095	1,384
Other payables	1,443	2,348	1,141	671	885	485
Amount due to director <sup>(1)</sup>	-	260	283	-	260	283
Amount due to non-controlling interest <sup>(2)</sup>	-	-	3,225	-	-	-
	<u>2,333</u>	<u>4,161</u>	<u>6,883</u>	<u>1,180</u>	<u>2,240</u>	<u>2,152</u>

(1) Amount due to director is interest-free, unsecured and repayable on demand.

(2) Amount due to non-controlling interest relates to a revision of purchase consideration as a result of new information surfacing during the measurement period (Note 20). The amount is interest-free, unsecured and repayable within 12 months from the end of the financial period.

### 24 PROVISIONS

	Group			Company		
	June 30, 2019	June 30, 2018	January 1, 2017	June 30, 2019	June 30, 2018	January 1, 2017
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Provision for reinstatement costs	472	563	1,299	131	133	484
Provision for early termination of leases	-	17	3,317	-	-	2,218
Provision for bonus and utilities	78	168	-	-	-	-
	<u>550</u>	<u>748</u>	<u>4,616</u>	<u>131</u>	<u>133</u>	<u>2,702</u>

# NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019



## Movement of provision for reinstatement costs:

	Group			Company		
	June 30, 2019 \$'000	June 30, 2018 \$'000	January 1, 2017 \$'000	June 30, 2019 \$'000	June 30, 2018 \$'000	January 1, 2017 \$'000
Balance at beginning of the year/ period	563	1,299	744	133	484	342
Provision during the year/ period	-	-	643	-	-	214
Utilisation of provision during the year/ period	(63)	(593)	(49)	(2)	(210)	(33)
Reversal during the year/ period (Note 32)	(28)	(143)	(39)	-	(141)	(39)
Balance at end of the year/ period	472	563	1,299	131	133	484

## Movement of provision for early termination of leases:

	Group			Company		
	June 30, 2019 \$'000	June 30, 2018 \$'000	January 1, 2017 \$'000	June 30, 2019 \$'000	June 30, 2018 \$'000	January 1, 2017 \$'000
Balance at beginning of the year/ period	17	3,317	-	-	2,218	2,218
Provision during the year/ period (Note 32)	-	56	3,405	-	56	-
Utilisation of provision during the year/ period	(17)	(921)	(88)	-	(746)	-
Reversal during the year/ period (Note 32)	-	(2,435)	-	-	(1,528)	-
Balance at end of the year/ period	-	17	3,317	-	-	2,218

Provision for reinstatement costs relates to the dismantling, removing and restoring the premises to their original condition upon expiry of the lease.

Provision for early termination of leases are recognised on loss-making operating outlets that the Group has commenced negotiations with the respective landlords on early termination of leases prior to the end of the reporting period. The provision is made in accordance with the relevant clauses within the lease agreements entered into between the Group and the landlord, which include lease payments for the remaining lease period and any lease compensations.



## NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

### 25 DEFERRED TAX LIABILITIES

The following are the major deferred tax liabilities recognised by the Group and Company, and movements thereon, during the current and prior reporting periods:

	Revaluation reserve \$'000	Accelerated tax depreciation \$'000	Others \$'000	Total \$'000
<u>Group</u>				
At January 1, 2017	8,430	439	(405)	8,464
(Credit)/Charge to profit and loss (Note 31)	(648)	(228)	42	(834)
Charge to other comprehensive income	190	-	-	190
Exchange differences	-	18	(20)	(2)
At June 30, 2018	7,972	229	(383)	7,818
Charge to other comprehensive income	771	-	-	771
Charge to profit and loss (Note 31)	-	143	101	244
Exchange differences	(8)	(3)	(9)	(20)
At June 30, 2019	<u>8,735</u>	<u>369</u>	<u>(291)</u>	<u>8,813</u>

	Revaluation reserve \$'000	Accelerated tax depreciation \$'000	Total \$'000
<u>Company</u>			
At January 1, 2017	7,739	161	7,900
Reversal of deferred tax liabilities	-	184	184
Credit to profit or loss	(266)	-	(266)
At June 30, 2018	7,473	345	7,818
Charge to other comprehensive income	717	-	717
Credit to profit or loss	-	(159)	(159)
At June 30, 2019	<u>8,190</u>	<u>186</u>	<u>8,376</u>



# NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019



## 26 ISSUED CAPITAL

	Group and Company					
	June 30, 2019	June 30, 2018	January 1, 2017	June 30, 2019	June 30, 2018	January 1, 2017
	'000	'000	'000	\$'000	\$'000	\$'000
	<u>Number of ordinary shares</u>					
Issued and paid up:						
At beginning and end of the year/period	142,000	142,000	142,000	10,736	10,736	10,736

Fully paid ordinary shares, which have no par value, carry one vote per share and carry a right to dividends as and when declared by the Company.

The total number of issued shares (excluding treasury shares) was 139,472,000 (2018 : 139,472,000).

## 27 TREASURY SHARES

	Group and Company					
	June 30, 2019	June 30, 2018	January 1, 2017	June 30, 2019	June 30, 2018	January 1, 2017
	'000	'000	'000	\$'000	\$'000	\$'000
	<u>Number of ordinary shares</u>					
At beginning and end of the year/period	2,528	2,528	2,528	892	892	892

The Company acquired 2,528,000 of its own shares through purchases on the Singapore Exchange Securities Trading Limited in FY2013. The total amount paid to acquire the shares was \$892,000 and has been deducted from shareholders' equity. The shares are held as treasury shares.

## 28 REVALUATION RESERVE

The property revaluation reserve arises on the revaluation of the freehold land and building on freehold land, and leasehold building disclosed in Notes 17(ii), Note 17(iii) and 17(iv) to the financial statements respectively.



## NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

### 29 REVENUE

	Group	
	12 months from July 1, 2018 to June 30, 2019 \$'000	18 months from January 1, 2017 to June 30, 2018 \$'000
<b>Type of goods and services</b>		
Food and beverage sales	41,302	85,455
Rendering of service	3,454	6,030
Trading revenue	-	2,669
Total	<u>44,756</u>	<u>94,154</u>
<b>Timing of revenue recognition</b>		
At a point in time	<u>44,756</u>	<u>94,154</u>

### 30 OTHER OPERATING INCOME

	Group	
	12 months from July 1, 2018 to June 30, 2019 \$'000	18 months from January 1, 2016 to June 30, 2018 \$'000
Interest income	32	59
Rental income	3,659	5,192
Government grants	284	535
Exchange gain	-	1,517
Gain on disposal of property, plant and equipment	19	20
Dividend income from equity investment at fair value through profit or loss	308	99
Compensation received from law suit (Note 2(i)(v))	-	3,200
Write-back allowance for impairment loss in investment in associate (Note 15)	-	10,468
Others	387	874
Total	<u>4,689</u>	<u>21,964</u>

# NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019



## 31 INCOME TAX EXPENSE

	Group	
	12 months from July 1, 2018 to June 30, 2019 \$'000	18 months from January 1, 2017 to June 30, 2018 \$'000
Current tax expense	319	817
Under (Over) provision for current tax	80	(21)
Deferred tax expense/(credit) (Note 25):		
Current	(378)	(783)
Under (Over) provision in prior year	622	(51)
Withholding tax	-	121
Total income tax expenses	<u>643</u>	<u>83</u>

Domestic income tax expense is calculated at 17% (2018 : 17%) of the estimated assessable loss for the year/period. Taxation for other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

The total expense for the year/period can be reconciled to the accounting (loss)/profit as follows:

	Group	
	12 months from July 1, 2018 to June 30, 2019 \$'000	18 months from January 1, 2017 to June 30, 2018 \$'000 (Restated)
(Loss)/Profit before tax	<u>(13,121)</u>	<u>5,518</u>
Income tax (credit)/expenses calculated at 17% (2018 : 17%)	(2,231)	938
Tax effect of expense that are not deductible in determining taxable profit	1,660	1,632
Tax effect of income that are not taxable in determining taxable profit	(28)	(3,211)
Tax rebates and incentives	(42)	(89)
Effect of different tax rates of subsidiaries operating in other jurisdictions	(236)	(83)
Effect of unused tax losses not recognised as deferred tax assets	800	1,107
Withholding tax	-	121
Under (Over) provision of:		
Current tax	80	(21)
Deferred tax	622	(51)
Others	18	(260)
	<u>643</u>	<u>83</u>



## NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

### Unrecognised tax losses, capital allowances and other temporary differences

As at June 30, 2019, the Group has tax losses of approximately \$9,719,000 (2018 : \$5,340,000) that are available for offset against future taxable profits, for which no deferred tax assets are recognised on these amounts due to uncertainty of their utilisation. The utilisation of the tax losses is subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation of the respective countries in which the companies operate.

### 32 (LOSS)/PROFIT FOR THE YEAR/PERIOD

This has been arrived at after charging (crediting):

	Group	
	12 months from July 1, 2018 to June 30, 2019 \$'000	18 months from January 1, 2016 to June 30, 2018 \$'000
Directors' remuneration	975	1,462
Remuneration paid to immediate family members of the Chief Executive Officer	161	242
Directors' fees	85	150
Audit fees:		
Paid to auditors of the Company	115	124
Paid to other auditors	81	59
Non-audit fees:		
Paid to other auditors	10	7
Employee benefits expense (including directors' remuneration)	16,573	30,970
Defined contribution plan (included in employee benefits expense)	1,251	2,534
Cost of inventories recognised as expense	16,628	37,743
Rental expenses (as included in "other operating expenses")	7,776	14,538
Contingent rental expenses of the leased premises included in rental expenses	78	203
Loss allowance (reversed) recognised on trade receivables, net	(187)	91
Loss allowance recognised on other receivables	2,775	-
Reversal of early termination of leases	-	(2,379)
Reversal of reinstatement costs	(28)	(143)
Depreciation of investment properties	24	51
Depreciation of property, plant and equipment	2,807	5,329
Loss on derecognition of subsidiary	3,446	-
Impairment loss on intangible asset	322	-
Write-off of property, plant and equipment	968	1,061
Impairment of property, plant and equipment	493	4
Net foreign exchange losses (gains)	464	(1,517)
Allowance for inventory obsolescence	-	5,695
Gain (loss) on disposal of fixed assets	(19)	133
Fair value loss on equity investment at FVTPL	311	744

## NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019



### 33 BASIC AND DILUTED (LOSS) EARNINGS PER SHARE (CENTS)

	Group	
	12 months from July 1, 2018 to June 30, 2019	18 months from January 1, 2017 to June 30, 2018 (Restated)
(Loss)/Profit after tax attributable to equity holders of the Company (\$'000)	(13,764)	5,493
Weighted average number of ordinary shares for the purposes of basic earnings per share ('000)	139,472	139,472
Basic earnings per share (cents)	(9.87)	3.94

There is no dilution of earnings per share as no share options were granted.

### 34 OPERATING LEASE ARRANGEMENTS

	Group and Company	
	12 months from July 1, 2018 to June 30, 2019 \$'000	18 months from January 1, 2017 to June 30, 2018 \$'000
<u>The Group as lessee</u>		
Minimum lease payments under operating leases	7,776	14,538

At the end of the reporting period, the Group has outstanding commitments under non-cancellable operating leases, which fall due as follows:

	Group and Company	
	June 30, 2019 \$'000	June 30, 2018 \$'000
Within one year	6,591	7,654
In the second to fifth years inclusive	6,951	8,536
After five years	21,009	18,515
Total	34,551	34,705

Operating lease payments include rentals payable by the Group for certain of its office and shop premises. Leases are negotiated for an average term of three years. Some of the leases contain escalation clauses and provide for contingent rentals based on percentages of sales. Lease terms do not contain restrictions on the Group's activities concerning dividends, additional debt or further leasing.



## NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

### The Group as lessor

The Group rents out portions of a building under non-cancellable operating leases.

At the end of the reporting period, the Group has the following future minimum lease receipts:

	<u>Group and Company</u>	
	12 months from July 1, 2018 to June 30, 2019 \$'000	18 months from January 1, 2017 to June 30, 2018 \$'000
Within one year	2,978	2,500
In the second to fifth years inclusive	1,305	2,954
	<u>4,283</u>	<u>5,454</u>

### 35 ACQUISITION OF SUBSIDIARY

On March 4, 2016, the Company entered into a Framework Agreement with Julio Leonardo Pérez Gutiérrez ("JLPG"), the ultimate owner of Cocosa Export S.A. ("Cocosa Export").

Cocosa Export is a company incorporated in Chile which is primarily engaged in the production and trading of canned and frozen seafood (the "Business"). Pursuant to the Framework Agreement, the Company collaborated with JLPG for the purposes of participating in the Business (the "Collaboration").

The Collaboration is carried out as follows:

- Step 1: the entire issued and paid-up capital of a subsidiary, Cocosa Holdings Pte. Ltd. ("Cocosa Holdings", which wholly-owned Cocosa Asia Pte. Ltd.) was transferred to JLPG (the "Cocosa Holdings Transfer");
- Step 2: upon completion of the Cocosa Holdings Transfer, JLPG procured the sale and transfer of the entire issued and paid-up capital of Cocosa Export (the "Cocosa Export Shares") to Cocosa Holdings, pursuant to which Cocosa Holdings holds 99% of the equity interest in Cocosa Export, with remaining 1% being held by JLPG; and
- Step 3: a wholly-owned subsidiary of the Group, Sakae Global Resources Pte. Ltd., subscribed for such number of shares in Cocosa Holdings, being increase in share capital by way of issuance of new shares, such that the effective shareholding of the Group and JLPG in Cocosa Holdings, Cocosa Asia and Cocosa Export be 51% and 49% respectively ("Acquisition of Cocosa Group").

On October 18, 2016, the Group completed the Collaboration, for a total capital injection of US\$3,000,000 (\$4,175,000) to be made in the following manner:

- 1) US\$1,000,000 by way of capitalisation of the equivalent amount from the outstanding sum due and owing from Cocosa Export to the Group, which was recorded as "Advance to supplier" (Note 9) in 2015; and
- 2) US\$2,000,000 within the second year of Completion (the "Second Year"), but no later than the end of the Second Year.

Management considered the effective date of the acquisition to be October 1, 2016. This transaction has been accounted for by the acquisition method of accounting.

## NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019



(a) Assets acquired and liabilities assumed at the date of acquisition:

	January 1, 2017 \$'000
Current assets:	
Cash and cash equivalents	251
Trade receivables	156
Other receivables and prepayments	3,863
Income tax recoverable	282
Total current assets	<u>4,552</u>
Non-current asset:	
Property, plant and equipment	<u>5,197</u>
Current liabilities:	
Bank loans	(2,912)
Trade payables	(44)
Other payables and accruals	(3,734)
Income tax payable	(35)
Total current liabilities	<u>(6,725)</u>
Non-current liabilities:	
Bank loans	(729)
Deferred tax liabilities	(433)
Total non-current liabilities	<u>(1,162)</u>
Net assets acquired	<u><u>1,862</u></u>

The accounting for the acquisition of Cocosa Group has been determined based on the necessary market valuations and other calculations for the items listed.

(b) Non-controlling interest:

The non-controlling interest arising from the Acquisition of Cocosa Group recognised at the acquisition date was measured by reference to the fair value of its net assets as at September 30, 2016, which amounted to \$1,215,000.



## NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

(c) Gain on acquisition of subsidiary:	January 1, 2017 \$'000
Fair value of identifiable net assets disposed (arising from Step 1 of the Collaboration)	618
Fair value of identifiable net assets acquired (arising from Step 3 of the Collaboration)	<u>(2,480)</u>
Net fair value of identifiable net assets acquired arising from the Collaboration	(1,862)
Less: Non-controlling interest	<u>1,215</u>
Gain on acquisition of subsidiary, recorded under other operating income during the year ended December 31, 2016	<u><u>(647)</u></u>

The Collaboration is in such a way whereby the capital injection amount of \$4,175,000 is to acquire new shares issued by Cocosa Holdings, as such the capital injection amount will remain within the Group.

- (d) In 2016, the purchase consideration in accordance with the Framework Agreement of US\$3,000,000 (\$4,175,000) was treated as a capital injection into Cocosa Holdings. During the period ended June 30, 2018, management re-assessed and agreed with JLPG that the US\$3,000,000 (\$4,175,000) should be treated as a payment to JLPG for him to dilute his shareholdings in Cocosa Export from 100% to 49%, instead of a capital injection. As a result of new information surfacing during the measurement period which existed as of the acquisition date, an adjustment to the purchase consideration was made resulting in the recognition of goodwill of \$3,225,000 (Note 20).
- (e) During the year, the Group has derecognised Cocosa Export, on grounds that management has lost control over it. This is further evidenced by the inability of the Group to obtain the management accounts and to direct the operations unilaterally, as disclosed in Note 2(iii).



## NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019



Details of the derecognition are as follows:

	Group 2019 \$'000
Current assets:	
Cash and cash equivalents	157
Trade receivables	1,165
Other receivables and prepayments	4,223
Inventories	392
Total current assets	<u>5,937</u>
Non-current assets:	
Goodwill	3,225
Property, plant and equipment	5,392
Total non-current assets	<u>8,617</u>
Current liabilities:	
Bank loans	(2,344)
Trade payables	(85)
Other payables and accruals	(7,559)
Income tax payable	(11)
Total current liabilities	<u>(9,999)</u>
Net assets disposed	<u>4,555</u>
Loss on derecognition:	
	Group 2019 \$'000
Consideration on derecognition	-
Net assets derecognised	(4,555)
Non-controlling interest derecognised	1,323
Effects of exchange differences in respect of net assets reclassified from equity on loss of control	<u>(214)</u>
Loss on derecognition	<u>(3,446)</u>

The loss on derecognition of the subsidiary is recorded as part of 'other operating expenses' in the consolidated statement of profit or loss. Additionally, the Group recognised a loss allowance of \$2,791,000 arising from receivables due from Cocosa Export (Note 9).



## NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

### 36 SEGMENT INFORMATION

#### **Products and services from which reportable segments derive their revenues**

Information reported to the Group's chief operating decision maker for the purposes of resource allocation and assessment of segment performance is specifically focused on the category of each type of goods and services. The Group's reportable segments under SFRS(I) 8 *Operating Segments* are therefore as follows:

- Sakae Sushi, which is the main brand in provision of food and beverages to retail customers from the general public.
- Other products and services, which is inclusive of other brands and services offered by the Group namely Sakae Teppanyaki, Sakae Delivery, Hei Sushi, Senjyu, Sachi, Crepes & Cream and Nouvelle Events. Each of these does not constitute 10% or more of total Group's revenue, profit for the year and assets.

Information regarding the Group's reportable segments is presented below.

# NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019



## Segment revenues and results

The following is an analysis of the Group's revenue and results by reportable segment:

	Revenue		Net profit (loss)	
	12 months from July 1, 2018 to June 30, 2019 \$'000	18 months from January 1, 2017 to June 30, 2018 \$'000	12 months from July 1, 2018 to June 30, 2019 \$'000	18 months from January 1, 2017 to June 30, 2018 \$'000 (Restated)
Sakae Sushi	41,302	85,455	(3,662)	166
Other products and services	3,454	8,699	902	(3,385)
<b>Total</b>	<b>44,756</b>	<b>94,154</b>	<b>(2,760)</b>	<b>(3,219)</b>
Central administration costs and directors' salaries			(7,224)	(9,805)
Other operating income			4,657	21,905
Loss on derecognition of subsidiary			(6,237)	-
Non-operating expenses			-	(1,463)
Interest income			32	59
Finance costs			(1,589)	(1,959)
(Loss)/Profit before tax			(13,121)	5,518
Income tax expense			(643)	(83)
(Loss)/Profit for the year/period			(13,764)	5,435

The accounting policies of the reportable segments are the same as the Group's accounting policies described in Note 3. Segment profit represents the profit earned by each segment without allocation of central administration costs and directors' salaries, other operating income and finance costs, and income tax expense. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

## Segment assets

	June 30, 2019 \$'000	June 30, 2018 \$'000
Sakae Sushi	8,255	9,678
Other products and services	7,875	16,911
<b>Total segment assets</b>	<b>16,130</b>	<b>26,589</b>
Unallocated assets	81,996	88,690
<b>Consolidated total assets</b>	<b>98,126</b>	<b>115,279</b>

For the purposes of monitoring segment performance and allocating resources between segments, the chief operating decision maker monitors the tangible and certain financial assets attributable to each segment.

All assets are allocated to reportable segments other than corporate assets.



## NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

### Other segment information

	Depreciation		Additions to property, plant and equipment	
	12 months from July 1, 2018 to June 30, 2019	18 months from January 1, 2017 to June 30, 2018	12 months from July 1, 2018 to June 30, 2019	18 months from January 1, 2017 to June 30, 2018
	\$'000	\$'000	\$'000	\$'000
Sakae Sushi	697	2,834	-	575
Other products and services	331	795	721	549
Unallocated corporate items	1,779	1,700	-	12
<b>Total</b>	<b>2,807</b>	<b>5,329</b>	<b>721</b>	<b>1,136</b>

### Geographical segments

In line with the Group's business strategy, the Group's operations are located mainly in Singapore and Malaysia. The segmental information for geographical regions is based on the locations of customers.

	Revenue		Non-current assets	
	12 months from July 1, 2018 to June 30, 2019	18 months from January 1, 2017 to June 30, 2018	June 30, 2019	June 30, 2018
	\$'000	\$'000	\$'000	\$'000
Singapore	27,883	53,945	74,900	76,452
Malaysia	16,494	32,900	8,832	9,897
Chile	-	5,501	-	5,280
Others	379	1,808	-	478
<b>Total</b>	<b>44,756</b>	<b>94,154</b>	<b>83,732</b>	<b>92,107</b>

No information about major customers is presented as the Group provides its goods and services to the general public as a whole.

### 37 ADOPTION OF A NEW FINANCIAL REPORTING FRAMEWORK

The Group and the Company adopted the new financial reporting framework – Singapore Financial Reporting Standards (International) ("SFRS(I)") for the first time for financial year ended June 30, 2019 and SFRS(I) 1 First-time Adoption of Singapore Financial Reporting Standards (International) has been applied in the first set of SFRS(I) financial statements. SFRS(I) is identical to the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board (IASB).



As a first-time adopter of SFRS(I), the Group and the Company are to apply retrospectively, accounting policies based on each SFRS(I) effective as at end of the first SFRS(I) reporting period (June 30, 2018), except for areas of exceptions and optional exemptions set out in SFRS(I) 1. In the first set of SFRS(I) financial statements for the financial year ended June 30, 2019, an additional opening statement of financial position as at date of transition (January 1, 2017) is presented, together with related notes. Reconciliation statements from previously reported FRS amounts and explanatory notes on transition adjustments are required for equity as at date of transition (January 1, 2017) and as at end of last financial period under FRS (June 30, 2018), and for total comprehensive income and cash flows reported for the last financial period under FRS (for the period ended June 30, 2018). Additional disclosures are made for specific transition adjustments if applicable.

There is no change to the Group's and the Company's previous accounting policies under FRS or material adjustments on the initial transition to the new framework, other than those arising from implementing certain new SFRS(I) pronouncements effective at the same time (see below), and the election of certain transition options available under SFRS(I) 1.

As management has not elected for transition options, there are no corresponding financial impact.

### SFRS(I) 9 Financial Instruments

SFRS(I) 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) impairment of financial assets and 3) general hedge accounting. Details of these new requirements as well as their impact on the financial statements are described below.

The Group applied SFRS(I) 9 with an initial application date of July 1, 2018. The Group has not restated the comparative information, which continues to be reported under FRS 39.

#### (a) Classification and measurement of financial assets and financial liabilities

The Group has applied the requirements of SFRS(I) 9 to instruments that have not been derecognised as at July 1, 2018 and has not applied the requirements to instruments that have already been derecognised as at July 1, 2018. The classification of financial assets is based on two criteria: the Group's business model for managing the assets and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding. There are no changes in classification and measurement of the Group's and Company's financial assets and financial liabilities, apart from the change in classification and accounting treatment of the held-for-trading investment and available-for-sale investments under FRS 39 to financial asset at fair value through profit and loss ("FTVPL") under SFRS(I) 9. This change has no impact on the opening accumulated losses.



## NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

### (b) Impairment of financial assets

SFRS(I) 9 requires an expected credit loss model as opposed to an incurred credit loss model under FRS 39. The expected credit loss model requires the Group to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets. It is no longer necessary for a credit event to have occurred before credit losses are recognised.

Specifically, SFRS(I) 9 requires the Group to recognise a loss allowance for expected credit losses on i) debt investments subsequently measured at amortised cost, ii) lease receivables and iii) loan commitments to which the impairment requirements of SFRS(I) 9 apply. The application of SFRS(I) 9 has not resulted in additional loss allowance. The accounting policies for financial instruments under SFRS(I) 9 are set out in Note 3.

### SFRS(I) 15 Revenue from Contracts with Customers

In the current year, the Group has applied SFRS(I) 15 *Revenue from Contracts with Customers*. SFRS(I) 15 introduced a 5-step approach to revenue recognition. Far more prescriptive guidance has been added in SFRS(I) 15 to deal with specific scenarios. Details of the new requirements as well as their impact on the Group's consolidated financial statements are described below.

The Group's accounting policies for its revenue streams are disclosed in detail in Note 3. Apart from providing more extensive disclosures for the Group's revenue transactions, the application of SFRS(I) 15 does not result in a significant impact on the financial performance of the Group.

## 38 PRIOR YEAR'S ADJUSTMENTS AND COMPARATIVE FIGURES

The comparative financial statements of the Group and Company has been restated due to the following:

- (i) New information surfaced during the year which confirm circumstances that existed as at June 30, 2018 that the Company had lost significant influence over its associates on the date the associates are placed under liquidation by the High Court. This has resulted in a reclassification from cost of investments in associates to available-for-sale investments in "other investments" as at June 30, 2018;
- (ii) Relates to the reclassification of non-current bank loans to current bank loans due to recallable clause within the bank loan agreement;
- (iii) Errors amounting to \$489,000 relating to gain on liquidation of a subsidiary during the financial period from January 1, 2017 to June 30, 2018 wrongly recorded by the Group directly in the shareholders' equity; and
- (iv) Revision to purchase consideration as a result of information surfacing during the measurement period which should have been recorded at the time of acquisition.
- (v) Relates to amount due from subsidiaries incorrectly recorded as goodwill on the Company's statement of financial position as at June 30, 2018.

# NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019



The effects of the restatement on the accounts for the year ended June 30, 2018 are as follows:

## Group

### Consolidated statement of financial position

As at June 30, 2018

	Previously reported	Restatements	Restated
	\$'000	\$'000	\$'000
Other investments	105	10,468 <sup>(i)</sup>	10,573
Associates	10,468	(10,468) <sup>(i)</sup>	-
Bank loan (current)	51,125	3,873 <sup>(ii)</sup>	54,998
Bank loan (non-current)	3,873	(3,873) <sup>(ii)</sup>	-

### Consolidated statement of profit or loss and other comprehensive income

Financial period from January 1, 2017 to June 30, 2018

	Previously reported	Restatements	Restated
	\$'000	\$'000	\$'000
Non-operating expenses	(1,952)	489 <sup>(iii)</sup>	(1,463)

### Consolidated statement of changes of equity

Financial period from January 1, 2017 to June 30, 2018

	Previously reported	Restatements	Restated
	\$'000	\$'000	\$'000
Liquidation of subsidiary being transaction with owners, recognised directly in equity	489	(489) <sup>(iii)</sup>	-

### Consolidated statement of financial position

As at December 31, 2016

	Previously reported	Restatements	Restated
	\$'000	\$'000	\$'000
Goodwill	-	3,225 <sup>(iv)</sup>	3,225
Other payables and accruals	3,658	3,225 <sup>(iv)</sup>	6,883



## NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

### Company

#### Statement of financial position

As at June 30, 2018

	Previously reported \$'000	Restatements \$'000	Restated \$'000
Other investments	-	6,792 <sup>(i)</sup>	6,792
Associates	6,792	(6,792) <sup>(i)</sup>	-
Bank loan (current)	48,208	3,873 <sup>(ii)</sup>	52,081
Bank loan (non-current)	3,873	(3,873) <sup>(ii)</sup>	-
Due from subsidiaries	18,897	3,225 <sup>(v)</sup>	22,122
Goodwill	3,225	(3,225) <sup>(v)</sup>	-

The current year's financial statements covers 12 months from July 1, 2018 to June 30, 2019. The comparative financial statements covers 18 months from January 1, 2017 to June 30, 2018 due to a change in financial year from December 31 to June 30.





## STATISTIC OF SHAREHOLDINGS

As at 19 September 2019

### SHAREHOLDERS' INFORMATION AS AT 19 SEPTEMBER 2019

Total number of issued shares	: 142,000,000
Total number of issued shares excluding treasury shares and subsidiary holdings	: 139,472,000
Total number and percentage of treasury shares	: 2,528,000 (1.81%)
Total number and percentage of subsidiary holdings	: Nil
Class of shares	: Ordinary shares
Voting rights	: One vote per share

The Company cannot exercise any voting rights in respect of ordinary shares held by it as treasury shares.

### DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 - 99	5	0.52	118	0.00
100 - 1,000	613	63.39	92,360	0.07
1,001 - 10,000	168	17.37	803,319	0.58
10,001 - 1,000,000	171	17.68	16,951,012	12.15
1,000,001 AND ABOVE	10	1.04	121,625,191	87.20
<b>TOTAL</b>	<b>967</b>	<b>100.00</b>	<b>139,472,000</b>	<b>100.00</b>

### TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	RAFFLES NOMINEES (PTE.) LIMITED	60,042,600	43.05
2	DOUGLAS FOO PEOW YONG	31,926,740	22.89
3	KGI SECURITIES (SINGAPORE) PTE. LTD	13,860,000	9.94
4	GOH KHOON LIM	4,320,000	3.10
5	OCBC SECURITIES PRIVATE LIMITED	4,091,100	2.93
6	LIM SONG CHIANG	1,759,000	1.26
7	PHILLIP SECURITIES PTE LTD	1,754,600	1.26
8	JOSEPH QUEK	1,561,600	1.12
9	MAYBANK KIM ENG SECURITIES PTE. LTD.	1,225,551	0.88
10	TAN KEK LEA (CHEN JILI)	1,084,000	0.78
11	LOW BEIJING (LIU BEIJING)	820,000	0.59
12	FOO KIA HEE	770,100	0.55
13	CITIBANK NOMINEES SINGAPORE PTE LTD	722,000	0.52
14	TAN YIM HENG	707,500	0.51
15	DBS NOMINEES (PRIVATE) LIMITED	684,900	0.49
16	TAN YEOW LEONG BOBBY (CHEN YAOLONG BOBBY)	626,100	0.45
17	ALEXANDER THOMAS ZBORAY	596,000	0.43
18	GOH FUQIANG KENNETH	581,000	0.42
19	HON LAI KYUEN	500,000	0.36
20	PEK ENG LEONG	492,100	0.35
<b>TOTAL</b>		<b>128,124,891</b>	<b>91.88</b>



## STATISTIC OF SHAREHOLDINGS

As at 19 September 2019

### SUBSTANTIAL SHAREHOLDERS

Substantial shareholders of the Company (as recorded in the Register of Substantial Shareholders) as at 19 September 2019.

Name	Direct Interest	No. of Ordinary shares		% <sup>(3)</sup>
		% <sup>(3)</sup>	Deemed Interest	
Douglas Foo Peow Yong	31,926,740	22.89	60,000,100 <sup>(1)</sup>	43.02
Goh Khoon Lim	4,320,000	3.10	13,860,000 <sup>(2)</sup>	9.94

Notes:

- (1) Mr Douglas Foo Peow Yong is deemed to be interested in 100 shares held by his wife, Ms Koh Yen Khoon and 60,000,000 shares held in trust by Raffles Nominees (Pte) Ltd.
- (2) Mr Goh Khoon Lim is deemed interested in 13,860,000 shares held by KGI Securities Singapore Pte. Ltd.
- (3) Percentage is based on 139,472,000 shares (excluding treasury shares and subsidiary holdings) as at 19 September 2019.

### FREE FLOAT

As at 19 September 2019, approximately 20.50% of the total number of issued shares excluding treasury shares and subsidiary holdings was held in the hands of the public (on the basis of information available to the Company).

Accordingly, the Company has complied with Rule 723 of the Listing Manual of the Singapore Exchange Securities Trading Limited.

### TREASURY SHARES

As at 19 September 2019, the Company held 2,528,000 treasury shares, representing 1.81% of the total issued shares excluding treasury shares and subsidiary holdings.

## NOTICE OF ANNUAL GENERAL MEETING



**NOTICE IS HEREBY GIVEN** that the Annual General Meeting (“**Meeting**”) of Sakae Holdings Ltd. (the “**Company**”) will be held at 28 Tai Seng Street, Sakae Building, Level 7, Singapore 534106, on Tuesday, 29 October 2019 at 3.00 p.m. for the following purposes:

### Ordinary Business

1. To receive and adopt the Directors’ Statements and Audited Financial Statements of the Company for the financial year ended 30 June 2019 together with the Auditors’ Report thereon. **(Resolution 1)**

2. To re-elect Mr Douglas Foo Peow Yong retiring by rotation pursuant to Article 91 of the Company’s Constitution and who, being eligible, offers himself for re-election. **(See Explanatory Note (i)) (Resolution 2)**

*Mr Douglas Foo Peow Yong will, upon re-election as a Director of the Company, remain as member of the Remuneration Committee and Nominating Committee.*

3. To re-elect Mr Loh Chee Peng retiring by rotation pursuant to Article 97 of the Company’s Constitution and who, being eligible, offers himself for re-election. **(See Explanatory Note (ii)) (Resolution 3)**

*Mr Loh Chee Peng will, upon re-election as a Director of the Company, remain as Chairman of the Audit Committee and member of the Remuneration Committee. He will be considered independent for the purposes of Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited.*

4. To note the retirement of Mr Chan Wing Leong as a Director of the Company.
5. To note the retirement of Mr Foo Maw Shen as a Director of the Company.
6. To approve the payment of Directors’ fees of S\$85,000 (FY2018: S\$150,000) for the financial year ended 30 June 2019. **(Resolution 4)**
7. To re-appoint Messrs Deloitte & Touche LLP as the Company’s Auditors and to authorise the Directors to fix their remuneration. **(Resolution 5)**
8. To transact any other ordinary business which may properly be transacted at an Annual General Meeting.

### Special Business

To consider and if thought fit, to pass the following resolution as Ordinary Resolution, with or without any modifications:

9. Authority to allot and issue shares

“That pursuant to Section 161 of the Companies Act, Cap. 50 and Rule 806(2) of the Listing Manual of the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”), authority be and is hereby given to the Directors of the Company to:-

- (a) (i) issue shares in the capital of the Company (“shares”) whether by way of rights, bonus or otherwise; and/or
- (ii) make or grant offers, agreements or options (collectively, “Instruments”) that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into shares,

at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion deem fit; and

- (b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any Instrument made or granted by the Directors while this Resolution was in force,



## NOTICE OF ANNUAL GENERAL MEETING

provided that:

- (1) the aggregate number of shares to be issued pursuant to this Resolution (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed fifty per cent. (50%) of the Company's total number of issued shares [excluding treasury shares and shares (if any) held by a subsidiary] (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares to be issued other than on a pro-rata basis to existing shareholders of the Company (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed twenty per cent. (20%) of the Company's total number of issued shares [excluding treasury shares and shares (if any) held by a subsidiary] (as calculated in accordance with sub-paragraph (2) below). Unless prior shareholder approval is required under the Listing Manual of the SGX-ST, an issue of treasury shares will not require further shareholder approval, and will not be included in the aforementioned limits.
  - (2) (subject to such manner of calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (1) above, the total number of issued shares [excluding treasury shares and shares (if any) held by a subsidiary] is based on the Company's total number of issued shares excluding treasury shares and shares (if any) held by a subsidiary at the time this Resolution is passed, after adjusting for:
    - (i) new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time this Resolution is passed; and
    - (ii) any subsequent bonus issue, consolidation or subdivision of shares;
  - (3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Constitution for the time being of the Company; and
  - (4) (unless revoked or varied by the Company in general meeting) the authority conferred by this Resolution shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier." **(See Explanatory Note (iii)) (Resolution 6)**
10. To grant approval for the proposed Share Buyback Mandate

"That:

- (a) for the purposes of Section 76C and 76E of the Companies Act, Chapter 50 (the "**Companies Act**"), approval be given for the exercise by the Directors of the Company of all the powers of the Company to purchase or otherwise acquire issued ordinary shares in the capital of the Company ("**Shares**") not exceeding in aggregate the Maximum Percentage (as hereafter defined), and subject to the Minimum Free Float (as hereinafter defined) at such price or prices as may be determined by the Directors from time to time up to the Maximum Price (as hereafter defined), whether by way of:
  - (i) on-market purchase(s), transacted on the trading system of the Singapore Exchange Securities Trading Limited ("**SGX-ST**") ("**On-Market Share Purchases**"; and/or
  - (ii) off-market purchase(s) (if effected otherwise than on the SGX-ST) in accordance with any equal access scheme(s) as may be determined or formulated by the Directors of the Company as they consider fit, which scheme(s) shall satisfy all the conditions prescribed by the Companies Act ("**Off-Market Share Purchases**"),

and otherwise in accordance with all other laws and regulations and rules of the SGX-ST as may for the time being be applicable (the "**Share Buyback Mandate**");



## NOTICE OF ANNUAL GENERAL MEETING

- (b) any Share that is purchased or otherwise acquired by the Company pursuant to the Share Buyback Mandate shall, at the absolute discretion of the Directors, either be cancelled, transferred for the purposes of or pursuant to the share incentive schemes implemented by the Company, or held in treasury and dealt with in accordance with the Companies Act;
- (c) unless varied or revoked by the Company in general meeting, the authority conferred on the Directors of the Company pursuant to the Share Buyback Mandate may be exercised by the Directors at any time and from time to time during the period commencing from the date of the passing of this Resolution and expiring on the earliest of:
  - (i) the conclusion of the next annual general meeting of the Company (“**AGM**”);
  - (ii) the date by which the next AGM of the Company is required to be held;
  - (iii) the date on which the purchases or acquisitions of Shares by the Company pursuant to the Share Buyback Mandate are carried out to the full extent mandated;
  - (iv) the date on which the authority conferred by the Share Buyback Mandate is varied or revoked by ordinary resolution of the Company in general meeting;

- (d) in this Resolution:

“**Maximum Percentage**” means the number of Shares representing five per cent (5%) of the total issued ordinary share capital of the Company (excluding treasury shares and subsidiary holdings, if any) as at the date of the passing of this Ordinary Resolution unless the Company has effected a reduction of the share capital of the Company in accordance with the applicable provisions of the Companies Act, at any time during the Relevant Period (as hereinafter defined), in which event the issued ordinary share capital of the Company shall be taken to be the amount of the issued ordinary share capital of the Company as altered (excluding any treasury shares that may be held by the Company from time to time);

“**Relevant Period**” means the period commencing from the date on which this Ordinary Resolution is passed and expiring on the earliest of (i) the date the next AGM of the Company is held or is required to be held, or (ii) the date on which the purchases of the Shares are carried out to the full extent mandated, under the Share Buyback Mandate, or (iii) the date on which the Share Buyback Mandate is varied or superseded by resolution of the shareholders of the Company in general meeting;

“**Minimum Free Float**” means at least ten per cent (10%) of the total number of issued Shares of the Company (excluding Treasury Shares, preference shares and convertible equity securities) in a class that is listed is at all times held by the public;

“**Maximum Price**” in relation to a Share to be purchased or acquired, means the purchase price (excluding brokerage, commission, applicable goods and services tax and other related expenses) which shall not exceed:

- (i) in the case of an On-Market Purchase, one hundred and five per cent (105%) of the Average Closing Price of the Shares; and
- (ii) in the case of an Off-Market Purchase, one hundred and twenty per cent (120%) of the Average Closing Price of the Shares.

“**Average Closing Price**” means:

- (i) in the case of a Market Purchase, the average of the closing market prices of a Share over the last five (5) Market Days on which the Shares are transacted on the SGX-ST, immediately preceding the date of the Market Purchase by the Company; or



## NOTICE OF ANNUAL GENERAL MEETING

- (ii) in the case of an Off-Market Purchase, the average of the closing market prices of a Share over the last five (5) Market Days on which the Shares are transacted on the SGX-ST, immediately preceding the date of the making of the offer pursuant to the Off-Market Purchase, and deemed to be adjusted in accordance with the listing rules of the SGX-ST for any corporate action that occurs after the relevant five (5)-day period;

“**day of the making of the offer**” means the date on which the Company announces its intention to make an offer for the purchase or acquisition of Shares from holders of Shares, stating therein the purchase price (which shall not be more than the Maximum Price for an Off-Market Purchase calculated on the foregoing basis) for each Share and the relevant terms of the equal access scheme for effecting the Off-Market Purchase;

- (e) the Directors of the Company and/or any of them be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) as they and/or he may consider expedient or necessary to give effect to the transactions contemplated and/or authorised by this Resolution.” **(See Explanatory Note (iv))** **(Resolution 7)**

By Order of the Board

Chan Lai Yin  
Company Secretary

Singapore, 14 October 2019

### Explanatory Notes:

- (i) The detailed information of Mr Douglas Foo Peow Yong can be found under the section entitled ‘Board of Directors’ of the Annual Report. Mr Douglas Foo Peow Yong is a brother of Ms Foo Lilian, the Executive Director / Chief Executive Officer. Save for this relationship, Mr Douglas Foo Peow Yong has no relationship (including immediate family relationships) with the other Directors, the Company or its 10% shareholders.
- (ii) The detailed information of Mr Loh Chee Peng can be found under the section entitled ‘Board of Directors’ of the Annual Report. Mr Loh Chee Peng has no relationship (including immediate family relationships) with the other Directors, the Company or its 10% shareholders.
- (iii) Ordinary Resolution 6 is to empower the Directors from the date of the above Meeting until the date of the next Annual General Meeting, to allot and issue shares and convertible securities in the Company. The aggregate number of shares (including any shares issued pursuant to the convertible securities) which the Directors may allot and issue under this Resolution will not exceed fifty per cent. (50%) of the Company’s total number of issued shares excluding treasury shares and shares (if any) held by a subsidiary of the Company. For issues of shares other than on a pro rata basis to all shareholders, the aggregate number of shares to be issued will not exceed twenty per cent. (20%) of Company’s total number of issued shares excluding treasury shares and shares (if any) held by a subsidiary of the Company. This authority will, unless previously revoked or varied at a general meeting, expire at the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier. However, notwithstanding the cessation of this authority, the Directors are empowered to issue shares pursuant to any Instrument made or granted under this authority.
- (iv) Ordinary Resolution 7, if passed, will empower the Directors of the Company to make purchases or otherwise acquire the Company’s issued Shares from time to time subject to and in accordance with the guidelines set out in the Appendix accompanying this Notice. The authority will expire at the next annual general meeting of the Company or the date by which the next annual general meeting of the Company is required by law to be held, whichever is earlier, unless previously revoked or waived at a general meeting. Please refer to the Appendix for more details.



## NOTICE OF ANNUAL GENERAL MEETING

### Notes:

1. A member entitled to attend and vote at the Meeting is entitled to appoint one or two proxies to attend and vote in his stead, subject to note 3 below. A proxy need not be a member of the Company.
2. Where a member appoints more than one proxy, the appointments shall be invalid unless he specifies the proportion of his holding (expressed as a percentage of the whole) to be represented by each proxy.
3. A member who is a relevant intermediary entitled to attend the Meeting and vote is entitled to appoint more than two proxies to attend and vote instead of the member, but each proxy must be appointed to exercise the rights attached to a different share or shares held by each member. Where such member appoints more than two proxies, the appointments shall be invalid unless the member specifies the number of shares in relation to which each proxy has been appointed.

“Relevant intermediary” means:

- a) a banking corporation licensed under the Banking Act, Chapter 19 of Singapore, or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity;
  - b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act, Chapter 289 of Singapore, and who holds shares in that capacity; or
  - c) the Central Provident Fund Board established by the Central Provident Fund Act, Chapter 36 of Singapore, in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.
4. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its common seal or under the hand of its attorney or a duly authorised officer.
  5. The instrument appointing a proxy or proxies must be deposited at the Company’s registered office at 28 Tai Seng Street, Sakae Building, Level 7, Singapore 534106, not less than 48 hours before the time set for the Meeting.

### Personal Data Privacy

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Meeting and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member’s personal data by the Company (or its agents or service providers) for the purpose of the processing, administration and analysis by the Company (or its agents or service providers) of proxies and representatives appointed for the Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Meeting (including any adjournment thereof), and in order for the Company (or its agents or service providers) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the “Purposes”), (ii) warrants that where the member discloses the personal data of the member’s proxy(ies) and/or representative(s) to the Company (or its agents or service providers), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents or service providers) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member’s breach of warranty.

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# SAKAE HOLDINGS LTD.

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

## ANNUAL GENERAL MEETING PROXY FORM

### IMPORTANT: FOR CPF INVESTOR ONLY

#### IMPORTANT:

1. Relevant intermediaries (as defined in Section 181 of the Companies Act, Chapter 50 of Singapore) may appoint more than two proxies to attend, speak and vote at the Annual General Meeting.
2. For CPF/SRS investors who have used their CPF/SRS monies to buy the Company's shares, this form of proxy is not valid for use and shall be ineffective for all intents and purposes if used or purported to be used by them. CPF/SRS investors should contact their respective Agent Banks/SRS Operators if they have any queries regarding their appointment as proxies.
3. By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 14 October 2019.

I/We \_\_\_\_\_ (Name)

of \_\_\_\_\_ (Address)

being a member/members of Sakae Holdings Ltd. (the "**Company**") hereby appoint:

Name	Address	NRIC/Passport Number	Proportion of Shareholdings (%)

and/or (delete as appropriate)

Name	Address	NRIC/Passport Number	Proportion of Shareholdings (%)

or failing him/her, the Chairman of the Annual General Meeting of the Company (the "**Meeting**") as my/our proxy/proxies to vote for me/us on my/our behalf, at the Meeting to be held at 28 Tai Seng Street, Sakae Building, Level 7, Singapore 534106 on Tuesday, 29 October 2019, at 3.00 p.m. and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the Resolutions to be proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given, the proxy/proxies will vote or abstain from voting at his/her/their discretion, as he/she/they will on any matter arising at the Meeting.

No.	Resolutions Relating to:	No. of votes*	No. of votes*
		For	Against
1.	Directors' Statement and Audited Financial Statements for the financial year ended 30 June 2019		
2.	Re-election of Mr Douglas Foo Peow Yong as Director		
3.	Re-election of Mr Loh Chee Peng as Director		
4.	Approval for payment of Directors' fees for the financial year ended 30 June 2019		
5.	Re-appointment of Messrs Deloitte & Touche LLP as the Company's Auditors and to authorise the Directors to fix their remuneration		
6.	Authority to allot and issue shares		
7.	Proposed Share Buyback Mandate		

\* If you wish to exercise all your votes "For" or "Against", please indicate [✓] or [x] within the box provided. Alternatively, please indicate the no. of votes as appropriate.

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2019.

Total No. of Shares	No. of Shares
In CDP Register	
In Register of Members	

\_\_\_\_\_  
Signature(s) of Member(s)  
or, Common Seal of Corporate Member

**IMPORTANT: PLEASE READ NOTES OVERLEAF**



**NOTES:**

1. A member entitled to attend and vote at the Meeting is entitled to appoint one or two proxies to attend and vote in his stead. A proxy need not be a member of the Company.
2. Where a member appoints more than one proxy, the appointments shall be invalid unless he specifies the proportion of his holding (expressed as a percentage of the whole) to be represented by each proxy.
3. A member should insert the total number of shares held. If the member has shares entered against his name in the Depository Register (maintained by The Central Depository (Pte) Limited), he should insert that number of shares. If the member has shares registered in his name in the Register of Members of the Company, he should insert that number of shares. If the member has shares entered against his name in the Depository Register and registered in his name in the Register of Members, he should insert the aggregate number of shares. If no number is inserted, this form of proxy will be deemed to relate to all shares held by the member.
4. A member who is a relevant intermediary entitled to attend the Meeting and vote is entitled to appoint more than two proxies to attend and vote instead of the member, but each proxy must be appointed to exercise the rights attached to a different share or shares held by each member. Where such member appoints more than two proxies, the appointments shall be invalid unless the member specifies the number of shares in relation to which each proxy has been appointed.

“Relevant intermediary” means:

- a) a banking corporation licensed under the Banking Act, Chapter 19 of Singapore, or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity;
  - b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act, Chapter 289 of Singapore, and who holds shares in that capacity; or
  - c) the Central Provident Fund Board established by the Central Provident Fund Act, Chapter 36 of Singapore, in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.
5. Completion and return of the instrument appointing a proxy or proxies shall not preclude a member from attending and voting at the Meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the Meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument appointing a proxy or proxies to the Meeting.
  6. The instrument appointing a proxy or proxies must be deposited at the Company’s registered office at 28 Tai Seng Street, Sakae Building, Level 7, Singapore 534106, not less than 48 hours before the time set for the Meeting.
  7. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its common seal or under the hand of its attorney or a duly authorised officer. Where an instrument appointing a proxy is signed on behalf of the appointor by an attorney, the power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.
  8. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Meeting, in accordance with Section 179 of the Companies Act, Cap. 50 of Singapore.
  9. An investor who buys shares using CPF monies (“CPF Investor”) and/or SRS monies (“SRS Investor”) (as may be applicable) may attend and cast his vote(s) at the Meeting in person. CPF and SRS Investors who are unable to attend the Meeting but would like to vote, may inform their CPF and/or SRS Approved Nominees to appoint the Chairman of the Meeting to act as their proxy, in which case, the CPF and SRS Investors shall be precluded from attending the Meeting.

**GENERAL:**

The Company shall be entitled to reject a proxy form which is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified on the proxy form. In addition, in the case of shares entered in the Depository Register, the Company may reject a proxy form if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at 72 hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.



### BOARD OF DIRECTORS

Douglas Foo Peow Yong  
(Chairman)  
Foo Lillian  
(Executive Director and Chief Executive Officer)  
Chan Wing Leong  
(Non-Executive and Lead Independent Director)  
Loh Chee Peng  
(Non-Executive and Independent Director)  
Foo Maw Shen  
(Non-Executive and Independent Director)

### AUDIT COMMITTEE

Loh Chee Peng (Chairman)  
Chan Wing Leong  
Foo Maw Shen

### NOMINATING COMMITTEE

Foo Maw Shen (Chairman)  
Chan Wing Leong  
Douglas Foo Peow Yong

### REMUNERATION COMMITTEE

Chan Wing Leong (Chairman)  
Loh Chee Peng  
Douglas Foo Peow Yong

### COMPANY SECRETARY

Chan Lai Yin (ACIS)

### REGISTERED OFFICE

28 Tai Seng Street  
Sakae Building, Level 7  
Singapore 534106  
Company Registration No. 199604816E  
Tel: (65) 6438 6629  
Fax: (65) 6438 6639

### SHARE REGISTRAR

Boardroom Corporate & Advisory Services Pte. Ltd.  
50 Raffles Place, #32-01  
Singapore Land Tower  
Singapore 048623

### AUDITORS

Deloitte & Touche LLP  
Chartered Accountants  
6 Shenton Way, #33-00  
OUE Downtown 2,  
Singapore 068809  
Partner-in-charge: Lim Bee Hui  
Date of appointment: Since 29 October 2018

### PRINCIPAL BANKERS

United Overseas Bank Ltd  
DBS Bank Ltd



**SAKAE**<sup>®</sup>  
HOLDINGS

28 Tai Seng Street, Level 7, Sakae Building Singapore 534106  
[www.sakaeholdings.com](http://www.sakaeholdings.com)