Report on the Audit of the Financial Statements

Qualified Opinion

We have audited the accompanying 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, 2018 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 period from January 1, 2017 to June 30, 2018 ("financial year"), and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 39 to 106.

In our opinion, except for the possible effects of the matters described in the *Basis for Qualified Opinion* section, the accompanying consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Financial Reporting Standards in Singapore ("FRSs") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at June 30, 2018 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and of the changes in equity of the Company for the year ended on that date.

Basis for Qualified Opinion

a) 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 investments 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 financial year ended December 31, 2016.

During the financial year, the Group and the Company have made a full reversal of the allowance for impairment loss on its investment in GREIH and GCM as a result of the High Court and subsequently the Court of Appeals rulings in favour of the Company. GRIEH and GCM commenced liquidation in April 2017 and August 2017 respectively.

(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 FRS 28 *Investment in Associate and Joint Ventures*.

As the unaudited management accounts of GREIH and GCM were considered by the management to be unreliable as described in Note 2(i), we have not been able to obtain sufficient appropriate audit evidence to enable us to determine what the Group's share of results and net assets of GREIH and GCM and the related disclosures under FRS 112 *Disclosure of Interests in Other Entities* should have been had the equity accounting method been applied.

We have not been able to obtain sufficient appropriate audit evidence to enable us to evaluate whether the Group still has significant influence on GREIH and GCM when these two entities commenced liquidation during the year and the relevant accounting treatment had the Group lost significant influence in those two entities.

(ii) We have not been able 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 year is appropriate and whether such reversal should have been recorded in the previous years.

Our opinion on the auditor's report for the financial statements for the financial year ended December 31, 2016 was also qualified in respect of non-equity accounting of its investment in associates and the full allowance for impairment loss on investments in associates.

Basis for Qualified Opinion (cont'd)

b) As disclosed in Note 2(ii) to the financial statements, the Group reversed certain commodities sales transactions ("Transactions") amounting to $5,930,000 and related receivables from its books and the Group made a provision of $5,695,000 in the inventory related to this transaction. 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 Transaction and whether the reversal of the sales and related recognition of inventory provision are appropriate as well as the related disclosure in the Group's financial statements.

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

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

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

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

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

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. As described in the *Basis of Qualified Opinion* section above, (a) we were unable to obtain sufficient appropriate audit evidence to enable us to determine (i) if the Group still holds significant influence on GRIEH and GCM and whether equity accounting of GREIH and GCM is required in the current financial year and what the Group's share of results and net assets of GREIH and GCM and the related disclosures under FRS 112 *Disclosure of Interests in Other Entities* should have been had the equity accounting method been applied, (ii) the carrying amount of the investments in GREIH and GCM and determine whether any adjustment to the amount was necessary and if the full reversal of allowance for impairment loss in current financial year is appropriate and (b) 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 Transaction and whether the reversal of the sales and related recognition of inventory provision are appropriate as well as the related disclosure in the Group's financial statements. Accordingly, we are unable to conclude whether or not the other information is materially misstated with respect to these matters.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matters described in the *Basis of Qualified Opinion* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key audit matters	How the matter was addressed in the audit
Loan covenant and going concern assumption The Group is highly geared with total bank borrowings of $55.0 million as at June 30, 2018. As at June 30, 2018, the Group was able to maintain a certain level of debt to equity ratio as required in the bank loan agreement. Impacted by the stiff competition in Food & Beverage industry, the Group generated a negative operating cash flow of $4.1 million and is in net current liability position amounting to $37.4 million as at year end. The profits made by the Group of a total amount of $4.9 million in current financial year is due to the full reversal of the allowance for impairment loss on its investments in GREIH and GCM, amounting to $6.8 million and $10.5 million on the Company and Group level respectively. As disclosed in Note 5(c)(iv) to the financial statements, management is of the view that the going concern assumption continues to be appropriate based on the following grounds: 1) Ability of the Group to continue to generate sufficient cash flows from its future operations in order to meet its day-to-day expenditure; and 2) Credit facilities from the Group's lenders to be available over the next twelve months or as and when is required. As at June 30, 2018, the Group and the Company have short-term revolving bank loans of $45.8 million which are renewable at maturity.	Our audit approach included the following substantive procedures: • Obtained an understanding of management's perspectives relating to the business; • Obtained confirmation reply from the lenders confirming the outstanding amount as at June 30, 2018; • Obtained the projected cash flows, challenged the key assumptions used by management, performed sensitivity analysis, and performed retrospective review for any material variance between last year budgeted figures to 2018's actual results; • Checked the outstanding short-term revolving loans as at June 30, 2018, which were due subsequent to the year end, were approved by lenders for roll-over; • Reviewed management's assessment regarding compliance with loan covenants stipulated in the loan agreements; and • Reviewed the related disclosures and classifications in the financial statements in accordance with FRSs, including financial risk management policies and objectives on liquidity management.

Key Audit Matters (cont'd)

Key audit matters	How the matter was addressed in the audit
Impairment of assets - Freehold land, building on freehold land and leasehold building Property, plant and equipment ("PPE") (Note 17) represents a significant portion of the Group's and Company's total assets and their proportion as at June 30, 2018 is 64% and 64% respectively. Out of the total balance, freehold land, building on freehold land and leasehold building are stated at valuation based on the market valuation as at June 30, 2018. Their proportion to the Group's and Company's total PPE is 93% and 97% respectively. As disclosed in Note 4(ii)(c) to the financial statements, these assets are revalued based on the valuation performed by independent professional valuers engaged by the Group. In determining the fair value of these assets, the valuer has used comparable sales method which involve the making of certain assumptions, such as the market price of similar properties located in the vicinity. In relying on the valuation report of a professional valuer, the Group has exercised judgment in arriving at a value which is reflective of the current market conditions.	Our audit approach focused on evaluating and challenging the key assumptions used by management which include the following procedures: • Assessed the competency, capabilities, independence and objectivity of the valuers; • Obtained valuation reports and discussed with valuers to understand the assumptions and valuation techniques used; • Evaluated the appropriateness of the valuation techniques used by the valuer for the respective asset, taking into account the nature of each asset; and • Compared the market rental rate or market price of the respective investment property to comparable properties in the vicinity. We have also assessed and validated the adequacy and appropriateness of the disclosures made in the financial statements.

Responsibilities of Management and Directors for the Financial Statements

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

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

(a) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

(b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

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

(d) Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

(e) Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

(f) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

INDEPENDENT AUDITOR'S REPORT

To the members of Sakae Holdings Ltd.

Report on Other Legal and Regulatory Requirements

In our opinion, except for the matters referred to in the *Basis for Qualified Opinion* paragraphs, the accounting and other records required by the Act to be kept by the Company and by the subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Chua How Kiat.

Deloitte & Touche LLP.

Public Accountants and
Chartered Accountants
Singapore

Date: 9 October 2018