SEN YUE HOLDINGS LIMITED
森跃控股有限公司

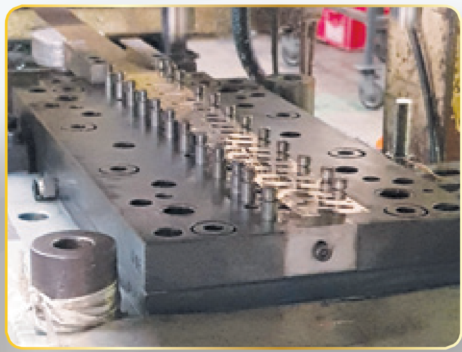
RISING ABOVE THE CHALLENGE

ANNUAL REPORT

2020

CONTENTS

Corporate **PROFILE**



Sen Yue Holdings Limited (the "**Company**" and together with its subsidiaries, the "**Group**"), commenced operations in 1992 as a tool and die designer and manufacturer; and becoming a specialist Electro Deposition ("**ED**") coating service provider in the subsequent years.

In 2015, the Group expanded its core business activities into the resources industry, i.e. trading of commodities, especially in non-ferrous metals. Specifically, our core businesses now comprise the following:-

- Trading of commodities, including copper, non-ferrous metals and other special alloys;
- Provision of waste management solutions, treatment and recycling of metal scraps, industrial and electronic waste such as lithium-ion batteries (with effect from 2017);
- Trading of moulds used in the manufacture of speaker nets and frames, and other metal components;
- Manufacture and sale of speaker nets and frames, and other metal components; and
- Provision of ED coating, organic coating, powder coating, spray-painting and silk-screening to the manufacturers for automobiles, consumer electronics, motorcycles, bicycle components and iron metal gates.

AC Chairman's
STATEMENT

DEAR SHAREHOLDERS,

The group has managed its operations amidst the COVID-19 pandemic which affected all facets of businesses, and the board was faced with an issue from the slow collections arising from the customers of our subsidiary, SMC Industrial Pte Ltd ("**SMCI**"). The board has constantly and timely updated the shareholders throughout the process on the matters arising, including the internal audit review, the Notice of Compliance by SGX and subsequent actions taken by the board. Shareholders may wish to refer to the announcements made on the above matters.

We are disappointed that the FY2020 results were mainly affected by one of our subsidiaries, SMCI, which recorded substantial losses due mainly to provisions of receivables.

We are grateful to the staff and customers for their unwavering support during these turbulent times. We commend them for their hard work, commitment and tenacity in the face of such a daunting environment.

As at the date of the report, Sen Yue Holdings Ltd and SMCI are under Interim Judicial Management ("**IJM**") due to applications made by DBS Bank Ltd. The board and management will provide full support to the Interim Judicial Managers to ensure that operations can run as smooth as possible.

At the same time, we will be evaluating various financial and business options, and will be making recommendations to the Interim Judicial Managers periodically. These recommendations are focused on redeeming the group's integrity, reaffirming the commitment to shareholders with the underlying goal of enhancing shareholders value and reestablishing growth and profitability for the group.

In conclusion, we would like to highlight that most of the operating entities within the group are profitable save for SMCI. There has been intense rationalization of the business activities within SMCI prior to the appointment of the IJM and we are beginning to see the positive impact from these changes.

Most importantly, the outlook for the industries we operate in are positive and the prospects over the longer term remain bright, we look forward to be able to ride through the challenges ahead and have a resumption of the trading of the shares in the Company in the near future. We thank the board of Directors for their strategic counsel and stewardship in these difficult times.

CHIM SUAN KIT MARK
AC Chairman

Note: Mr Koh has been redesignated to Non-Executive Chairman with effect from 8 January 2021 and is currently under gardening leave, hence AC Chairman is preparing this Statement for FY2020.

REVIEW OF INCOME STATEMENT

The Group's revenue decreased mainly due to the decrease of revenue across all segments with a significant decrease in the commodities segment. The Group conducted lower sales to its overseas customers with significant decrease to its clients from China, South Korea and Taiwan as a result of the Coronavirus Disease 2019 ("**COVID-19**") pandemic and lower demand from customers as well as stop transactions with any of the parties identified in the Foo Kon Tan Advisory Pte Ltd ("**FKT**") Report in the fourth quarter of FY2020.

Cost of sales decreased proportionately with the decrease in revenue.

Gross profit margin decreased due to the competitive selling prices in the market for the commodities segment.

Other operating income increased due to grants of wage subsidies from Singapore and Malaysia government.

Distribution cost decreased in line with the decrease of revenue.

Other operating expenses increased mainly due to impairment loss on plant and equipment and impairment loss on right-of-use assets.

Impairment loss recognised on financial assets due to loss allowance of receivables provided by three subsidiaries. The loss allowance of receivables is made based on historical loss rate and specific provisions for a few customers mainly in the commodities segment as there are no subsequent collections for more than 6 months. The total allowance made constituted 83% of the gross trade receivables. Subsequently, if payment is received from the customers, the Group will make the reversal of allowance accordingly.

Finance cost decreased mainly due to reduction of bank borrowings.

Depreciation of property, plant and equipment decreased due to reclassification to depreciation of right-of-use assets as a result of the adoption of SFRS(I) 16 *Leases*.

As a result of the foregoing, the Group registered a loss after tax of $44.08 million in FY2020 as compared to a profit after tax of $0.02 million in FY2019, mainly due to the loss allowance recognised on financial assets amounting to $36.52 million.

STATEMENT OF FINANCIAL POSITION

The decrease in cash and cash equivalents was mainly due to reasons as detailed in the cashflow analysis below. During the year, SMCI and another subsidiary withdrew certain fixed deposits pledged with DBS and United Overseas Bank respectively to settle the borrowings and trade financing balances and for working capital purposes.

The decrease in trade and other receivables was mainly due to loss allowance for receivables provided by three subsidiaries and decrease in trade receivables balances due to decrease of sales.

The decrease in inventories was mainly due to stock clearance in the commodities segment to maintain minimum level of inventory and allowance for inventories.

The decrease in property, plant and equipment was mainly due to impairment loss on plant and equipment and impairment loss on right-of-use assets provided by SMCI, depreciation charges and offset by the purchase of new equipment and increase in right-of-use assets.

Goodwill was fully impaired at group level due to deterioration of the financial position and business prospect of SMCI's commodities segment.

The decrease in other receivables due to charge out of the unamortised portion of prepaid keyman insurance to the administrative expenses and offset by the prepayment for purchase new equipment.

Bank overdrafts, loans and trade bills decreased as a result of repayment of bank loans and trade bills.

Trade and other payables increased mainly due to slower repayment to creditors.

Finance lease liabilities had been reclassified to lease liabilities as a result of adoption of SFRS(I) 16 *Leases*.

Income tax payable decreased mainly due to tax credit and availability of capital allowances brought forward from previous financial years to offset against the estimated chargeable income.

The Group's non-current liabilities increased mainly due to the recognition of lease liabilities, partially offset by the reclassification of loans repayable from non-current liabilities to current liabilities.

On 1 April 2021, the Singapore High Court has granted the IJM Application to place the Company and SMCI into IJM.

The hearing of the Judicial Management Application has been fixed on 10 May 2021.

Sen Yue Holdings Limited and SMC Industrial Pte Ltd have been placed under interim judicial management. The group's ability to pay its debts will be dependent on the various factors including the hearing on 10 May 2021 for Judicial Management as well as the ability to work out a repayment plan to the creditors of Sen Yue Holdings Limited, or other possible options.

The Board is of the opinion that notwithstanding that the Company and SMCI have been placed into Interim Judicial Management and the outcome of the proposed restructuring plan is inherently uncertain, the Group will be able to continue as a going concern based on, amongst others, the following key considerations:

(i) Based on the Group's unaudited management accounts, the Group's operating entities (save for PNE Micron Engineering Sdn. Bhd.) are profitable for the month of March 2021; and

(ii) The Management and the interim judicial managers have met with potential investors with a view to inject fresh funds in the Group. The Management is currently working with the interim judicial managers to formulate a restructuring plan which include identifying additional investors for the Group and working out a repayment plan for the creditors. The formulation of the restructuring plan will be finalised by the judicial managers in the event that the court grants the judicial management application at the hearing on May 10, 2021.

CASH FLOW ANALYSIS

Net cash generated from operating activities was mainly due to collection of trade and other receivables and slower repayment of trade and other payables.

Net cash used in investing activities was mainly due to purchases of plant and equipment, offset by interest received from deposits placed with financial institutions.

Net cash from financing activities was mainly due to net proceeds from issuance of new shares, offset by interest paid on bank borrowings, repayment of trade bills, repayment of borrowings and lease liabilities as well as uplift fixed deposits pledged with financial institutions.

Mr. Koh Mia Seng is the Company's Non-Executive Chairman with effect from 8 January 2021. He was first appointed as an Executive Director on 3 March 2015. He was re- elected as a Director and Executive Chairman of the Company on 29 January 2019. Mr. Koh founded SMC Industrial Pte Ltd back in the 1980s. Prior to that, he operated a sole-proprietorship dealing with the trading of commodities, including copper, iron and other metallic commodities. Mr. Koh has an in-depth understanding of the business requirements in the commodities and resources industry, and is familiar with the international trends and the environmental concerns of the different countries in the region.

Mr. Neo Gim Kiong is the Company's Executive Director and Chief Executive Officer, appointed since 27 April 2015 and was re-elected as a Director of the Company on 29 January 2019. Subsequent to Mr Koh's redesignation to Non-Executive Chairman on 8 January 2021, Mr. Neo has assumed all his duties and responsibilities in the Group. Mr. Neo is responsible for the strategic growth of the company and exploring of new opportunities of growth for the Group. He is also the founding director of Dollar Tree Inc Pte Ltd, a business advisory firm incorporated in Singapore in 2004. Mr. Neo is the lead independent director of International Press Softcom Limited, independent director of Ban Leong Technologies Ltd and independent non-executive chairman of Acesian Partners Limited. He was formerly an independent director of Trek 2000 International Ltd and Astaka Holdings Ltd. He holds a Bachelor of Science Degree in Mathematics with Honours from the National University of Singapore.

Mr. Liew Nyok Wah is the Company's Executive Director, appointed on 3 September 2014 and was re-elected as a Director of the Company on 22 January 2020. Mr. Liew is the founder and managing director of Jackspeed Automobile (S) Pte. Ltd., the first company to bring in ABS (Anti-Lock Braking System) back in the 1980s and also the first company that actively promotes the use of cyclone, an additive which promotes better engine efficiency. In 1993, he co-founded Jackspeed Leather Special (S) Pte. Ltd., a company which subsequently listed on SGX Mainboard in 2003. Mr. Liew is actively involved in exploring new business opportunities and expansion possibilities for the Group.

Mr. Chim Suan Kit Mark is the Company's Lead Independent Non-Executive Director, appointed on 19 April 2018 and was re-elected as a Director of the Company on 29 January 2019. He has more than 25 years of experience working in the Asia Pacific region, primarily engaged in the marketing and distribution of international lifestyle brands in the footwear, carry wear and sportswear categories. His experience also extends to negotiations with brand owners for distribution and franchising rights as well as brand licensing rights to manufacture products in Asia. He is the Managing Director of Primer International Management Ltd. (Hong Kong)/ Primer International Management Pte. Ltd. (Singapore) and director of Primer Holdings Inc. (Philippines) and Primer Seawood Investments Pte. Ltd. He is also the Managing Partner of Practical Support LLP. Mr. Chim has attained a Master of Business (International Marketing) and a Master of Accounting from the Curtin University of Technology, Australia and a Bachelor of Commerce (Economics) from the University of Newcastle, Australia. He is a full member of CPA Australia and Singapore Institute of Directors. In recent times, he completed the INSEAD International Directors Program held in Singapore and France.

Mdm. Yu Lihong is the Company's Independent Non-Executive Director, appointed on 3 September 2014 and was re-elected as a Director of the company on 22 January 2020. She started her career as a journalist at Mediacorp and moved on subsequently to an investment analyst position with Kim Eng Securities Singapore in 2000. In 2012, Mdm. Yu founded Gifted & Talented Education Group which specialises in providing early learning support to gifted children in Singapore and the region. Mdm. Yu graduated from the National University of Singapore, faculty of Business Administration (major in finance) with First Class Honours. She is a fellow of the Association of Chartered Certified Accountants (ACCA, UK), a non-practising member of the Institute of Singapore Chartered Accountants (ISCA, Singapore), and a member of Chartered Financial Analyst (CFA, US).

Board of DIRECTORS

Mr. Low Ka Choon Kevin is the Company's Independent Non-Executive Director, appointed on 9 April 2015 and was re-elected as a Director of the Company on 22 January 2018. Mr. Low is also the managing director/chief executive officer of International Press Softcom Limited. Prior to 1995, Mr. Low worked as a lawyer in a law firm in Singapore. He holds a Bachelor of Laws (Hons.) degree from the National University of Singapore.

Mr. Lau Yan Wai is the Company's Independent Non-Executive Director and was appointed on 18 December 2019 and was re-elected as a Director of the Company on 22 January 2020. He also serves as an independent director, chairman of remuneration committee, chairman of nominating committee and member of audit committee of MS Holdings Limited, which is listed on Catalist. Mr. Lau is currently a Partner of Donaldson & Burkinshaw LLP in Singapore and practices in the field of corporate and securities law. Mr. Lau started practice as an associate in the corporate and conveyancing department of Jeyaratnam & Chong, a law firm based in Malaysia in 2003 and left the firm in 2004. He joined Withers KhattarWong LLP, a Singapore law firm as a foreign lawyer in January 2005 and became a partner of the firm in January 2010. From June 2011 to February 2015, Mr. Lau was a partner at RHTLaw Taylor Wessing LLP and from September 2011 to March 2014, Mr. Lau was a registered professional with RHT Capital Pte. Ltd., a continuing sponsor registered with the SGX-ST, where he had undertaken continuing sponsor activities for several companies listed on Catalist. Mr. Lau was a director of Equity Law LLC from March 2014 to January 2020. Mr. Lau graduated with a Bachelor of Laws from the University of Sheffield and a Master of Laws (Chinese Law) from the National University of Singapore. He also holds a Master of Science in Information Systems from the University of Sheffield. Mr. Lau was qualified to practise in Singapore and West Malaysia. Mr. Lau is a member of the Singapore Academy of Law, the Law Society of Singapore and the Malaysian Bar.

Key MANAGEMENT

Mr. Foo Say Kit is the Divisional Managing Director who is responsible for the overall performance, engineering and technical support of the business units in Peninsular Malaysia & Indonesia. He joined the Group in 2004, where his responsibilities included the exploration and business development with suppliers. Prior to joining the subsidiary, Mr. Foo worked in the HDDs (Hard Disk Drives) related industries such as ED (Electro-Deposition) coating, precision machining and aluminium die casting. Mr. Foo holds a Diploma in Mechanical Engineering and an Advance Diploma in Industrial Engineering from Singapore Polytechnic.

Mr. Goh Leng Chye was the General Manager of the Company's principal subsidiary in Singapore, SMC Industrial Pte Ltd has resigned and left on 10 February 2021. He was responsible for the overall performance of the subsidiary, including daily operations, marketing and procurement functions. Mr. Goh joined the subsidiary in 2005 and has more than 15 years' experience in dealing with the trading of commodities and in-depth understanding of the business requirements in the metallic commodities industry, as well as extensive technical knowledge in reclaiming, processing and recycling of the metallic and related products.

Mr. Lim Soon Wah is the Director and Operations Manager of PT PNE Indonesia, a subsidiary located in Indonesia. He joined one of the Group's subsidiaries in 2000 and has more than 20 years' experience in the metal surface finishing industry, specialising in powder and Electro-Deposition coating process. He oversees PT PNE Indonesia's marketing, day-to-day operations and is responsible for overall performance of the business unit in Indonesia.

Mr. Pua Kai Chek is the General Manager of the Company's subsidiary in Malaysia who is responsible for the overall performance of the central and northern Peninsular Malaysia business units. He oversees the subsidiaries' marketing, business development activities and daily operations. He has more than 10 years' experience in the metal surface finishing industry. Mr. Pua started his career with a manufacturer of HDDs as a Process Engineer before joining one of the Group's subsidiaries in 2003 as Head of the Engineering Process Department. Mr. Pua graduated from the University of Technology Malaysia in 2002 with an Honours in Bachelor of Chemical Engineering (Bioprocess Engineering).

AUDIT COMMITTEE

Chim Suan Kit Mark, Chairman
Yu Lihong
Low Ka Choon Kevin
Lau Yan Wai

NOMINATING COMMITTEE

Low Ka Choon Kevin, Chairman
Yu Lihong
Chim Suan Kit Mark
Lau Yan Wai

REMUNERATION COMMITTEE

Yu Lihong, Chairman
Chim Suan Kit Mark
Koh Mia Seng
Low Ka Choon Kevin

REGISTERED OFFICE

3 Jalan Pesawat
Singapore 619361
Tel (65) 6268 9593
Fax (65) 6264 0508

COMPANY SECRETARY

Wee Woon Hong

SHARE REGISTRARS

M & C Services Private Limited
112 Robinson Road #05-01
Singapore 068902

EXTERNAL AUDITORS

Deloitte & Touche LLP
Public Accountants and Chartered Accountants
6 Shenton Way, OUE Downtown 2 #33-00
Singapore 068809
Kee Cheng Kong, Michael
(With effect from financial year ended 30 September 2020)

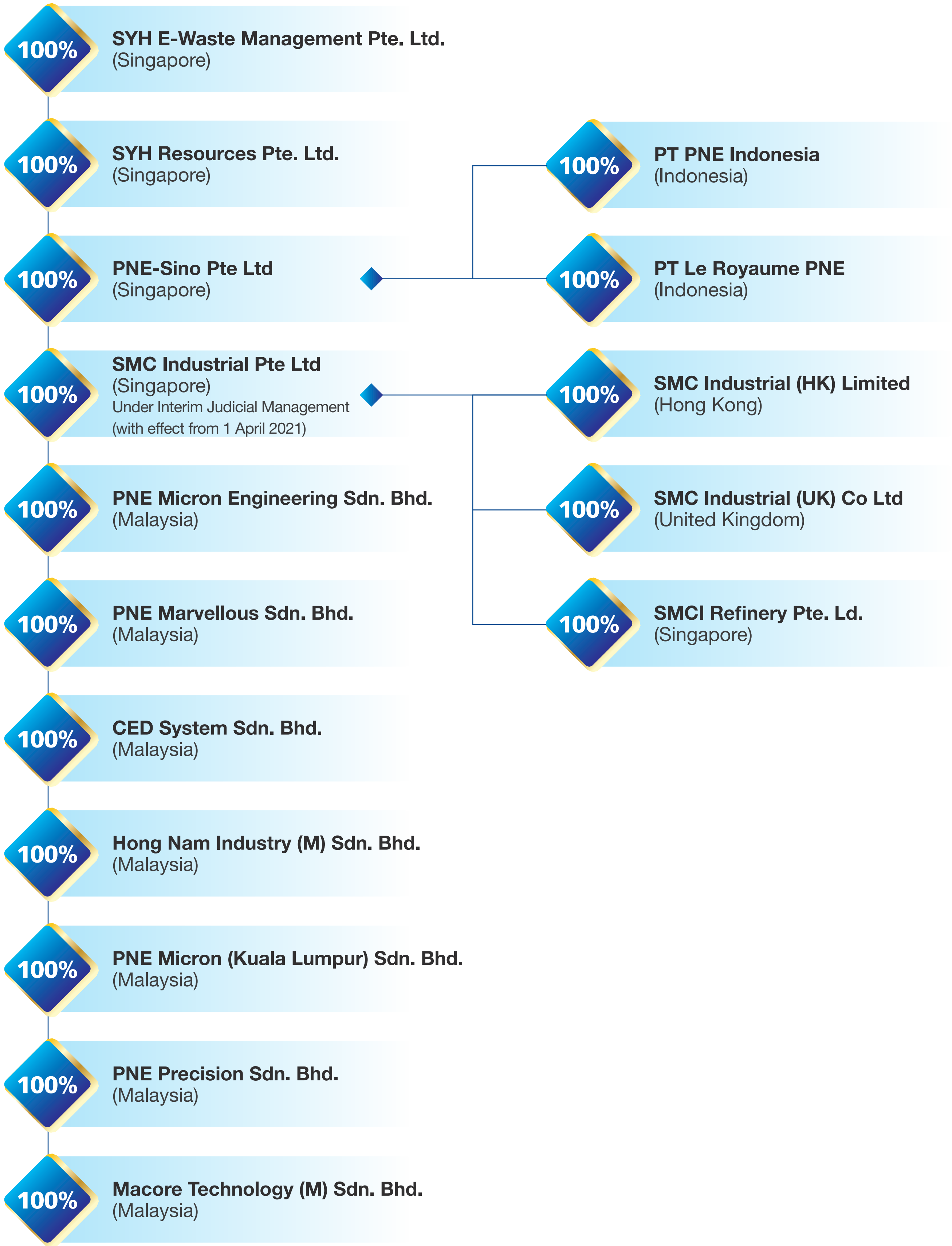
PRINCIPAL BANKERS

CIMB Bank Berhad
United Overseas Bank Limited
Ambank Islamic Berhad
DBS Bank Ltd
The Hongkong and Shanghai Banking Corporation Limited

CONTINUING SPONSOR

PrimePartners Corporate Finance Pte. Ltd.
16 Collyer Quay #10-00
Income at Raffles
Singapore 049318

Group
STRUCTURE OF SEN YUE HOLDINGS LIMITED
Under Interim Judicial Management (with effect from 1 April 2021)



INTRODUCTION

We are pleased to present the Sustainability Report of Sen Yue Holdings Limited and its subsidiaries ("**Group**") for our financial year ended 30 September 2020 ("**FY2020**") and cover information for the Group's two core operating segments: commodities and e-waste management segment and electro deposition coating service segment. We did not engage an independent third party in preparing this report. The selected Environmental, Social and Governance ("**ESG**") factors are based on collective efforts done internally within the Group.

The report is prepared in compliance with the requirements under Rule 711B of the Singapore Exchange Securities Trading Limited ("**SGX-ST**") Listing Manual Section B: Rules of Catalist, and references the Global Reporting Initiative ("**GRI**") Standards, Core Option. We have adopted the GRI Standards Sustainability Reporting Guidelines as it is internationally recognized. The following lists out the relevant GRI standards which are the most appropriate for the Group's business model and are applied to this report:

GRI Standard	Disclosure	Page Reference
GRI 307: Environmental Compliance 2016		
307-1	Non-compliance with environmental laws and regulations	Page 12
GRI 403: Occupational Health and Safety 2018		
403-1	Occupational health and safety management system	Page 13
403-6	Promotion of worker health	Page 13
403-9	Work-related injuries	Page 13

Board Statement

The Board of Directors ("**Board**") considers sustainability as part of the Group's strategic formulation, determines the material ESG factors, oversees the management and monitors of the material ESG factors. The Board has delegated its role to a Sustainability Working Team ("**SWT**") to identify and manage all sustainability issues. The SWT reports to the Chief Executive Officer ("**CEO**") on sustainability matters. After reviewing sustainability issues raised by the SWT, CEO will highlight any potential issues to the Board for deliberation and final decision.

BOARD

- oversees the management and monitoring of the material ESG aspects
- makes final decision

CEO

- reviews sustainability issues raised by the SWT
- reports to the Board

SWT

- identifies and manage all sustainability issues comprises:
  - » Managing Directors – Operations;
  - » General Managers – Operations; and
  - » Managers – Finance, Human Resources
- reports to the CEO on sustainability matters

Material ESG Factors

The sustainability objectives, indicators and key stakeholders of the main aspects of identified ESG factors, used by the SWT in their consideration are:

	Environmental	Social	Governance
Sustainability Objectives	Minimise our impact to the environment as much as practicable	Treat our employees well by looking after their welfare, providing a safe and healthy workplace	Maintain a high standard of corporate governance within the Group
Sustainability Indicators	• Compliance with environmental laws • Compliance with ISO 14001 standard • No hazardous substances contained in materials used for production	• Compliance with laws related to employees and occupational safety and health • Zero fatal accidents at workplace	Compliance with principles set out in the Code of Corporate Governance 2018 by the SGX-ST
Key Stakeholders (Internal & External)	Suppliers, customers, employees, regulators	Employees, regulators	Shareholders, investors, employees, regulators

The SWT has performed an analysis of materiality matrix for FY2020 ("**Materiality Matrix**"). The Materiality Matrix has identified seven (7) ESG factors compared to the eight (8) identified in the sustainability report for the financial year ended 30 September 2020.

The Company considers the 8th ESG factor which is Training & Education as no longer relevant as the risk impact and importance to key stakeholders are insignificant to the Group. It has become a norm that all employees are given on-the-job trainings and at least 2 training hours are given to each employee for in-house training.

Materiality Matrix

1 ENVIRONMENTAL

1.1 Resources Management

Resource management is centred around optimization and efficiency. Maintaining an environmental conscience is an integral aspect of the Group's resources management business. The business revolves around creating a greener eco-system for all, without compromising commercial interests. Our aim is to efficiently manage waste resources in cost-effective yet highly ethical and environmentally beneficial ways.

We are licensed to handle general waste and manage other waste resources such as industrial hazardous waste, e-waste and lithium-related products. The risks of mismanagement of commercial and industrial waste can result in great adverse impact on human health and the environment, hence they are required to be handled with extra caution and the activity is regulated and subject to the requirements of the environment authorities in every country. In this regard, we have met the licensing requirement in countries which we have operations.

Target set for FY2021

We have achieved the target set for FY2020 and we will continue to encourage the use of renewable material and resources, reduce waste through re-using and recycling to minimize the impact to our environment. Our resources management business helps us to build a mutually beneficial partnership with our customers and at the same time brings positive impacts to the environment.

1.2 Raw Materials

We require materials used in production to meet the Restriction of Hazardous Substances ("**RoHS**") compliance which stipulates that the materials do not contain substances that are harmful to the environment. Hence, we have in place as part of our procurement process stringent policies and procedures on vendor qualification and evaluation so as to reduce the risk that a supplier's products do not meet RoHS Compliance.

In relation to chemical waste that can contaminate the environment, such as sludge, we only dispose them to licensed contractors which are approved by the relevant environment authorities.

We have taken various cost saving measures to reduce usage of materials in production. For example, obsolete materials are reused in production testing. Other materials, if cannot be reused, are then sold as scrap for recycling purposes.

Target set for FY2021

We believe that sustainable supply chain management drives organizational excellence and delivers desirable outcome to its stakeholders and thus encouraged the chain suppliers to meet RoHS compliance. We will continue to use materials that meet the RoHS compliance in our production in FY2021.

We have achieved the target set for FY2020 through using materials that meet the RoHS Compliance in our production. We will maintain the same target for FY2021.

1.3 Waste Water Management

Water is the core of sustainable development for our healthy environment and controlling water contamination is a major ethical challenge. We have Waste Water Treatment Plant ("**WWTP**") to treat water used in production before discharging to the drains outside of our premises. On a regular basis, we monitor the conditions of water discharged by collecting samples and sending them for testing by third party accredited laboratories. We ensure that the conditions of water discharged are acceptable within parameters as required by the relevant governments. Some of the parameters are as follows:

Parameters	Parameter Limit	Compliance in FY2020
Temperature	40° Celsius	√
pH Value	5.5 – 9.0	√
Biochemical Oxygen Demand	50 mg/l	√
Chemical Oxygen Demand	200 mg/l	√
Suspended Solids	100 mg/l	√

We have achieved the target set for FY2020 and have not caused any water pollution to the environment.

Target set for FY2021

We will continue to monitor the conditions of water discharged to ensure that we do not cause any water pollution to the environment and target to continue complying with the parameter limit in FY2021.

2 SOCIAL

2.1 Occupational Safety and Health

The Group is committed to provide workplaces where our people are physically and psychologically safe, healthy and well. The Group complies with all local laws in respect of occupational safety and health. Our production workers are given safety trainings or briefings on how to handle chemicals and machines. Furthermore, personal protective equipment such as earplugs, safety shoes, respirator, etc are made available for our production workers.

Our employees working in resources management business are also trained in industrial standards of safety and best practices in handling and processing hazardous waste. This is to ensure a safe work environment for employees and the communities at large.

In view of the COVID-19 pandemic, the Group has implemented safe distancing measures and ensuring face masks are worn at all times in the work place. Hand sanitisers were made available to workers for use when reporting to work and all workers must strictly adhere to standard operating procedure ("**SOP**") set by the Health Department. We have adequately prepared all required personal protective equipment and medical equipment such as thermometers, hand sanitisers, gloves and face masks at both our offices and worksites.

The Group is pleased to announce that no fatalities as a result of work-related injury were recorded during FY2020.

Target set for FY2021

We target to record no fatalities as a result of work-related injury for FY2021.

2.2 Employee Welfare

The management is always taking initiative to strengthen the relationship amongst employees by organising activities for their participation. As such, during FY2020, we organised various activities for our employees such as annual dinners and company trips. Besides, we have also sponsored our employees to participate in events organised by third party organisers such as charity walks. We aim to host more of such bonding activities in FY2021 when the situation allows after abatement of the COVID-19 pandemic and the restriction measures are lifted.

The Group complies with all local laws pertaining to employment such as minimum wage, provident fund and leave provisions. In addition to basic salary, employees also receive other benefits as part of their welfare, such as group personal accident insurance, medical claim, and transportation.

Target set for FY2021

We will continue to comply with laws related to employees for FY2021.

2.3 Corporate Social Responsibility

We are committed to serving and giving back to the community. We recognize that for long-term sustainability, we need to achieve a balance between being profit-driven and being a socially responsible corporate citizen.

The Group has made cash donations for charity. Organisations that have benefited during FY2020 include Metta Welfare Association and Kampung Senang Charity & Education Foundation.

Target set for FY2021

The Group will continue to undertake corporate social responsibility activities in FY2021 in order to bring a greater positive impact to the community which it operates in.

3 GOVERNANCE

3.1 Corporate Governance

The Board believes that strong governance is key to a sustainable business and is committed to maintain a high standard of corporate governance to ensure sustainability of the Group's operation. Key governance issues identified are: risk management, internal controls and investor relations.

Details of the key governance issues above have been discussed in Corporate Governance section on pages 15 to 54 in this Annual Report.

Target set for FY2021

For FY2021, the Group seeks to comply with principles set out in the Code of Corporate Governance 2018 ("**Code 2018**") by the SGX-ST.

CONCLUSION

The Board recognises the importance of sustainability in today's business environment to enhance shareholders' value. Hence, the Board will continue to meet the Group's commitments in achieving its sustainability objectives.

The Board of Directors (the "**Board**") of Sen Yue Holdings Limited (the "**Company**") is committed to maintaining a high standard of corporate governance within the Company and its subsidiaries (the "**Group**").

This report outlines the Company's main corporate governance practices that were in place through the financial year ended 30 September 2020 ("**FY2020**") with reference to the principles set out in the Code of Corporate Governance 2018 (the "**Code**") and the disclosure guide developed by the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") in January 2015 (the "**Guide**"). The Company has complied with the principles and provisions as set out in the Code and the Guide, where applicable. Appropriate explanations have been provided in the relevant sections below where there are deviations from the Code and the Guide.

BOARD MATTERS

THE BOARD'S CONDUCT OF AFFAIRS

Principle 1
The Company is headed by an effective Board which is collectively responsible and works with Management for the long-term success of the Company.

Provision 1.1 **Directors are fiduciaries who act objectively in the best interests of the Company and hold Management accountable for performance. The Board puts in place a code of conduct and ethics, sets appropriate tone-from-the-top and desired organisational culture, and ensures proper accountability within the Company. Directors facing conflicts of interest recuse themselves from discussions and decisions involving the issues of conflict.**

The principal functions of the Board, apart from its statutory and fiduciary responsibilities, include:

- protecting and enhancing shareholders' value;
- overseeing the Management of the Group. The Board meets regularly to discharge this obligation;
- determining the overall strategies of the Group as well as policies covering various matters with an emphasis on values, standards, internal controls, budget, financial performance, half-yearly reporting and risk management procedures, as well as environmental issues; and
- reviewing and approving all major investment and divestment proposals, acquisitions and disposal of assets and interested person transactions, if any.

Please refer to Table A set out on page 44 to page 46 of this Annual Report for the composition and primary functions of the Board. Please also refer to the Company's announcement dated 10 February 2021 in relation to Mr Koh's discharge of his fiduciary duty as a Director.

Provision 1.2 **Directors understand the Company's business as well as their directorship duties (including their roles as executive, non-executive and independent directors). Directors are provided with opportunities to develop and maintain their skills and knowledge at the Company's expense. The induction, training and development provided to new and existing directors are disclosed in the Company's annual report.**

Our Directors are provided with extensive background information about our Group's history, mission, values and business operations. The Directors may, at any time, visit the Group's production facilities or attend trade shows and customer activities to gain a better understanding of the Group's business.

All newly appointed Directors will undergo an orientation program to get them familiarised with the Group's business, organisation structure, policies and corporate governance practices to facilitate the effective discharge of their duties. The Directors continuously update themselves on new laws, regulations and changing commercial risks. Every Director is also invited and encouraged to seek additional training to further their skills in performing their duties, including attending classes and / or events organised by the Singapore Institute of Directors ("**SID**"). Directors are also informed of upcoming conferences or seminars relevant to their roles as directors of the Company. Such training by all newly appointed and existing Directors are funded by the Company.

If regulatory changes have a material impact on either the Group or the Directors, the Management will update the Directors during the Board meetings. The Company Secretary (or her representatives) also briefs the Directors on key regulatory changes and updates, while Deloitte & Touche LLP, the Company's external auditors (the "**External Auditors**") briefs the AC on key amendments to the accounting standards.

During FY2020, a Director attended a SID seminar on corporate governance.

Provision 1.3 **The Board decides on matters that require its approval and clearly communicates this to Management in writing. Matters requiring board approval are disclosed in the Company's annual report.**

The matters which specifically require the Board's approval or guidance are those involving:

- material acquisitions and disposals of assets exceeding S$250,000;
- material new investments;
- borrowings, corporate or financial restructuring;
- capital expenditure exceeding S$250,000;
- material interested person transactions;
- share issuances, dividends and other returns to shareholders;
- establishment of strategies and objectives;
- setting the Group's budget and financial plans;
- monitoring financial and management performances;
- authorising executive compensation;
- evaluating internal controls and risk management;
- approving half-yearly and year-end financial results announcements; and
- commitments to banking facilities granted by financial institutions and overseeing corporate governance.

The Company documents the materiality threshold(s) and matters reserved for board approval.

Provision 1.4 **Board committees, including Executive Committees (if any), are formed with clear written terms of reference setting out their compositions, authorities and duties, including reporting back to the Board. The names of the committee members, the terms of reference, any delegation of the Board's authority to make decisions, and a summary of each committee's activities, are disclosed in the Company's annual report.**

The Board delegates the implementation of business policies and day-to-day operations to the Chief Executive Officer ("**CEO**"), Mr Neo Gim Kiong ("**Mr Neo**") and the Group's Management team including Mr Koh Mia Seng ("**Mr Koh**") up until his effective date of redesignation on 8 January 2021.

The Board has established a Nominating Committee ("**NC**"), a Remuneration Committee ("**RC**") and an Audit Committee ("**AC**") (collectively, the "**Board Committees**") to facilitate the discharge of their respective responsibilities.

The Board Committees, which operate within clearly defined terms of reference, are actively engaged and play an important role in ensuring good corporate governance of the Group. All recommendations of the Board Committees are subsequently reviewed by the Board.

Please refer to Table A set out on page 44 to page 46 of this Annual Report for the composition and primary functions of the Board Committees.

As disclosed in the Company's announcement dated 10 February 2021, the Group had on 3 December 2020 formed a steering committee to manage the affairs of the Company's wholly-owned subsidiary, SMC Industrial Pte Ltd ("**SMCI**"). The key responsibility of the steering committee is to work out the repayment plans to SMCI's banks and creditors.

At its formation, the steering committee comprised the AC chairman, the CEO, and a representative of SMCI management (who is the son of the Non-Executive Chairman, Mr Koh Wen An)[1], with a representative of RSM Corporate Advisory Pte Ltd, SMCI's special accountant, as advisor. Mr Koh Wen An's role on the steering committee has since been assumed by a staff of SMCI unrelated to Mr Koh from 5 February 2021.

<u>Provision 1.5</u> **Directors attend and actively participate in Board and board committee meetings. The number of such meetings and each individual director's attendances at such meetings are disclosed in the Company's annual report. Directors with multiple board representations ensure that sufficient time and attention are given to the affairs of each Company.**

The Board meets regularly on a half-yearly basis. Additional meetings are also held from time to time as may be required to address any significant matters that may arise.

The number of Board and Board Committee meetings and the record of attendance of each Director during FY2020 are set out in Table B at page 46 of this Annual Report.

The Company's Constitution (the "**Constitution**") provides for meetings of the Directors to be held by means of telephone conference or other simultaneous communication methods. The Board may conduct conference calls to expedite the decision-making process for critical matters. The Board and Board Committees also approve transactions by way of written resolutions, which are circulated to the Board together with all relevant information regarding the proposed transaction.

Dates of Board meetings, Board Committee meetings and Annual General Meetings ("**AGMs**") are scheduled in advance in consultation with all of the Directors. A Director who is unable to attend the meeting in person is invited to participate in the meeting via telephone or video conference.

[1] Mr Koh Wen An has resigned as Assistant Operation Manager of SMCI on 1 March 2021.

Provision 1.6 **Management provides directors with complete, adequate and timely information prior to meetings and on an on-going basis to enable them to make informed decisions and discharge their duties and responsibilities.**

Following the implementation of additional internal controls in respect of the Company's principal subsidiary, SMCI as announced on 5 August 2020 and 13 January 2021 and as disclosed under Provision 10.1, the Directors are regularly provided with complete, adequate and timely information prior to Board meetings to enable them to fulfil their duties. The Management provides the Board with half-yearly management accounts, as well as half-yearly summary data comparing key financial metrics relative to the budget and results from prior periods.

Provision 1.7 **Directors have separate and independent access to Management, the Company secretary, and external advisers (where necessary) at the Company's expense. The appointment and removal of the Company secretary is a decision of the Board as a whole.**

The Directors have separate and independent access to the Management and all the Group's records at all times in carrying out their duties.

Detailed Board papers and files are prepared and circulated in advance for each meeting. This is to give Directors sufficient time to review the matters to be discussed so that discussions can be more meaningful and productive. Any other matters may also be tabled at the Board meeting and discussed without papers being distributed. The Board papers and files include sufficient information from the Management on financial, operating and corporate issues for Directors to decide on issues presented at the Board and Board Committee meetings.

Such information may also be in the form of presentations made by Management in attendance at the meetings, or given by external advisors and consultants engaged on specific projects.

The Management provides the Board updates on the developments of the business on a half-yearly basis, with financial information, the explanations on the financial information, and the rationale for the key decisions taken by Management.

The Directors have separate and independent access to the Company Secretary and other professional advisors, as and when necessary, to discharge his / her responsibilities effectively. In addition, the Directors, either individually or as a group, may seek separate independent professional advice, if necessary to enable them to discharge their duties. The cost of all such professional advice is borne by the Company.

The Company Secretary ensures that applicable rules and regulations are complied with and assists the Board in implementing corporate governance practices. The Company Secretary also prepares minutes for all Board meetings and assists the Chairman, the Chairman of each Board Committee and key management personnel in the development of the agendas for the various Board and Board Committee meetings in ensuring good information flows within the Board and its Board Committees and between Management and non-executive directors, advising the Board on all governance matters, as well as facilitating orientation and assisting with professional development, if required.

In addition, the Company Secretary (or her representatives), had attended all Board and Board Committee meetings of the Company in FY2020.

The appointment and the removal of the Company Secretary are subject to the Board's approval.

BOARD COMPOSITION AND GUIDANCE

Principle 2
The Board has an appropriate level of independence and diversity of thought and background in its composition to enable it to make decisions in the best interests of the Company.

Provision 2.1 **An "independent director" is one who is independent in conduct, character and judgement, and has no relationship with the Company, its related corporations, its substantial shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the director's independent business judgement in the best interests of the Company.**

During FY2020, the Board consisted of one Executive Chairman, two Executive Directors and four Independent Non-Executive Directors. The Company currently has one Non-Executive Chairman (who is not independent) following the suspension of Mr Koh's duties as Executive Director of the Company and its subsidiaries with effect from 8 January 2021. Mr Koh's duties and responsibilities in the Group have since been assumed by Mr Neo.

The Board is able to exercise objective judgement on corporate affairs independently and constructively challenge key decisions, taking into consideration the long-term interests of the Group and its shareholders, as Independent Non-Executive Directors comprise the majority of the Board. Further, all Board Committees are chaired by Independent Non-Executive Directors and a majority of the members of the Board Committees are Independent Non-Executive Directors. Please refer to Table A set out on page 44 to page 46 of this Annual Report for the composition of the Board and Board Committees. The Company does not have any alternate director.

The NC is responsible for reviewing the independence of each Director based on the provisions set out in the Code. The NC conducts the review annually and requires each Independent Non-Executive Director to submit a confirmation of independence based on the provisions provided in the Code.

Based on the confirmation of independence submitted by the Independent Non-Executive Directors and the results of the NC's review, the NC was of the view that each Independent Non-Executive Director is independent in accordance with the Code and Catalist Rule 406(3)(d) as the Independent Directors:

(i) are not employed by the Company or any of its related corporations for the current or any of the past three financial years; or

(ii) do not have an immediate family member who is employed or has been employed by the Company or any of its related corporations for the past three financial years, and whose remuneration is determined by the RC.

There are no Directors who are deemed independent by the Board, notwithstanding the existence of a relationship in the Code that would otherwise deem him / her not to be independent.

As at 30 September 2020, no Independent Non-Executive Directors on the Board had served for more than nine years from the date of his / her initial appointment.

<u>Provision 2.2</u> **Independent directors make up a majority of the Board where the Chairman is not independent.**

As the Chairman of the Board is part of the Management team and is not an Independent Non-Executive Director prior to his redesigation on 8 January 2021, the Company has complied and ensured that the majority of the Board comprises Independent Non-Executive Directors.

<u>Provision 2.3</u> **Non-executive directors make up a majority of the Board.**

Independent Non-Executive Directors comprise a majority of the Board for FY2020.

<u>Provision 2.4</u> **The Board and board committees are of an appropriate size, and comprise directors who as a group provide the appropriate balance and mix of skills, knowledge, experience, and other aspects of diversity such as gender and age, so as to avoid groupthink and foster constructive debate. The board diversity policy and progress made towards implementing the board diversity policy, including objectives, are disclosed in the Company's annual report.**

The Board and the NC regularly examine the Board's size and, with a view to determine the impact of the number upon effectiveness, decide on an appropriate size for the Board, taking into account the scope and nature of the Group's operations.

The Board and NC take into account, *inter alia*, the Directors' contributions, areas of expertise and scope of work on an annual basis in evaluating whether the Board's composition is adequate.

The Board and NC note that Directors should also provide core competencies such as accounting or finance, business or management experience, industry knowledge, strategic planning experience and customer-based experience or knowledge, and are satisfied that the current Board's size and composition are appropriate for the Group.

While the Board and NC have not implemented a fixed diversity policy, the NC periodically reviews the existing attributes and competencies of the Board in order to determine the desired expertise or experience required to strengthen or supplement the Board. This assists the NC in identifying and nominating suitable candidates for appointment to the Board.

The NC is satisfied that the Board has the appropriate mix of expertise to lead and govern the Group effectively as the Board's four Independent Non-Executive Directors are respected individuals drawn from a broad- spectrum of expertise which enables them, in their collective wisdom, to contribute effectively and provide a balance of views at both Board and Board Committee meetings.

Each Director has been appointed based on his / her calibre and experience and is expected to bring his / her knowledge and experience in his / her field of expertise to contribute to the development of the Group's strategy and the performance of its business. The Board comprises one female and six male directors with diverse backgrounds such as accounting, finance, manufacturing and business management.

Major proposals and decisions made by the Board are subject to majority approval by the members of the Board. The appointment of new Board members, nomination of directors for re-election and review of the Board and individual Directors' performance are carried out by the NC.

In its review of the Board and as announced on 27 January 2021, the NC had considered the findings made in the Foo Kon Tan Advisory Services Pte. Ltd. ("**FKT**") Report and the responses of Mr Koh to the said findings (which the NC considers to be unsatisfactory). The NC had concluded that Mr Koh was not suitable to remain as a director of the Company and its subsidiaries as the findings in the FKT Report put into question his character and integrity. Subject to the Singapore Exchange Regulation Pte. Ltd.'s ("**SGX RegCo**")'s concurrence, the NC had recommended to the Board that Mr Koh's resignation as a director of the Company and its subsidiaries be procured, failing which an extraordinary general meeting should be convened pursuant to Section 152 of the Companies Act to remove Mr Koh as a director of the Company and its subsidiaries.

The remuneration packages of the Executive Directors and key management personnel, as well as the Directors' fees payable to the Non-Executive Directors are reviewed by the RC. The Board believes that there are sufficiently strong and adequate safeguards to ensure an appropriate balance of power and authority within the spirit of good corporate governance.

Details of the Directors' academic and professional qualifications and other appointments are set out on page 5 and page 6 of this Annual Report.

Provision 2.5 **Non-executive directors and/or independent directors, led by the independent Chairman or other independent director as appropriate, meet regularly without the presence of Management. The chairman of such meetings provides feedback to the Board and/or Chairman as appropriate.**

The Independent Non-Executive Directors confer regularly with the Executive Directors and Management to develop strategies for the Group, review the performance of Management, assess remuneration and discuss corporate governance matters.

The Group's Independent Non-Executive Directors held periodic meetings without the presence of Management in FY2020.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Principle 3
There is a clear division of responsibilities between the leadership of the Board and Management, and no one individual has unfettered powers of decision-making.

Provision 3.1 **The Chairman and the Chief Executive Officer ("CEO") are separate persons to ensure an appropriate balance of power, increased accountability, and greater capacity of the Board for independent decision making.**

In FY2020, the role of the Chairman had been separate from that of the CEO and there is a clear division of responsibilities between the Chairman and CEO. This is to ensure an appropriate balance of power, increased accountability and greater capacity for the Board in terms of independent decision making.

However, following the Board's review of the report by FKT and taking into account the Notice of Compliance issued by the SGX RegCo on 18 June 2020 (the "**NOC**"), the NC has recommended the suspension of Mr Koh's duties as Executive Director of the Company and its subsidiaries with effect from 8 January 2021 and his duties and responsibilities in the Group have since been assumed by Mr Neo.

Save as disclosed in the findings of FKT in its reports issued in 2020 ("**FKT Reports**"), the Board is of the view that there is adequate accountability and transparency as Independent Non-Executive Directors make up a majority of the Board. The Board is able to exercise its power objectively and independently from Management. No individual or small group of individuals dominates the Board's decision making.

Provision 3.2 **The Board establishes and sets out in writing the division of responsibilities between the Chairman and the CEO.**

The Chairman's role includes promoting high standards of corporate governance, scheduling meetings that enable the Board to perform its duties, establishing the agenda for the Board meetings in consultation with the CEO and ensuring that the Board reviews and approves the Group's key strategies and policies. The Chairman also participates in communicating with key stakeholders, including shareholders and senior management employees.

Please refer to Provision 3.1 in relation to the Group's current arrangements regarding the Chairman and CEO's responsibilities.

During the financial year 2020, the Executive Chairman was in-charge of the day to day businesses of SMC Industrial Pte Ltd and SYH Resources Pte Ltd. The CEO is responsible for the development and execution of the Group's strategies, in addition to the expansion of the business activities within the Group.

There were clear separation of duties between the Executive Chairman and CEO and both executive directors works closely with the Board of Directors, of which majority are independent.

Provision 3.3 **The Board has a lead independent director to provide leadership in situations where the Chairman is conflicted, and especially when the Chairman is not independent.**

The lead independent director is available to shareholders where they have concerns and for which contact through the normal channels of communication with the Chairman or Management are inappropriate or inadequate.

Mr Chim Suan Kit Mark is the Lead Independent Non-Executive Director of the Company as Mr Koh, the Non-Executive Chairman of the Board, is part of the Management team and is not considered independent according to the Code.

The Lead Independent Non-Executive Director avails himself to address shareholders' concerns and acts as a counterbalance in the decision making process. Where necessary, the Lead Independent Non-Executive Director will chair meetings without involvement of the Executive Directors and provide feedback to the Chairman of the Board, to aid and facilitate well-balanced viewpoints on the Board.

The Lead Independent Non-Executive Director also took on the role of liaising with the various professional parties appointed by the Company in relation to FKT's findings and the NOC, and has kept the Independent Non-Executive Directors updated on the Company's affairs in the absence of the Executive Directors.

BOARD MEMBERSHIP

Principle 4
The Board has a formal and transparent process for the appointment and re-appointment of directors, taking into account the need for progressive renewal of the Board.

Provision 4.1 **The Board establishes a Nominating Committee ("NC") to make recommendations to the Board on relevant matters relating to:**

(a) the review of succession plans for directors, in particular the appointment and/ or replacement of the Chairman, the CEO and key management personnel;

(b) the process and criteria for evaluation of the performance of the Board, its board committees and directors;

(c) the review of training and professional development programmes for the Board and its directors; and

(d) the appointment and re-appointment of directors (including alternate directors, if any.

The NC, which terms of reference are approved by the Board, comprises four Independent Non-Executive Directors. Please refer to Table A set out on page 44 to page 46 of this Annual Report for the responsibilities of the NC, based on written terms of reference.

The NC makes recommendations to the Board on all Board appointments and on the composition of Executive and Independent Non-Executive Directors of the Board. It is also charged with re-nominating directors who are retiring by rotation as well as determining annually whether or not a director is independent.

In accordance with Regulation 89 of the Constitution, one-third of the Directors (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation at every AGM of the Company. All directors submit themselves for re-nomination and re-appointment at least once every three years. Any Director appointed by the Board during the financial year shall hold office only until the next AGM. A retiring Director shall be eligible for re-election. In the event that any retiring Director is not re-appointed at the upcoming AGM, the Board will exercise its powers to appoint directors by way of casual vacancy pursuant to Regulation 88 of the Constitution, to fulfil the requirements of paragraph 4.2 of the NOC that the Board's composition remains unchanged until satisfactory resolution of FKT's findings.The details of the Directors seeking re-election are found in Table C set out on page 47 to page 52 of this Annual Report.

The Board recognises the contribution of its Directors who over time have developed deep insight into the Group's operations and industry and who are therefore able to provide invaluable contributions to the Group. As such, the Board has not set a fixed term of office for any of its Directors.

<u>Provision 4.2</u> **The NC comprises at least three directors, the majority of whom, including the NC Chairman, are independent. The lead independent director, if any, is a member of the NC.**

As at the date of this report, the NC comprises four Directors, all of whom are independent. The Lead Independent Non-Executive Director is a member of the NC. Please refer to Table A set out on page 44 to page 46 of this Annual Report for the composition of the NC.

<u>Provision 4.3</u> **The Company discloses the process for the selection, appointment and re-appointment of directors to the Board, including the criteria used to identify and evaluate potential new directors and channels used in searching for appropriate candidates in the Company's annual report.**

When the need for a new director is identified, either to replace a retiring director or to enhance the Board's capabilities, the NC will make recommendations to the Board regarding the identification and selection of suitable candidates based on the desired qualifications, skill sets, competencies and experience, which are required to supplement the Board's existing attributes. If need be, the NC may seek assistance from external search consultants for the selection of potential candidates. Directors and Management may also put forward names of potential candidates, together with their curriculum vitae, for consideration.

The NC, after completing its assessment, meets with the short-listed candidates to assess their suitability, before submitting the appropriate recommendations to the Board for approval. The Board then appoints the most suitable candidate who must stand for election at the next AGM of shareholders.

<u>Provision 4.4</u> **The NC determines annually, and as and when circumstances require, if a director is independent, having regard to the circumstances set forth in Provision 2.1. Directors disclose their relationships with the Company, its related corporations, its substantial shareholders or its officers, if any, which may affect their independence, to the Board. If the Board, having taken into account the views of the NC, determines that such directors are independent notwithstanding the existence of such relationships, the Company discloses the relationships and its reasons in its annual report.**

The NC meets at least once a year. Please refer to the disclosures in Provision 2.1 in relation to the NC's review of Directors' independence.

<u>Provision 4.5</u> **The NC ensures that new directors are aware of their duties and obligations. The NC also decides if a director is able to and has been adequately carrying out his or her duties as a director of the Company. The Company discloses in its annual report the listed Company directorships and principal commitments of each director, and where a director holds a significant number of such directorships and commitments, it provides the NC's and Board's reasoned assessment of the ability of the director to diligently discharge his or her duties.**

All Directors are required to attend courses organised by the SID on their duties and obligations as a Director within 1 year from their appointment. In addition, the responsibilities of a Director are clearly delineated in their appointment letter or service agreement (as the case may be). All Directors declare their board memberships and principal commitments as and when practicable. The NC has reviewed and is satisfied that all Directors have devoted sufficient time and attention to the affairs of the Group to adequately perform their duties as directors of the Group.

In accessing the capacity of the Directors, the NC takes into consideration the expected and / or competing time commitments of the Directors, size and composition of the Board, and nature and scope of the Group's operations and size.

Currently, the NC will conduct a rigorous review if any of the Directors hold more than six listed Company board representations. The Board and the NC will review the requirement to determine the maximum number of listed board representations as and when they deem fit.

The Company does not have any alternate directors.

As announced on 27 January 2021, the NC is of the view that Mr Koh is not suitable to remain as a director of the Company and its subsidiaries as the findings in the FKT Report put into question his character and integrity. Save as aforesaid, the NC is satisfied that the Directors are able to and have adequately carried out their duties as Directors of the Company.

Details of the Directors' academic and professional qualifications, date of first appointment and other relevant information are set out on page 5 and page 6 of this Annual Report as well as in Table C, on page 47 to page 52.

BOARD PERFORMANCE

Principle 5
The Board undertakes a formal annual assessment of its effectiveness as a whole, and that of each of its board committees and individual directors.

Provision 5.1 **The NC recommends for the Board's approval the objective performance criteria and process for the evaluation of the effectiveness of the Board as a whole, and of each board committee separately, as well as the contribution by the Chairman and each individual director to the Board.**

The NC assesses the effectiveness of the Board as a whole, its Board Committees and the contribution of each individual Director to the effectiveness of the Board on an annual basis. Objective performance criteria used to assess the performance of the Board include both quantitative and qualitative criteria. The Board and the NC believe that the financial indicators are mainly used to measure the Management's (including Executive Directors') performance and hence are less applicable to the Independent Non-Executive Directors.

No external facilitator was engaged by the Company in FY2020.

Provision 5.2 **The Company discloses in its annual report how the assessments of the Board, its board committees and each director have been conducted, including the identity of any external facilitator and its connection, if any, with the Company or any of its directors.**

The NC had conducted the Board's performance evaluation as a whole for FY2020 together with the performance evaluation of the AC, RC and NC. The performance criteria for the Board and Board Committees' evaluation, as determined by the NC, cover the following areas:

1. Board Composition and Structure;
2. Conduct of Meetings;
3. Corporate Strategy and Planning;

4. Risk Management and Internal Control;
5. Measuring and Monitoring Performance;
6. Training and Recruitment;
7. Compensation;
8. Financial Reporting;
9. Chairman of the Board;
10. Board Committees; and
11. Communicating with Shareholders.

The abovementioned performance criteria do not change from year to year.

The NC Chairman has completed the Board and Board Committees' evaluation forms mentioned above. The completed forms were circulated to the members of NC for their review, comments and discussion.

All NC members have abstained from the voting or review process of any matters in connection with the assessment of his / her performance and / or re-nomination as a Director.

Due to the differences among the Board regarding the affairs of the Group and in particular SMCI, the NC was of the view that the effectiveness of the Board and Board Committees, and the contributions of each individual Director to the effectiveness of the Board and Board Committees, was below average. In normal circumstances, the Board composition would usually be adjusted to ensure smooth operations for the Company. However, in light of the NOC, the NC is in the midst of consulting with the SGX RegCo regarding the removal of Mr Koh from the Board in light of the NOC requiring the composition of the Board to remain unchanged until completion of the Independent Review and satisfactory resolution of FKT's findings.

The assessment parameters for each Director include their knowledge and abilities, attendance records at the meetings of the Board and Board Committees, and the intensity and quality of participation at meetings. The NC and the Board have relied on the abovementioned parameters to evaluate the Directors' contribution individually and have taken such evaluation into consideration for the re-nomination of the Directors.

The replacement of a Director, when it occurs, does not necessarily reflect the Director's performance, but may be driven by the need to align the Board with the needs of the Group.

No external facilitator was engaged by the Company in FY2020.

REMUNERATION MATTERS

PROCEDURES FOR DEVELOPING REMUNERATION POLICIES

Principle 6
The Board has a formal and transparent procedure for developing policies on director and executive remuneration, and for fixing the remuneration packages of individual directors and key management personnel. No director is involved in deciding his or her own remuneration.

Provision 6.1 **The Board establishes a Remuneration Committee ("RC") to review and make recommendations to the Board on:**

(a) a framework of remuneration for the Board and key management personnel; and

(b) the specific remuneration packages for each director as well as for the key management personnel.

The RC reviews and makes recommendations to the Board on the framework of remuneration packages and policies applicable to the Non-Executive Chairman, CEO, Directors and key management personnel.

The RC reviews the remuneration packages and employment contracts of the Non-Executive Chairman, CEO, Directors and key management personnel in order to attract and retain capable executives through competitive compensation. The RC recommends for the Board's endorsement, a framework of compensation that covers aspects of remuneration including Directors' fees, salaries, allowances, bonuses, benefits-in-kind and specific remuneration packages for the Non-Executive Chairman, CEO, Directors and key management personnel.

Provision 6.2 **The RC comprises at least three directors. All members of the RC are non-executive directors, the majority of whom, including the RC Chairman, are independent.**

The RC, which terms of reference are approved by the Board, comprises three Independent Non-Executive Directors and one Non-Executive Non-Independent Director. The majority of the members, including the Chairman of the RC, are independent. It meets at least once a year. Mr Koh is a member of the RC notwithstanding his prior executive duties, to facilitate the flow of information between the RC and the Management. Please refer to Table A set out on page 44 to page 46 for the composition and functions of the RC.

Provision 6.3 **The RC considers all aspects of remuneration, including termination terms, to ensure they are fair.**

The RC's review of remuneration packages covers all aspects of remuneration, including but not limited to Directors' fees, salaries, allowances, bonuses, options, profit sharing (where applicable) and benefits-in-kind. The RC has full authority to obtain any external professional advice on matters relating to remuneration as and when the need arises.

The RC also reviews the Company's obligations arising from termination clauses and termination processes in relation to the Executive Directors' and key management personnel's contracts of service to ensure that such clauses and processes are fair and reasonable.

In setting out the remuneration packages, the RC would take into consideration pay and employment conditions within the industry and in comparable companies. The remuneration packages take into account the Company's relative performance and the performance of the individual Directors or key management personnel.

The RC's recommendations are submitted to the entire Board. Each member of the RC shall abstain from voting on any resolution concerning his own remuneration.

Provision 6.4 **The Company discloses the engagement of any remuneration consultants and their independence in the Company's annual report.**

No remuneration consultants were engaged by the Company during FY2020. The RC and the Board were of the view that the Company does not need to engage remuneration consultants as the remuneration for Executive Directors and the key management personnel are based on their respective existing service agreements.

The RC may consider utilising external expert advice and data, as and when necessary, to assist in the evaluation of its compensation recommendations. None of the RC members or Directors is involved in deliberations in respect of any remuneration, compensation or any form of benefit to be granted to him / her or someone related to him / her.

LEVEL AND MIX OF REMUNERATION

Principle 7
The level and structure of remuneration of the Board and key management personnel are appropriate and proportionate to the sustained performance and value creation of the Company, taking into account the strategic objectives of the Company.

Provision 7.1 **A significant and appropriate proportion of executive directors' and key management personnel's remuneration is structured so as to link rewards to corporate and individual performance. Performance-related remuneration is aligned with the interests of shareholders and other stakeholders and promotes the long-term success of the Company.**

The remuneration policy of the Company is to provide compensation packages at market rates, which reward successful performance and attract, retain and motivate Directors and key management personnel.

In reviewing and determining the remuneration packages of the Executive Directors and the Group's key management personnel, the RC considers the Executive Directors' and key management personnel's responsibilities, skills, expertise and contribution to the Group's performance when designing their respective remuneration packages. An appropriate proportion of their remuneration is linked to individual and corporate performance and is aligned with the interests of Shareholders.

The performance criteria for one Executive Director and certain key management personnel have not been met for FY2020 in light of the impact of COVID-19 pandemic on the Group's operations and the financial health of SMCI. As such, the Executive Director and key management personnel had taken voluntary pay cuts during FY2020 to conserve cash due to the disruption to business operations caused by the COVID-19 pandemic.

The Company had no long-term incentive schemes during FY2020.

Provision 7.2 **The remuneration of non-executive directors is appropriate to the level of contribution, taking into account factors such as effort, time spent, and responsibilities.**

No Independent Non-Executive Directors have service agreements with the Company. They are paid Directors' fees, which are determined by the Board based on the effort, time spent and responsibilities of the Directors (including but not limited to their appointments to the various Board Committees). The Directors' fees of the Independent Non-Executive Directors are subject to approval by Shareholders at each AGM thereby ensuring that their independence is not compromised.

Each member of the RC abstains from deliberating on or making recommendations in respect of any proposed amounts to be paid by the Company to him / her.

Please see Table D set out on page 53 to page 54 for the schedule of annual fees bands for Independent Non-Executive Directors being proposed to Shareholders.

Provision 7.3 **Remuneration is appropriate to attract, retain and motivate the directors to provide good stewardship of the Company and key management personnel to successfully manage the Company for the long term.**

There are currently no incentive schemes on share options or share related payments for the Executive Directors and key management personnel. The Board uses contractual provisions or other measures to reclaim any approved bonuses or other payments from the parties involved should there be any misstatements of financial results, or of misconduct resulting in financial loss to the Group.

The RC is of the view that the remuneration is appropriate to attract, retain and motivate the Directors and key management personnel to successfully manage the Company for the long term given the low attrition rate of Directors and key management personnel.

DISCLOSURE ON REMUNERATION

Principle 8
The Company is transparent on its remuneration policies, level and mix of remuneration, the procedure for setting remuneration, and the relationships between remuneration, performance and value creation.

Provision 8.1 **The Company discloses in its annual report the policy and criteria for setting remuneration, as well as names, amounts and breakdown of remuneration of:**

(a) each individual director and the CEO; and

(b) at least the top five key management personnel (who are not directors or the CEO) in bands no wider than S$250,000 and in aggregate the total remuneration paid to these key management personnel.

Please refer to Table D set out on page 53 to page 54 for remuneration details for the Directors, CEO and top four key management personnel. For FY2020, the Group had four key management personnel.

In FY2020, aggregate remuneration for the Directors, the CEO and the key management personnel was S$1,845,463.

The Company's remuneration policy is one that seeks to ensure that the remuneration offered is competitive and sufficient to attract, retain and motivate the Executive Directors and key management personnel to achieve the Company's business vision and create sustainable value for its stakeholders.

The remuneration policy adopted by the Group comprises a fixed component and a performance-related variable component. The fixed component is in the form of a base salary. The variable component is in the form of a bonus and depends on the relative performance of the Company and the performance of each individual Executive Director and key management personnel, allowing for the alignment of their interests with that of Shareholders. The Executive Directors do not receive additional Directors' fees.

The performance criteria used to assess the remuneration of Executive Directors and key management personnel is based on the profitability of the Group, leadership, as well as the Executive Directors' and key management personnel's compliance in all audit matters. There are currently no long-term incentives for the Executive Directors and key management personnel. The Executive Directors' and key management personnel's short-term incentives (namely the performance-related variable component) are recommended by the RC and approved by the Board. The Board, taking into consideration the competitive business environment, decided not to disclose the exact details of the remuneration of each individual Director and key management personnel (who are not Directors of the Company) be kept confidential. The Company is of the view that detailed disclosure of such information is sensitive and not in the best interest of the Company as it may have a negative impact on talent attraction and retention (such as poaching) given the highly competitive environment it is operating in. As the Company has a small and tightly-knit team, such disclosure would be disadvantageous to the Company in relation to its competitors and may affect adversely the cohesion and spirit of team work prevailing amongst the employees of the Company.

Provision 8.2

The Company discloses the names and remuneration of employees who are substantial shareholders of the Company, or are immediate family members of a director, the CEO or a substantial shareholder of the Company, and whose remuneration exceeds S$100,000 during the year, in bands no wider than S$100,000, in its annual report. The disclosure states clearly the employee's relationship with the relevant director or the CEO or substantial shareholder.

Save for the Non-Executive Chairman and Mr Liew Nyok Wah, the Executive Director of the Company, there is no employee who is a substantial shareholder or are immediate family members of a Director, CEO or substantial shareholder of the Company, whose remuneration exceeds S$100,000 in the Group's employment for FY2020. Please refer to Table D set out on 53 to page 54 for remuneration details set out in bands of S$100,000.

Provision 8.3

The Company discloses in its annual report all forms of remuneration and other payments and benefits, paid by the Company and its subsidiaries to directors and key management personnel of the Company. It also discloses details of employee share schemes.

Please refer to Table D set out on page 53 to page 54 of this Annual Report for the remuneration and other payments and benefits, paid by the Company and its subsidiaries to Directors, CEO and key management personnel of the Company for FY2020. The Company had no employee share schemes in place during FY2020.

ACCOUNTABILITY AND AUDIT

RISK MANAGEMENT AND INTERNAL CONTROLS

Principle 9
The Board is responsible for the governance of risk and ensures that Management maintains a sound system of risk management and internal controls, to safeguard the interests of the Company and its shareholders.

Provision 9.1 **The Board determines the nature and extent of the significant risks which the Company is willing to take in achieving its strategic objectives and value creation. The Board sets up a Board Risk Committee to specifically address this, if appropriate.**

The Company manages risks under an overall strategy determined by the Board and supported by the AC. The Company sets acceptable risk management standards and periodically reviews the risks that the Group is subject to.

The Board recognises that it is responsible for the overall internal control framework, but accepts that no internal control system or risk management will preclude all errors and irregularities such as poor judgement in decision making, human error, losses or fraud, as the system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. The AC will annually:

- satisfy itself that adequate measures are being made to identify and mitigate any material business risks associated with the Group;
- ensure that a review of the effectiveness of the Group's material internal controls, including financial, operating, information technology and compliance controls and risk management, is conducted at least annually. Such review can be carried out by FKT, the internal auditors;
- ensure that the internal control recommendations made by internal auditors and the management letter recommendations by external auditors (noted during the course of the statutory audit) have been implemented; and
- ensure the Board is in a position to comment on the adequacy and effectiveness of the internal controls of the Group.

The Board with the assistance of the internal auditors, determines the Company's levels of risk tolerance and risk policies and oversees Management in the design, implementation and monitoring of the risk management and internal control systems. The Board also reviews compliance issues, if any, with Management on a half-yearly basis and as and when required.

Provision 9.2 **The Board requires and discloses in the Company's annual report that it has received assurance from:**

(a) the CEO and the Chief Financial Officer ("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; and

(b) the CEO and other key management personnel who are responsible, regarding the adequacy and effectiveness of the Company's risk management and internal control systems.

The finance team of the Malaysia and Indonesia subsidiaries is led by the Group Finance Manager who reports to the CEO. Prior to the establishment of SMCI's steering committee, the finance staff of SMCI and SYH Resources Pte. Ltd. reported to the Executive Chairman. Following the establishment of the steering committee on 3 December 2020, the finance staff of SMCI and SYH Resources Pte. Ltd. report directly to the steering committee of SMCI.

The CEO has assured the Board that internal controls are in place for the Group and updated the Board on the internal control measures taken during FY2020 following the release of FKT's Internal Audit Report dated 17 April 2020 and a summary of the findings has been announced on 5 August 2020.

As at the date of this annual report, save for the below JV Agreement, all the findings in FKT's Internal Audit Report dated 17 April 2020 have been addressed by the measures described in the Company's announcement dated 5 August 2020 as further detailed in Provision 10.1.

The construction of the smelter as a result of SMCI and SMCI Refinery Pte Ltd's entry into a joint venture ("JV") agreement with Electroloy Metal Pte Ltd and Mr Wang Chun Jian (collectively, the "JV Partners") is still in progress and the JV Agreement is pending renegotiation with the JV Partners.

Discussion between Internal Auditors and the AC in the absence of the Management have also further reassured the AC that for FY2020, the internal controls established are maintained for the operations of the business. Please refer to Provisions 9.1 and 10.1 for more details.

Having regard to the findings of Foo Kon Tan Advisory Services Pte. Ltd. that the breaches of Chapter 9 of the Catalist Rules arose as a result of Mr Koh Mia Seng's non-disclosure, which could not be detected by the Company's existing internal controls, the representations of the former financial controller of SMCI regarding the internal controls of SMCI, and the work of the external auditors whom has audited the financial position of SMCI and issued a disclaimer of opinion for FY2020, the CEO and GFM have given assurance that (a) the financial records have been properly maintained and the financial statements for FY2020 give a true and fair view of the Group's operations and finances; and (b) the Group's risk management and internal control systems are adequate and effective to address the financial, operational, compliance and information technology risks in the context of the scope of the Group's business operations.

AUDIT COMMITTEE

Principle 10
The Board has an Audit Committee ("AC") which discharges its duties objectively.

Provision 10.1 **The duties of the AC include:**

(a) **reviewing the significant financial reporting issues and judgements so as to ensure the integrity of the financial statements of the Company and any announcements relating to the Company's financial performance;**

(b) **reviewing at least annually the adequacy and effectiveness of the Company's internal controls and risk management systems;**

(c) **reviewing the assurance from the CEO and the CFO on the financial records and financial statements;**

(d) **making recommendations to the Board on: (i) the proposals to the shareholders on the appointment and removal of external auditors; and (ii) the remuneration and terms of engagement of the external auditors;**

(e) reviewing the adequacy, effectiveness, independence, scope and results of the external audit and the Company's internal audit function; and

(f) reviewing the policy and arrangements for concerns about possible improprieties in financial reporting or other matters to be safely raised, independently investigated and appropriately followed up on. The Company publicly discloses, and clearly communicates to employees, the existence of a whistle-blowing policy and procedures for raising such concerns.

The AC's main objective is to assist the Board in fulfilling its fiduciary responsibilities relating to internal controls, overseeing the external audit process, reviewing the financial information to be disclosed to the public and ensuring that arrangements are in place for the independent investigation and follow up of reports by staff of improprieties in financial reporting and other matters. To achieve this, the AC ensures that its members have the appropriate qualifications to provide independent, objective and effective oversight.

The AC meets at least on a half-yearly basis to review the half-yearly and full year results of the Group and the audited annual financial statements, SGXNET announcements and all related disclosures to shareholders before recommending the same to the Board for approval. In the process, the AC reviews the basis and reasoning of the Management in the preparation of the financial statements, critical accounting policies and any significant changes that would have an impact on the Company's financials.

The AC evaluates on a yearly basis the adequacy and effectiveness of the internal controls including financial, operational, compliance and information technology controls and regulatory compliance of the Group through discussion with Management and its Internal and External Auditors.

The Board recognises the importance of maintaining a system of internal controls, procedures and processes for the Group to safeguard the shareholders' investments and the Group's assets. The AC acknowledges FKT's findings that the alleged relationships between Mr Koh and the customers identified by FKT would have resulted in breaches of Catalist Rules 905, 906 and 907 in relation to interested person transactions ("**IPT**"). The AC further acknowledges FKT's conclusion that the breaches arose as a result of Mr Koh's non-disclosure, which could not be detected by the Company's existing internal controls as set out below:

(a) All directors are required to disclose their interests in companies (including directorships and shareholdings) on an annual basis. Any changes during the year are to be disclosed to the Board and company secretary on a timely basis;

(b) The AC has obtained all directors' (both executive and non-executive) confirmation that they do not have any interests in any of the companies that the Group trades with, for the purposes of determining if these transactions are IPT;

(c) The finance department will keep track of all IPTs as declared by the directors and present the list of IPTs to the AC for their review and approval. The finance department will also review the IPTs to ensure that these transactions are at arm's length;

(d) As part of internal control review, the Company also engages the internal auditors to review the identified IPTs on a periodic basis and will implement any recommendations put forward to strengthen the internal controls relating to IPT.

The Chairman of the AC and Mr Neo have on 5 January 2021 filed a report with the Commercial Affairs Department ("**CAD**") in relation to the matters highlighted by FKT and a CAD investigation is ongoing. Please refer to the Company's announcements dated 3 and 10 February 2021 for further details.

The Management is responsible for establishing and implementing the internal control procedures in a timely and appropriate manner. For example, the key features of the internal control environment include having clear and defined terms of reference for Board Committees, assigning authority and responsibility in accordance with an authority matrix and written internal control procedures.

The AC reviews the scope of the External Auditors' audit plan and the effectiveness of the results from the independent audit. The AC also reviews the independence and objectivity of the External Auditors as well as the Group's compliance with Section B: Rules of the Catalist of the SGX-ST (the "**Catalist Rules**"), the Code, as well as interested person transactions and whistleblowing reports, if any.

The AC recommends to the Board the appointment, re-appointment and removal of External Auditors, and approves the remuneration and terms of engagement of the External Auditors.

Please refer to Table A on 44 to page 46 for the detailed terms of reference of the AC.

The Group has established a whistleblowing policy which provides the channel for employees of the Group and external parties to raise their concerns about improprieties in financial reporting or other matters to the AC Chairman or CEO, in good faith and in confidence, sending their mails directly to the Company's registered address, if any. The Company received 2 whistleblowing reports in FY2020 as disclosed in the Company's announcement dated 22 May in relation to (i) concerns raised that employees will not be paid; and (ii) concerns raised in respect of potential relationships that Mr Koh may have with certain companies that have dealings with the Group.

In respect of the second whistle-blowing report which merited further investigation, the AC had, following FKT's Internal Audit Report dated 17 April 2020, commissioned FKT to undertake the expanded scope of work pursuant to the NOC to address the outstanding issues in the whistle blowing report. The expanded scope of the independent review by FKT had on concluded on 20 January 2021 ("**Final FKT Report**") which was announced on 10 February 2021.

The procedures for whistle blowing are displayed clearly on the notice boards of the Company and its subsidiaries where staff can call or email the CEO directly on all matters not related to the CEO, and they have access to the AC Chairman for matters relating to the CEO or as they deem appropriate. The follow up procedures regarding matters raised are also stated and whistleblowers are assured that all actions in good faith will not affect them in their work and staff appraisals.

Apart from the duties listed above, the AC may commission and review the findings of internal investigations into matters where there is suspected fraud or irregularity, or failure of internal controls or infringement of any Singapore and other applicable law, rule or regulation which has or is likely to have material impact on the Company's or Group's operating results and/or financial position.

The AC is also authorised to investigate any matter within its terms of reference and has full access to and co-operation of the Management and full discretion to invite any Director or executive officer to attend its meetings, and reasonable resources to enable it to discharge its functions properly. The AC meets annually with the internal auditors and the external auditors, without the presence of the Management to review the adequacy of audit arrangements, with particular emphasis on the scope and quality of their audits, and the independence and objectivity of the internal and external auditors.

Based on internal controls established and maintained by the Group (including the additional measures implemented as disclosed in the Company's announcement dated 5 August 2020), the audit performed by the Internal Auditors and External Auditors, and the reviews performed by Management and the AC, the Board, with the concurrence of the AC, is of the opinion that the Group's internal controls, including financial, operational, compliance and information technology controls, and risk management systems are adequate and effective during FY2020.

The additional internal control measures implemented by the Board include:

(i) all purchases and sales in the daily course of the business will need to be approved by any two of Mr Koh, Mr Liew Nyok Wah, Mr Neo and Mr Lau Yan Wai (as representative of the AC) (collectively, the "**Authorised Directors**");

(ii) all other significant transactions which are not in the daily course of business are to be approved by any two of the Authorised Directors;

(iii) all cheques and monetary transactions are to be signed and approved by any two of the Authorised Directors;

(iv) all accounts opened for any new suppliers and customers are to be approved by any two of the Authorised Directors;

(v) all sales to customers with past due outstanding are to be approved by any two of the Authorised Directors; and

(vi) SMCI shall not transact with any of the parties identified in the FKT Report.

In FY2020, audit fees were approximately S$422,000 and there was no non-audit fee paid to the Company's External Auditors, Deloitte & Touche LLP. In compliance with Rule 1204(6)(b) of the Catalist Rules, the AC undertook the annual review of the independence and objectivity of the External Auditors by reviewing the non-audit services provided and the fees paid to them, if any. Notwithstanding that the AC has evaluated that the External Auditors are independent and objective and are suitable for re-appointment, the External Auditors have expressed that they will not be seeking re-appointment at the forthcoming AGM. The Company will source for suitable replacements. The Directors of the Company are of the view that it would be timely to effect a change in Auditors for the cost benefits to the Company. Further announcements will be released in due course once the proposed new appointment has been confirmed.

Deloitte & Touche LLP and its member firms are the auditors of all the Company's Singapore incorporated subsidiaries and foreign-incorporated subsidiaries. The Board and AC are of the view that the Company has complied with Catalist Rules 712 and 715 in relation to its External Auditors.

Provision 10.2 **The AC comprises at least three directors, all of whom are non-executive and the majority of whom, including the AC Chairman, are independent. At least two members, including the AC Chairman, have recent and relevant accounting or related financial management expertise or experience.**

The AC comprises four members, all of whom are Independent Non-Executive Directors. The Lead Independent Non-Executive Director is the Chairman of the AC. The AC members are appropriately qualified to discharge their responsibilities and functions under the terms of reference approved by the Board.

Please refer to Table A set out on page 44 to page 46 for the composition and the main functions of the AC.

The Board is satisfied that the members of the AC are appropriately qualified to discharge their responsibilities. Mr Chim Suan Kit Mark, the Chairman and Mdm Yu Lihong are trained in accounting and financial management.

Provision 10.3 **The AC does not comprise former partners or directors of the Company's existing auditing firm or auditing corporation: (a) within a period of two years commencing on the date of their ceasing to be a partner of the auditing firm or director of the auditing corporation; and in any case, (b) for as long as they have any financial interest in the auditing firm or auditing corporation.**

None of the AC members were previous partners or directors of the existing auditing firms within the previous twelve months and none of the AC members hold any financial interest in the above-mentioned auditing firms.

Provision 10.4 **The primary reporting line of the internal audit function is to the AC, which also decides on the appointment, termination and remuneration of the head of the internal audit function. The internal audit function has unfettered access to all the Company's documents, records, properties and personnel, including the AC, and has appropriate standing within the Company.**

The AC, in consultation with Management, approves the hiring, removal, evaluation and the fees of the Internal Auditors. The Internal Auditors have unfettered access to all the Group's documents, records, personnel and the AC.

The internal audit function of the Group was outsourced to FKT in FY2020. The Internal Auditors report primarily to the AC Chairman and has unrestricted access to documents, records, properties and personnel of the Group. The Internal Auditors also undertook an expanded scope of internal audit review to address the issues identified in the NOC. Please refer to the Company's announcement dated 10 February 2021 for further details.

The role of the Internal Auditors is to assist the AC in ensuring that the controls are adequate, effective and functioning as intended, to undertake investigations as directed by the AC and to conduct regular in-depth audits of high risk areas. The AC is satisfied that the internal audit function is independent, adequately resourced, staffed by suitably qualified and experienced professionals and has the appropriate standing within the Company to perform its function effectively.

FKT is a member of the Institute of Internal Auditors ("**IIA**"). The internal audit work carried out is guided by the International Standards for the Professional Practice of Internal Auditing set by IIA.

The internal audit function plans its internal audit schedules in consultation with, but independent of the Management. The audit plan is submitted to the AC for approval prior to the commencement of the internal audit work. In addition, the Internal Auditors may be involved in ad-hoc projects initiated by the Management which require the assurance of the Internal Auditors in specific areas of concerns. The AC had engaged FKT for the independent review during FY2020.

Provision 10.5 **The AC meets with the external auditors, and with the internal auditors, in each case without the presence of Management, at least annually.**

The AC meets with the Internal Auditors and External Auditors separately, at least once a year, without the presence of the Management to review any matters that might have arisen. The AC met with the External Auditors and Internal Auditors several times without the presence of Management in FY2020.

SHAREHOLDER RIGHTS AND ENGAGEMENT

SHAREHOLDER RIGHTS AND CONDUCT OF GENERAL MEETINGS

Principle 11
The Company treats all shareholders fairly and equitably in order to enable them to exercise shareholders' rights and have the opportunity to communicate their views on matters affecting the Company. The Company gives shareholders a balanced and understandable assessment of its performance, position and prospects.

Provision 11.1 **The Company provides shareholders with the opportunity to participate effectively in and vote at general meetings of shareholders and informs them of the rules governing general meetings of shareholders.**

At general meetings, Shareholders are given the opportunity to raise questions to the Directors and the Management relating to the Company's business or performance. The chairpersons of the AC, NC and RC, as well as the External Auditors, are present to assist the Directors in addressing any relevant queries raised by Shareholders.

Shareholders are also informed of the voting procedures prior to the commencement of voting by poll.

The Constitution also allows an individual Shareholder to appoint not more than two proxies to attend and vote on his or her behalf at the general meetings. In line with the amendments to the Act, the Constitution allows corporate Shareholders of the Company which provide nominee or custodial services to third parties to appoint more than two proxies to attend and vote on their behalf at general meetings. At the forthcoming AGM to be held via electronic means, a member of the Company entitled to vote at the AGM must appoint the Chairman of the AGM to act as proxy and direct the vote at the AGM.

A Shareholder who holds his / her shares via The Central Depository (Pte) Limited ("**CDP**") and whose name has registered with CDP seventy-two hours before the AGM, has to submit his / her duly executed instrument appointing a proxy, at the Company's Share Registrar, M & C Services Private Limited, at 112 Robinson Road, #05-01, Singapore 068902 not less than forty-eight hours before the time appointed for holding the AGM.

In the event that the Shareholder's name does not appear on the CDP's register at least seventy-two hours before the AGM, he / she will not be entitled to appoint a proxy to attend the AGM even if the proxy form is deposited at least forty-eight hours before the time appointed for holding the AGM.

Provision 11.2 **The Company tables separate resolutions at general meetings of shareholders on each substantially separate issue unless the issues are interdependent and linked so as to form one significant proposal. Where the resolutions are "bundled", the Company explains the reasons and material implications in the notice of meeting.**

The Company has separate resolutions at general meetings for each distinct issue. In line with the Rule 730A of the Catalist Rules, all the resolutions are voted on by way of poll and the Company announces the detailed results showing the number of votes cast for and against each resolution and the respective percentages to the public.

Provision 11.3 **All directors attend general meetings of shareholders, and the external auditors are also present to address shareholders' queries about the conduct of audit and the preparation and content of the auditors' report. Directors' attendance at such meetings held during the financial year is disclosed in the Company's annual report.**

The respective chairpersons of the AC, RC and NC are present at the AGMs and Extraordinary General Meeting ("**EGM**")'s to answer queries raised at the AGMs and EGMs.

The External Auditors, Deloitte & Touche LLP, are invited to attend the AGMs to address any Shareholders' queries about the conduct of their audits.

Provision 11.4 **The Company's Constitution (or other constitutive documents) allow for absentia voting at general meetings of shareholders.**

Accompanying the notice of AGM and EGM, is a proxy form, so that (i) Shareholders who are individuals may appoint up to two proxies; and (ii) Shareholders which are intermediaries (such as banks and capital markets services licence holders) providing custodial services may appoint more than two proxies to attend on their behalf, should Shareholders be unable to personally attend the meetings. At the forthcoming AGM to be held via electronic means, a member of the Company entitled to vote at the AGM must appoint the Chairman of the AGM to act as proxy and direct the vote at the AGM.

Voting in absentia, which is currently not permitted, may only be possible following careful study to ensure that the integrity of information and authentication of the identity of Shareholders through the web are not compromised, and legislative changes are effected to recognise remote voting.

Provision 11.5 **The Company publishes minutes of general meetings of shareholders on its corporate website as soon as practicable. The minutes record substantial and relevant comments or queries from shareholders relating to the agenda of the general meeting, and responses from the Board and Management.**

Only shareholders and selected invitees are entitled to attend general meetings. As such, the minutes of general meetings are not posted on the Company's corporate website where they are available to the general public at large. However, the Company prepares minutes of general meetings which incorporate substantial comments and queries from Shareholders and responses from the Board and Management. For the upcoming AGM for FY2020, the minutes of the AGM will be posted on the SGXNET and the corporate website within 1 month from the date of the AGM.

Provision 11.6 **The Company has a dividend policy and communicates it to shareholders.**

The Company does not have a fixed dividend policy at present. The issue of payment of dividends is deliberated by the Board annually, having regards to various factors (e.g. Company's profit, cash flow, capital requirements for investment and growth, general business conditions and other factors as the Board deems appropriate).

The Board has not declared or recommended a dividend for FY2020 in order to preserve cash for the Group's operations in view of the prevailing business conditions of the Group.

ENGAGEMENT WITH SHAREHOLDERS

Principle 12
The Company communicates regularly with its shareholders and facilitates the participation of shareholders during general meetings and other dialogues to allow shareholders to communicate their views on various matters affecting the Company.

Provision 12.1 **The Company provides avenues for communication between the Board and all shareholders, and discloses in its annual report the steps taken to solicit and understand the views of shareholders.**

The Company firmly believes in high standards of transparent corporate disclosure, pursuant to the Catalist Rules and the Singapore Companies Act, whereby shareholders are informed of all major developments that affect the Group. Information is communicated to our shareholders on a timely basis. Where there is inadvertent disclosure made to a selected group, the Company will make the same disclosure publicly to all others as soon as practicable.

In presenting the annual financial statements and half-yearly announcements to shareholders as well as any price sensitive reports to the public, the Board aims to provide the shareholders with a balanced and understandable assessment of the Company's and the Group's performance, position and prospects.

Please refer to the disclosures in Provision 12.2 on the avenue of communication between the Board and its shareholders.

Provision 12.2 **The Company has in place an investor relations policy which allows for an ongoing exchange of views so as to actively engage and promote regular, effective and fair communication with shareholders.**

The Company does not have an Investor Relations Policy in place. However, the Board's policy is that all Shareholders should be informed simultaneously in an accurate and comprehensive manner regarding all material developments that impact the Group via SGXNET on an immediate basis, in line with the Group's disclosure obligations pursuant to the Catalist Rules and the Companies Act. There is no dedicated investor relations team in place as the Board was of the view that the current communication channels are sufficient and cost-effective.

Prior to the enactment of the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020, shareholders of the Company receive the annual reports and notices of AGMs which are also advertised in the newspapers within the prescribed deadlines prior to the AGMs. For the upcoming AGM, such information will be disseminated via SGXNET and the Company's corporate website. The Board encourages shareholders' participation at the AGMs and periodically communicates with Shareholders through SGXNET throughout the financial year. For the upcoming AGM which will be held via electronic means, the Company will announce the responses to substantial and relevant questions from shareholders on SGXNET prior to the deadline for the lodgement of the proxy forms.

Similarly, Shareholders receive the circulars and notices of EGMs which are advertised in the newspapers within the prescribed deadlines prior to the EGMs. Such information will be disseminated via SGXNET and the Company's corporate website while the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020 remains in force.

The Company also releases half-yearly and full-yearly announcements containing a summary of the financial information and affairs of the Group for that period, and announcements requiring disclosures as required by the Catalist Rules via SGXNET. Shareholders can also access the Company's website at https://senyueholdings.com/ to access information on the Group.

Provision 12.3 **The Company's investor relations policy sets out the mechanism through which shareholders may contact the Company with questions and through which the Company may respond to such questions.**

Shareholders may contact the Company by completing the "Contact Us" form on the Company's website at https://senyueholdings.com/contact-us. The Company will respond directly to the querying shareholder using the contact information provided therein.

MANAGING STAKEHOLDERS RELATIONSHIPS

ENGAGEMENT WITH STAKEHOLDERS

Principle 13
The Board adopts an inclusive approach by considering and balancing the needs and interests of material stakeholders, as part of its overall responsibility to ensure that the best interests of the Company are served.

Provision 13.1 **The Company has arrangements in place to identify and engage with its material stakeholder groups and to manage its relationships with such groups.**

The Company is committed in maintaining close communication with those stakeholders whom will have an impact on the Company's business and operating performance and long term sustainability. To this end, the Company has established relevant communication channels to engage with its stakeholders as detailed in Principle 12.

Provision 13.2 **The Company discloses in its annual report its strategy and key areas of focus in relation to the management of stakeholder relationships during the reporting period.**

The Company recognises the needs for ensuring the business interests of the Company and its stakeholders are properly aligned as part of its sustainability journey. As in previous years, the Company has undertaken a process of identifying material environmental, social and governance (ESG) issues which are important and will impact the stakeholders. Having identified these material topics, the Company seeks to map out its processes and align its business practices and strategies to address the concerns of these stakeholders. The Company's efforts and approaches in ensuring the respective stakeholders' concerns are properly addressed are set out in its Sustainability Report in this Annual Report.

Provision 13.3 **The Company maintains a current corporate website to communicate and engage with stakeholders.**

The Company updates its corporate website https://senyueholdings.com regularly with information released on the SGXNET and business developments of the Group.

OTHER CORPORATE GOVERNANCE MATTERS

1. **Material Contracts**
[Catalist Rule 1204(8)]

Save as disclosed in the section below regarding IPTs, Mr Koh's personal guarantee and as disclosed in Note 14 and Note 35 to the Financial Statements, no material contracts of the Company or its subsidiaries involving the interests of the CEO or any Director or controlling shareholders existed at the end of the financial year or have been entered into since the end of the previous financial year other than that. In addition, no Director, CEO, controlling shareholders or a Company related to the aforesaid persons have received a benefit from any contract entered into by the Group since the end of the previous financial year.

2. **Interested Person Transactions**
[Catalist Rule 1204(17)]

During FY2020, the Company had engaged FKT to conduct an independent review in relation to the concerns raised in respect of potential relationships that Mr Koh may have with certain companies that have dealings with the Group. As announced on 10 February 2021, FKT is of the view that the following seven companies are indirectly controlled by Mr Koh and the transactions between SMCI and these seven companies are interested person transactions ("**IPTs**"):

i. SMC Technology Sdn Bhd ("**SMCT**")

ii. Matrade Co. Ltd ("**Matrade**")

iii. Thai DD Recycle Co. Ltd ("**TDD**")

iv. Fung Jet Logistics Trading Limited ("**FJL**")

v. Mild On International Limited ("**MOI**")

vi. Foshan City Nanhai District Sea Sheng Waste Materials Recycling Co. Ltd ("**FSS**")

vii. Tai Zhou Yi Ze Metal Co. Ltd ("**TZY**")

The Company does not have a general mandate from shareholders for recurrent IPTs. Based on FKT's findings, the aggregate value of IPTs entered into by the Group for FY2020 are set out below:

Name of interested person	Nature of relationship	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than $100,000 and transactions conducted under the shareholders' mandate pursuant to Rule 920) (S$'000)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than $100,000) (S$'000)
SMCT	Indirectly controlled by Mr Koh	12,169	Nil
Matrade	Indirectly controlled by Mr Koh	5,005	Nil
TDD	Indirectly controlled by Mr Koh	1,945	Nil
FJL	Indirectly controlled by Mr Koh	–	Nil
MOI	Indirectly controlled by Mr Koh	4,682	Nil
FSS	Indirectly controlled by Mr Koh	13,845	Nil
TZY	Indirectly controlled by Mr Koh	13,758	Nil
Total		**51,404**	**Nil**

As announced on 10 February 2021, the AC acknowledges FKT's findings that the alleged relationships between Mr Koh and the Relevant Customers would have resulted in breaches of Catalist Rules 905, 906 and 907. The AC further acknowledges FKT's conclusion that the breaches arose as a result of Mr Koh's non-disclosure, which could not be detected by the Company's existing internal controls. The AC notes that FKT flagged the high risk that some of the transactions between SMCI and the seven Relevant Customers are not conducted on an arm's length basis and/or may not be bona fide. The AC notes that the Company has implemented further measures to mitigate the risks highlighted by FKT, as disclosed in Provision 10.1 and the suspension of Mr Koh's executive function from 8 January 2021 following Nominating Committee's recommendation.

In view of FKT's recommendation, the Company filed a report with the CAD on 5 January 2021 in relation to the matters highlighted by FKT. CAD has on 27 January 2021 issued an order to the Company pursuant to Section 20 of the Criminal Procedure Code (Chapter 68, 2012 Revised Edition) to produce certain documents and information in relation to offences under the Penal Code (Cap.224) and the Securities and Futures Act (Cap.289) pursuant to the Criminal Procedure Code for financial years ended September 30, 2015 to 2020. Mr Koh and certain staff of SMCI had been interviewed by the CAD officers. On 1 February 2021, the Company was informed that the passport of Mr Koh had been impounded. To the best of the Company's knowledge, the investigation of CAD is still in progress.

3. Dealing in Securities

[Catalist Rule 1204(19)]

In compliance with Rule 1204(19), the Group has adopted a Code of Conduct to provide guidance to Directors and executive officers with regards to dealing in the Company's securities.

The Company, Directors and officers of the Group are advised not to deal in the Company's shares on short-term considerations or when they are in possession of unpublished price-sensitive information. They are also reminded regularly not to deal in the Company's shares during the period commencing one month before the announcement of the Group's half-yearly and annual financial results and ending on the date of announcement of those results. The Company, its Directors and officers are required to report to the Company Secretary whenever they deal in the Company's shares. The Company Secretary assists the AC and the Board in monitoring such share transactions and making the necessary announcements. Directors and officers are also reminded to be mindful of the laws on insider trading at all times and to ensure that their dealings in securities do not contravene the laws on insider trading as determined by the Securities and Futures Act (Chapter 289) of Singapore, the Act and other appropriate regulations.

"Directors and officers" include the following classes of employees:

1) All directors and managers;

2) All significant participants in the financial consolidation process;

3) Others with significant management responsibility whose decisions can materially impact the Company's financial results; and

4) Certain accounting and finance personnel who assist the Company's CFO / Company Secretary in preparing all public announcements and materials distributed to the Board of Directors.

4. Non-sponsor Fees

[Catalist Rule 1204(21)]

No non-sponsor fees were paid to the Company's sponsor, PrimePartners Corporate Finance Pte. Ltd. in FY2020.

5. **Update on Use of Proceeds**

The Proceeds from the Issuance of ordinary shares on 23 December 2019

The Company had raised S$6 million from the issuance of ordinary shares on 23 December 2019.

As at the date of this report, the use of the proceeds from issuance of ordinary shares is as follows:

Intended Use of Proceeds	Amount allocated (S$'000)	Amount utilised (S$'000)	Balance (S$'000)
Working capital	6,000	6,000[1]	–

[1] All funds utilised as at the date of this report have been used for repayment of bank loans and the purchase of commodities as well as the processing of e-waste as part of the Group's business expansion programme.

TABLE A

Board comprises:

Koh Mia Seng	(Non-Executive Chairman) [1]
Neo Gim Kiong	(Executive Director & CEO)
Liew Nyok Wah	(Executive Director)
Chim Suan Kit Mark	(Lead Independent Non-Executive Director)
Yu Lihong	(Independent Non-Executive Director)
Low Ka Choon Kevin	(Independent Non-Executive Director)
Lau Yan Wai	(Independent Non-Executive Director)

[1] Mr Koh was redesignated as Non-Executive Chairman with effect from 8 January 2021. Mr Koh's duties and responsibilities in the Group have since been assumed by Mr Neo.

The primary functions of the Board include:

1. charting the overall strategy, growth and direction of the Group;
2. overseeing and monitoring the performance of the management team;
3. ensuring there are in place appropriate and adequate systems of internal controls and risk management policies;
4. approving the annual budget, major capital expenditures and funding proposals, and investment and divestment proposals; and
5. assuming responsibilities for good corporate practices.

The Board's approval is also required on matters such as major acquisitions and disposals, corporate or financial restructuring, share issuance and dividends (Please refer to the full list of matters require Board's approval on the disclosure under Provision 1.3 on page 16).

Audit Committee comprises:

Chim Suan Kit Mark	(Chairman, Lead Independent Non-Executive Director)
Yu Lihong	(Member, Independent Non-Executive Director)
Low Ka Choon Kevin	(Member, Independent Non-Executive Director)
Lau Yan Wai	(Member, Independent Non-Executive Director)

The responsibilities of the AC, based on the written terms of reference, are as follows:

1. reviewing the financial statements of the Company and the Group before they are submitted to the Board for approval;
2. reviewing the audit plans and the external auditors' report with the external auditors;
3. reviewing the independence and objectivity of the external auditors;
4. reviewing management letters from the external auditors and responses from the management;
5. recommending to the Board the appointment, re-appointment and removal of the external auditors, and approving the remuneration and terms of engagement of the external auditors;
6. reviewing the scope and results of the internal audit procedures;
7. ensuring the internal auditors' primary line of reporting is to the AC, in particular the AC Chairman;
8. ensuring the internal audit function is adequately resourced and effective;
9. reviewing the adequacy and effectiveness of the Group's internal controls, including financial, operational and compliance controls and risk management;
10. reviewing interested person transactions, if any; and
11. Commissioning and reviewing the finding of internal investigations conducted where fraud or impropriety is suspected, or where there is a failure of internal controls and infringement of laws, rules or regulations which is likely to have a material impact on the Group.

Nominating Committee comprises:

Low Ka Choon Kevin	(Chairman, Independent Non-Executive Director)
Yu Lihong	(Member, Independent Non-Executive Director)
Chim Suan Kit Mark	(Member, Lead Independent Non-Executive Director)
Lau Yan Wai	(Member, Independent Non-Executive Director)

The responsibilities of the NC, based on the written terms of reference, are as follows:

1. making recommendations to the Board on the appointment and re-election of Directors to the Board;
2. reviewing the size and composition of the Board;
3. evaluating the effectiveness of the Board as a whole and the contribution by each individual Director to the effectiveness of the Board;
4. determining the independence of Directors, at least annually;
5. determining orientation programs for new Directors and recommending opportunities for the continuing training of the Directors;
6. formulating and implementing succession plan;

7. reviewing the appointment of immediate family members of the Company's Directors or substantial shareholders to managerial positions in the Group; and

8. reviewing the performance of the Directors who has multiple listed board representation.

Remuneration Committee comprises:

Yu Lihong	(Chairman, Independent Non-Executive Director)
Chim Suan Kit Mark	(Member, Lead Independent Non-Executive Director)
Koh Mia Seng	(Member, Non-Executive Chairman)
Low Ka Choon Kevin	(Member, Independent Non-Executive Director)

The functions of the RC are as follows:

1. recommending to the Board a framework of review procedures for fixing the remuneration packages of the Directors and key management personnel of the Group;

2. reviewing the appropriateness of the remuneration packages in relation to the level of contribution and performance of each Director and key management personnel of the Group; and

3. reviewing the remuneration package of the Group's employees who are immediate family members of the Directors or substantial shareholders of the Company.

The RC ensures that a formal and transparent procedure is in place for fixing the remuneration packages of each individual Director and key management personnel of the Group. The recommendations of the RC are submitted for endorsement by the Board. Each member of the RC shall abstain from voting on any resolution in respect of his or her own remuneration package.

TABLE B

	Board of Directors Meetings		Audit Committee Meetings		Remuneration Committee Meetings		Nominating Committee Meetings	
Name of Director	**No. held**	**No. attended**	**No. held**	**No. attended**	**No. held**	**No. attended**	**No. held**	**No. attended**
Koh Mia Seng	6	6	2	2*	1	1	1	1*
Neo Gim Kiong	6	6	2	2*	1	1*	1	1*
Liew Nyok Wah	6	6	2	2*	1	1*	1	1*
Chim Suan Kit Mark	6	6	2	2	1	1	1	1
Yu Lihong	6	5	2	2	1	1	1	1
Low Ka Choon Kevin	6	6	2	2	1	1	1	1
Lau Yan Wai[1]	6	5	2	1	1	0	1	0

* By Invitation

1 Mr Lau Yan Wai was appointed as an Independent Non-Executive Director, and a member of the AC and NC with effect from 18 December 2019.

TABLE C

The Directors named below are retiring and being eligible, offer themselves for re-election at the upcoming AGM:

Name of Director	Koh Mia Seng	Low Ka Choon Kevin	Neo Gim Kiong
Date of appointment	3 March 2015	9 April 2015	27 April 2015
Date of last election	29 January 2019	22 January 2018	29 January 2019
Age	56	54	51
Country of principal residence	Singapore	Singapore	Singapore
The Board's comments on this re-election	The Board of Directors of the Company has accepted the NC's recommendation, who had reviewed and considered Mr Koh's performance as a Non-Executive Chairman of the Company.	The Board of Directors of the Company has accepted the NC's recommendation, who has reviewed and considered Mr Low Ka Choon Kevin's performance as an Independent Non-Executive Director of the Company.	The Board of Directors of the Company has accepted the NC's recommendation, who has reviewed and considered Mr Neo's performance as an Executive Director and Chief Executive Officer of the Company.
Whether appointment is executive, and if so, the area of responsibility	NA	NA	Executive. Responsible for the formulation of the Group's corporate strategies and expansion plans.
Job title	Non-Executive Chairman and a member of RC.	Independent Non-Executive Director, Chairman of the NC and a members of AC and RC.	Executive Director and Chief Executive Officer.
Professional qualifications	NA	Bachelor of Laws LLB (2nd Class Upper Hons) degree from the National University of Singapore.	Bachelor of Science Degree in Mathematics with Honours from the National University of Singapore.

Name of Director	Koh Mia Seng	Low Ka Choon Kevin	Neo Gim Kiong
Working experience and occupation(s) during past 10 years	SMC Industrial Pte Ltd March 1994 to current – Managing Director SMC Holdings Pte. Ltd. May 2009 to current – Director Sen Yue Holdings Limited March 2015 to current – Non-Executive Chairman, re-designated as Non-Executive Chairman on 8 January 2021	International Press Softcom Limited 1999 to current – Managing Director Sen Yue Holdings Limited 2015 to current – Independent Non-Executive Director	Bizmen Corporation Pte. Ltd. and Dollar Tree Inc Pte. Ltd. 2004 to current – Founding Director Jackspeed Corporation Limited 2009 to 2011 - Executive Director and Chief Executive Officer Sen Yue Holdings Limited 2015 to current – Executive Director and Chief Executive Officer
Shareholdings interest in the listed issuer and its subsidiaries	Mr Koh holds 369,109,046 ordinary shares (37.5%) in the share capital of the Company.	Mr Low Ka Choon Kevin holds 1,000,000 ordinary shares (0.10%) in the share capital of the Company.	Mr Neo holds 4,150,000 ordinary shares (0.42%) in the share capital of the Company.
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	None	None	None
Conflict of interest (including any competing business)	None	None	None
Undertaking (in the format set out in Appendix 7H) under Rule 720(1) has been submitted to the listed issuer	Yes	Yes	Yes

Name of Director	Koh Mia Seng	Low Ka Choon Kevin	Neo Gim Kiong
Other Principal Commitments Including Directorships	Past (for the last 5 years) Nil	Past (for the last 5 years) Director of: IP Softcom (Xiamen) Co Ltd IP Softcom (Australia) Pty Ltd	Past (for the last 5 years) Audion Innnovision Pty Ltd Trek2000 International Ltd Ban Leong Technologies Australia Pty Ld Astaka Holdings Limited
	Present Director of: SMC Industrial Pte Ltd SMC Holdings Pte. Ltd. SYH E-Waste Management Pte. Ltd. SYH Resources Pte. Ltd. PNE-Sino Pte Ltd SMC Technology Sdn. Bhd. SMC Industrial (HK) Limited SMC Industrial (UK) Co Ltd SMCI Refinery Pte. Ltd.	Present Director of: International Press Holdings Pte Ltd Alternate International Press Softcom Ltd Managing IP Softcom (Malaysia) Sdn Bhd IP Ventures Pte Ltd IP Softcom (Shanghai) Co Ltd Inpac Ventures Pte Ltd IP Softcom (Shenzhen) Co Ltd Greenfield Ventures (M) Sdn Bhd IP Media (Xiamen) Co Ltd IP Softcom (India) Pvt Ltd Avantouch System Pte Ltd Alternate Scantrans India Pvt Ltd IPSCOM Supply Chain (Shanghai) Co Ltd International Press Softcom (Vietnam) Co Ltd Plan B Projects Pte Ltd ZHCC Investment Holdings Pte. Ltd.	Present Dollar Tree Inc Pte. Ltd. Bizmen Corporation Pte. Ltd. Ban Leong Technologies Limited International Press Softcom Limited AV Labs International Pte. Ltd. Gifted and Talented Education Pte. Ltd. BLC (China) Ltd SYH E-Waste Management Pte. Ltd. SYH Resources Pte. Ltd. PNE-Sino Pte Ltd Acesian Partners Limited PNE Micron Engineering Sdn. Bhd. PNE Marvellous Sdn. Bhd. CED System Sdn. Bhd. Hong Nam Industry (M) Sdn. Bhd. PNE Micron (Kuala Lumpur) Sdn. Bhd. PNE Precision Sdn. Bhd. Macore Technology (M) Sdn. Bhd. SMC Industrial (HK) Limited SMC Industrial (UK) Co Ltd

Question	Koh Mia Seng	Low Ka Choon Kevin	Neo Gim Kiong
(a) Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him / her or against a partnership of which he / she was a partner at the time when he / she was a partner or at any time within 2 years from the date he / she ceased to be a partner?	No	No	No
(b) Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he / she was a director or an equivalent person or a key executive, at the time when he / she was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he / she ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?	No	No	No
(c) Whether there is any unsatisfied judgment against him / her?	No	No	No
(d) Whether he / she has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he / she is aware) for such purpose?	No	No	No
(e) Whether he / she has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he / she is aware) for such breach?	No	No	No

Question		Koh Mia Seng	Low Ka Choon Kevin	Neo Gim Kiong
(f)	Whether at any time during the last 10 years, judgment has been entered against him / her in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his / her part, or he / she has been the subject of any civil proceedings (including any pending civil proceedings of which he / she is aware) involving an allegation of fraud, misrepresentation or dishonesty on his / her part?	No	No	No
(g)	Whether he / she has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?	No	No	No
(h)	Whether he / she has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?	No	No	No
(i)	Whether he / she has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him / her from engaging in any type of business practice or activity?	No	No	No
(j)	Whether he / she has ever, to his / her knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:—			
	(i) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or	No	No	No
	(ii) any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or	No	No	No
	(iii) any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or	No	No	No

Question	Koh Mia Seng	Low Ka Choon Kevin	Neo Gim Kiong
(iv) any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere,	No	No	No
in connection with any matter occurring or arising during that period when he / she was so concerned with the entity or business trust?			
(k) Whether he / she has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?	Yes[1]	No	Yes[2]
Disclosure applicable to the appointment of Director only.			
Any prior experience as a director of an issuer listed on the Exchange?	Yes	Yes	Yes
If yes, please provide details of prior experience.	Director of the Company since 2015	Director of the Company since 2015	International Press Softcom Ltd, Ban Leong Technologies Limited and Director of the Company since 2015
If no, please state if the director has attended or will be attending training on the roles and responsibilities of a director of a listed issuer as prescribed by the Exchange.	Not applicable.	Not applicable.	Not applicable.

Note:

1 Assisted in the investigation by CAD in November 2011 for money remitted to SMC Industrial Pte Ltd ("**SMC**") where Mr Koh was the managing director and major shareholder. The case closed in July 2012 with CAD issuing a Notice of Warning to Mr Koh, the Director of SMC to refrain from collecting cash from customers. Mr Koh is also currently the subject of a police report made by the Company in relation to the findings of FKT disclosed in the Company's announcement dated 10 February 2021.

2 Around April 2013, Mr Neo was investigated by CAD regarding his involvement for the non-compliance of Section 162 of the Companies Act, Cap. 50 in relation to the grant of staff loan to a director of a subsidiary of a Singapore listed Company around October 2009 without prior shareholder approval of that subsidiary. Mr Neo was the Chief Executive Officer of the listed Company at the relevant time. The staff loan was a sum of S$50,000, which was granted to that subsidiary's director to pay for the medical expenses of his mother, was granted with the joint approval of the Chairman of the board of listed Company in accordance with the authority approval matrix of the listed Company, and the Group Financial Controller/Company Secretary was also involved in handling the procedures relating to the loan. The staff loan was repaid in full by the relevant director in May 2010. Mr Neo was issued with a letter of warning by CAD in January 2014 in relation to the same. No charges were filed.

TABLE D

The tables below show the remuneration bands of the Directors and the top four key management personnel of the Group, who are not directors as well as the approximate percentage breakdown of the remuneration during FY2020.

(a) Remuneration of Directors of the Company

Name of Director	Salary* (S$)	Bonus# (S$)	Directors' Fees (S$)	Allowance and other benefits (S$)	Total (S$)
S$250,000 to S$500,000					
Koh Mia Seng (Non-Executive Chairman[1])	90%	10%	–	–	100%
Neo Gim Kiong (Executive Director and CEO)	80%	11%	–	9%	100%
Liew Nyok Wah (Executive Director)	79%	10%	–	11%	100%
Below S$250,000					
Chim Suan Kit Mark (Lead Independent Non-Executive Director)	–	–	98%	2%	100%
Yu Lihong (Independent Non-Executive Director)	–	–	98%	2%	100%
Low Ka Choon Kevin (Independent Non-Executive Director)	–	–	97%	3%	100%
Lau Yan Wai[2] (Independent Non-Executive Director)	–	–	100%	–	100%

* The salary amount shown is inclusive of Central Provident Fund ("**CPF**"), all fees other than directors' fees and other emoluments.

\# The bonus amount shown is inclusive of CPF.

[1] Mr Koh Mia Seng was redesignated as Non Executive Chairman with effect from 8 January 2021.

[2] Mr Lau Yan Wai was appointed as an Independent Non-Executive Director, and member of the AC and NC with effect from 18 December 2019.

(b) Remuneration of top four Key Management Personnel

Name of Top 4 Key Management Personnel	Salary* (S$)	Bonus* (S$)	Directors' Fees (S$)	Allowance and other benefits (S$)	Total (S$)
S$250,000 to S$500,000					
Foo Say Kit (Managing Director, Malaysia and Indonesia)	63%	25%	–	12%	100%
Below S$250,000					
Pua Kai Chek (General Manager, Malaysia)	69%	20%	–	11%	100%
Lim Soon Wah (Director, Indonesia)	76%	24%	–	–	100%
Goh Leng Chye[1] (General Manager, Singapore)	92%	8%	–	–	100%

* The salary and bonus amounts shown are inclusive of CPF.
[1] Mr Goh Leng Chye has resigned with effect from 10 February 2021.

The total remuneration paid to the above top four key management personnel in FY2020 was S$707,631.

No stock options were granted in FY2020 as the Company has no employees' shares option scheme in place. Please refer to the disclosure under Provision 8.3 for more details.

(c) Remuneration of Substantial Shareholders and employee related to Director

Name of Substantial Shareholders	Salary* (S$)	Bonus* (S$)	Directors' Fees (S$)	Allowance and other benefits (S$)	Total (S$)
S$300,000 to S$400,000					
Koh Mia Seng (Non-Executive Chairman)	90%	10%	–	–	100%
Liew Nyok Wah (Executive Director)	79%	10%	–	11%	100%

* The salary and bonus amounts shown are inclusive of CPF.

Save as disclosed above, there was no employee of the Group who is a substantial shareholder or an immediate family member of any Director, the CEO or a substantial shareholder whose remuneration exceeds S$100,000 in FY2020.

The Directors present their statement together with the 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 September 30, 2020.

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 63 to 136 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 September 30, 2020, 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, the Company and SMCI have been placed under interim judicial management. The Group's ability to pay its debts will be dependent on 10 May 2021 for Judicial Management hearing as well as the ability to work out a repayment plan to the creditors at the Company or other possible options, except for matters as disclosed in Notes 1, 34 and 35 to the financial statements.

1 DIRECTORS

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

Koh Mia Seng
Neo Gim Kiong
Liew Nyok Wah
Chim Suan Kit Mark
Yu Lihong
Low Ka Choon Kevin
Lau Yan Wai

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 the name of Directors		Shareholdings in which Directors are deemed to have an interest	
	At beginning of financial year	At end of financial year	At beginning of financial year	At end of financial year
The Company (Ordinary shares)				
Koh Mia Seng	369,109,046	369,109,046	–	–
Neo Gim Kiong	4,150,000	4,150,000	–	–
Liew Nyok Wah	62,000,000	62,000,000	–	–
Chim Suan Kit Mark	550,000	550,000	–	–
Yu Lihong	6,000,000	6,000,000	–	–
Low Ka Choon Kevin	1,000,000	1,000,000	–	–

By virtue of Section 7 of the Singapore Companies Act, Koh Mia Seng is deemed to have an interest in all the related corporations of the Company.

The directors' interest in the shares and options of the company at October 21, 2020 were the same at September 30, 2020.

4 SHARE OPTIONS

(a) Options 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.

(b) Options 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.

(c) 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.

5 AUDIT COMMITTEE

The Audit Committee performs the functions set out in Section 201B (5) of the Singapore Companies Act, Chapter 50, the Listing Manual of the Singapore Exchange and the Code of Corporate Governance. In performing those functions, the Audit Committee reviewed the following:-

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 statement of the Company and the consolidated financial statements of the Group before their submission to the Directors of the Company and external auditor's report on those financial statements;

d) the half-yearly and annual financial statements as well as results announcements of the Company and the Group; and

e) the co-operation and assistance given by the management to the Group's internal and external auditors.

The Audit Committee is to have full access to and is to have the co-operation of the management and to have 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 internal and external auditors are to have unrestricted access to the Audit Committee.

Further details regarding the Audit Committee are provided in the Report on Corporate Governance.

6 AUDITORS

Messrs Deloitte & Touche LLP have expressed that they will not seek re-appointment as auditors of the Company at the forthcoming Annual General Meeting of the Company.

ON BEHALF OF THE DIRECTORS

Liew Nyok Wah

Neo Gim Kiong

April 15, 2021

Report on the Audit of the Financial Statements

Disclaimer of Opinion

We were engaged to audit the financial statements of Sen Yue Holdings Limited (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 September 30, 2020, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group and the statement of changes in equity of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 63 to 136.

We do not express an opinion on the accompanying consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company. 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

(a) Sales/purchase transactions with certain customers/suppliers

During the financial year, as disclosed in Note 35 to the financial statements, the Group had appointed an external professional firm to conduct an independent review ("IR") to ascertain whether certain customers/suppliers that its wholly-owned subsidiary, SMC Industries Pte Ltd ("SMCI"), had business transactions with were related to the former Executive Chairman of the Company and whether the transactions between SMCI and those customers/suppliers were arm's length transactions. With the issuance of two reports dated June 17, 2020 and December 16, 2020 ("collectively the IR report"), the IR was concluded on December 16, 2020. These potential relationships were previously not revealed to the Group or to us by the former Executive Chairman. The former Executive Chairman was relieved of his role and duties as Executive Director in January 2021 and re-designated to Non-Executive Chairman.

We noted from the IR report that seven identified customers/suppliers ("Identified Entities") are indirectly controlled by the former Executive Chairman through his various nominees and the transactions between SMCI and the Identified Entities are interested person transactions ("IPTs"), and there have been breaches of the relevant Catalist Rules of the Singapore Exchange ("SGX") in relation to the non-disclosure of these IPTs. In addition, there is a high risk that some of these transactions are not at arm's length and/or may not be bona fide, and may be fraudulent and/or fictitious transactions. There are also evidence that criminal offences may have been committed.

The transactions between SMCI and the Identified Entities as stated in the IR report are disclosed in Note 35 to the financial statements. As of September 30, 2020, the carrying amount due from the Identified Entities was $1,336,304, net of allowances for expected credit loss of $31,137,631. The net outstanding amount of $1,336,304 has been received subsequent to year end (Note 7).

As a result of the above matters, we are unable to obtain sufficient appropriate audit evidence or carry out alternative procedures to satisfy ourselves regarding the existence, bona fides, nature, business rationale and commercial substance of the abovementioned transactions, the appropriateness of the accounting treatment and the related presentation and disclosures in the accompanying financial statements, and whether there could be non-compliance with the applicable laws and regulations in addition to those highlighted in the IR report. Consequently, we are unable to determine whether adjustments to the accompanying financial statements might be necessary in respect of this matter.

Basis for disclaimer of opinion (cont'd)

(b) Revenue recognition and payment received

As disclosed in Note 2 to the financial statements, the Group's accounting policies require revenue to be recognised at the point in time when it transfers control of goods to a customer. During the course of our audit, we noted that in respect of certain sales transactions, including sales to Identified Entities recorded by the SMCI, goods were delivered to other parties or other customers other than to the customers stated in the invoices with whom the SMCI has a contractual relationship. We also noted that payments for certain outstanding sales invoices were made by other parties or other customers that do not have any known existing relationships with the relevant customers.

Given the involvement of parties who do not appear to be directly related to the contractual arrangement and a lack of the necessary supporting information and explanations, we are unable to obtain sufficient appropriate audit evidence or carry out alternative procedures to satisfy ourselves regarding the existence, bona fides, nature, business rationale and commercial substance of the abovementioned transactions, the appropriateness of the accounting treatment and the related presentation and disclosures in the accompanying financial statements and whether there could be non-compliance with the applicable laws and regulations. Management also did not identify all such transactions and quantify the full financial impact. Consequently, we are unable to determine whether adjustments to the accompanying financial statements might be necessary in respect of this matter.

(c) Ongoing investigations

Arising from the IR referred to in (a) above, the external professional firm has recommended to the Company to lodge a report with the appropriate authorities on the various findings highlighted in the IR report so that the relevant authorities can carry out a full investigation.

As disclosed in Note 35(d) to the financial statements, the Company has since filed a report with the Commercial Affairs Department ("CAD") on January 5, 2021 in relation to the matters highlighted by external professional firm. On January 27, 2021, the CAD has issued an order to the Company to produce certain documents and information for financial years ended September 30, 2015 to 2020 in relation to offences under the Penal Code (Cap. 224) and the Securities and Futures Act (Cap. 289) pursuant to the Criminal Procedure Code.

As at the date of this report, the investigation of the CAD is still in progress. We are unable to determine if adjustments to and/or additional disclosures in the accompanying financial statements might be necessary arising from the outcome of the investigation.

(d) Joint Venture arrangement

During the financial year, as disclosed in Note 12 to the financial statements, two subsidiaries of the Group, SMCI and SMCI Refinery Pte Ltd, entered into a joint venture ("JV") agreement with Electroloy Metal Pte Ltd and Mr Wang Chun Jian (collectively, the "JV Partners") to build a smelting facility ("Smelter") in Singapore at an estimated aggregate cost of $4,000,000, to extract and recover metals and materials from waste materials and metal scraps. For the year ended September 30, 2020, the Group recorded the expenses paid on behalf of JV Partners amounting to $666,000 in the profit or loss.

Basis for disclaimer of opinion (cont'd)

(d) Joint Venture arrangement (cont'd)

During the course of our audit, we noted that there was inconsistent understanding of the Joint Venture arrangement between the rest of Board of Directors of the Company and the former Executive Chairman on the interpretation of the cash outlay required from the Group for the establishment of the Smelter. There was also disagreement between the former Executive Chairman and rest of Board of Directors of the Company over the nature of certain expenses incurred prior to the construction of the Smelter as announced by the Company on April 27, 2020. Further, there was no formal agreement between the Group and the JV Partners on the recovery of the expenses incurred by the Group in relation to the Smelter. We understand from the former Executive Chairman that the JV partners have requested to revise the terms of the JV Agreement. As at the date of this report, the construction of the Smelter is in progress and the JV Agreement is pending re-negotiation with the JV Partners.

As a result of the above matters, we are unable to obtain sufficient appropriate audit evidence regarding the JV arrangement and the appropriate accounting treatment to account for the transactions recorded during the year. Consequently, we are unable to determine whether adjustments to the accompanying financial statements might be necessary in respect of this matter.

(e) Going concern assumption

As disclosed in Note 1 to the financial statements, the Group incurred a net loss of $44,079,000 for the financial year ended September 30, 2020. As at September 30, 2020, the Group's current liabilities exceeded the current assets by $22,752,000 and the Company's current liabilities exceeded its current assets by $5,838,000. In addition, as at September 30, 2020, the Group has outstanding bank loans and trade bills of $27,390,000 that were classified as "current liabilities". The Company has issued corporate guarantees on the outstanding bank loans provided to its subsidiaries. Management did not assess the expected credit loss allowance on these corporate guarantees as required by SFRS(I) 9 *Financial Instruments*.

Subsequent to end of the reporting period, the Company and SMCI were served with an originating summons by one of its bank creditors, in the High Court of the Republic of Singapore (the "High Court"), to be placed under Judicial Management. On April 1, 2021, the High Court has granted the Interim Judicial Management Application to place the Company and SMCI under interim judicial management. As such the joint and several interim judicial managers have been appointed with immediate effect for the Company and SMCI. Further, the hearing of the Judicial Management Application has been fixed on May 10, 2021.

As disclosed in Note 1 to the financial statements, as at the date of this report, the Company is working with the interim judicial managers to formulate a restructuring plan which include identifying additional investors for the Group and working out a repayment plan for the creditors and that the formulation of the restructuring plan will be finalised by the judicial managers after the order of the High Court is given at the hearing on May 10, 2021. Such future events, including the outcome of the restructuring plans, are inherently uncertain. According to its judgement, management believes that notwithstanding the application for the Company and SMCI to be placed into Judicial Management and that the Company and SMCI has been placed into Interim Judicial Management, the Group and the Company will be able to continue as going concern. Hence, management continues to adopt the going concern assumption in preparing these financial statements.

These events or conditions, along with the other matters described in Note 1 to the financial statements, indicate the existence of material uncertainties which may cast significant doubt about the ability of the Group and of the Company to continue as going concerns.

Basis for disclaimer of opinion (cont'd)

(e) Going concern assumption (cont'd)

Arising from the placement of the Company and SMCI under Interim Judicial Management and the appointment of interim judicial managers, we are not provided with sufficient information to assess the future plans and whether the Company and/or SMCI may have to liquidate or cease trading in the next twelve months from the date of our report. Consequently, we are unable to obtain sufficient appropriate audit evidence to conclude on the appropriateness of the use of the going concern basis of accounting in the preparation of these accompanying financial statements.

The financial statements do not include any adjustments that would result should the going concern basis of accounting be inappropriate. If the Group and the Company are unable to continue as a going concern, adjustments would have to be made to the accompanying financial statements to reflect the situation that assets may need to be realised other than in the normal course of business and at amounts which could differ significantly from the amounts at which they are currently recorded. In addition, the Group and the Company may have to provide for further liabilities that might arise, and to reclassify non-current assets and liabilities as current assets and liabilities. The accompanying financial statements do not reflect these adjustments.

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 Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards (International) ("SFRS(I)s)"), and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our responsibility is to conduct an audit of the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company 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.

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 those 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 Mr. Kee Cheng Kong, Michael.

Deloitte & Touche LLP
Public Accountants and
Chartered Accountants
Singapore

April 15, 2021

As at September 30, 2020

	Note	Group 2020 $'000	Group 2019 $'000	Company 2020 $'000	Company 2019 $'000
ASSETS					
Current assets					
Cash and cash balances	6	7,321	21,413	91	295
Trade and other receivables	7	8,857	52,429	37	10
Inventories	8	9,028	13,961	–	–
Total current assets		25,206	87,803	128	305
Non-current assets					
Property, plant and equipment	9	28,853	30,006	–	–
Right-of-use assets	10	2,487	–	–	–
Goodwill	11	–	338	–	–
Subsidiaries	12	–	–	14,462	31,988
Other receivables	7	406	634	–	–
Financial assets at fair value through profit or loss	13	4,157	4,101	–	–
Total non-current assets		35,903	35,079	14,462	31,988
Total assets		61,109	122,882	14,590	32,293
LIABILITIES AND EQUITY					
Current liabilities					
Bank overdrafts, loans and trade bills	14	27,789	58,970	1,000	1,000
Trade and other payables	15	19,283	14,445	4,966	4,617
Lease liabilities	16	736	–	–	–
Finance leases	16	–	309	–	–
Derivative financial instruments	17	46	–	–	–
Income tax payable		104	252	–	–
Total current liabilities		47,958	73,976	5,966	5,617
Non-current liabilities					
Bank overdrafts, loans and trade bills	14	–	2,358	–	–
Lease liabilities	16	2,703	–	–	–
Finance leases	16	–	562	–	–
Other payables	15	103	78	–	–
Deferred tax liabilities	18	2,427	2,106	–	–
Total non-current liabilities		5,233	5,104	–	–

See accompanying notes to financial statements.

Statements of

FINANCIAL POSITION (Cont'd)

As at September 30, 2020

	Note	Group 2020 $'000	Group 2019 $'000	Company 2020 $'000	Company 2019 $'000
Capital and reserves					
Share capital	19	46,246	40,255	46,246	40,255
Merger deficit	20	(3,454)	(3,454)	–	–
Translation reserve	21	(7,584)	(7,315)	–	–
Revaluation reserve	22	13,641	11,168	–	–
Capital reserve	23	2,605	2,605	–	–
(Accumulated losses) Retained earnings		(43,536)	543	(37,622)	(13,579)
Equity attributable to owners of the Company		7,918	43,802	8,624	26,676
Total liabilities and equity		61,109	122,882	14,590	32,293

See accompanying notes to financial statements.

Consolidated Statement of Profit or Loss
AND OTHER COMPREHENSIVE INCOME

Year ended September 30, 2020

	Note	Group 2020 $'000	Group 2019 $'000
Revenue	24	175,106	243,442
Cost of sales		(169,027)	(229,675)
Gross profit		6,079	13,767
Other operating income	25	1,924	1,134
Distribution costs		(1,130)	(1,405)
Administrative expenses		(9,366)	(9,444)
Other operating expenses		(2,661)	(221)
Impairment loss recognised on financial assets	28	(36,524)	(62)
Finance costs	26	(2,104)	(2,567)
(Loss) Profit before tax		(43,782)	1,202
Income tax expense	27	(297)	(1,181)
(Loss) Profit for the year	28	(44,079)	21
(Loss) Earnings per share			
Basic and diluted (cents)	29	(4.61)	–*
Other comprehensive income:			
Items that will not be reclassified subsequently to profit or loss:			
Revaluation of properties		2,473	2,545
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		(269)	88
Other comprehensive income for the year, net of tax		2,204	2,633
Total comprehensive (loss) income for the year		(41,875)	2,654

* *Amount less than 0.01 cent*

See accompanying notes to financial statements.

Statements of
CHANGES IN EQUITY

Year ended September 30, 2020

Group	Share capital $'000	Merger deficit $'000	Translation reserve $'000	Revaluation reserve $'000	Capital reserve $'000	(Accumulated losses) Retained earnings $'000	Equity attributable to owners of the Company $'000
Balance as at October 1, 2018	40,255	(3,454)	(7,403)	8,623	2,605	522	41,148
Total comprehensive income for the year:							
Profit for the year	–	–	–	–	–	21	21
Other comprehensive income for the year	–	–	88	2,545	–	–	2,633
Total	–	–	88	2,545	–	21	2,654
Balance as at September 30, 2019	40,255	(3,454)	(7,315)	11,168	2,605	543	43,802
Total comprehensive income (loss) for the year:							
Loss for the year	–	–	–	–	–	(44,079)	(44,079)
Other comprehensive (loss) income for the year	–	–	(269)	2,473	–	–	2,204
Total	–	–	(269)	2,473	–	(44,079)	(41,875)
Issue of share capital (Note 19), representing transactions with owners, recognised directly in equity	5,991	–	–	–	–	–	5,991
Balance as at September 30, 2020	46,246	(3,454)	(7,584)	13,641	2,605	(43,536)	7,918

See accompanying notes to financial statements.

Company	Share capital $'000	Accumulated losses $'000	Total $'000
Balance as at October 1, 2018	40,255	(13,066)	27,189
Loss for the year, representing total comprehensive loss for the year	–	(513)	(513)
Balance as at September 30, 2019	40,255	(13,579)	26,676
Loss for the year, representing total comprehensive loss for the year	–	(24,043)	(24,043)
Issue of share capital (Note 19), representing transactions with owners, recognised directly in equity	5,991	–	5,991
Balance as at September 30, 2020	46,246	(37,622)	8,624

See accompanying notes to financial statements.

Consolidated Statement of
CASH FLOWS

Year ended September 30, 2020

	Group	
	2020	2019
	$'000	$'000
Operating activities		
(Loss) Profit before income tax	(43,782)	1,202
Adjustments for:		
Allowance for inventories	1,790	4
Bad debts written off on other receivables	–	4
Loss allowance for receivables	36,524	58
Interest income	(187)	(241)
Interest expense	2,104	2,567
Depreciation of property, plant and equipment	2,893	3,246
Depreciation of right-of-use assets	755	–
Net foreign exchange loss	67	62
Gain on disposal of property, plant and equipment	(5)	(4)
Property, plant and equipment written off	1	4
Post-employment benefits	29	22
Increase in fair value of financial assets at fair value through profit or loss	(96)	(91)
Fair value loss on derivative financial instruments	46	–
Impairment loss on goodwill	338	–
Impairment loss on property, plant and equipment	621	66
Impairment loss on right of use assets	918	–
Operating cash flows before movements in working capital	2,016	6,899
Trade and other receivables	7,225	(5,270)
Inventories	3,102	5,048
Trade and other payables	4,990	(104)
Cash generated from operations	17,333	6,573
Income taxes paid, net	(757)	(1,170)
Net cash from operating activities	16,576	5,403
Investing activities		
Interest received	313	178
Proceeds from disposal of property, plant and equipment	6	13
Purchase of plant and equipment (Note A)	(537)	(703)
Net cash used in investing activities	(218)	(512)

See accompanying notes to financial statements.

	Note	Group 2020 $'000	Group 2019 $'000
Financing activities			
Interest paid		(2,230)	(2,567)
Repayments of borrowings		(2,694)	(1,168)
Repayments of finance lease liabilities		–	(337)
Repayments of lease liabilities		(697)	–
Decrease (Increase) in pledged deposits with financial institutions		1,038	(1,075)
New bank loans raised		–	857
Trade bills		(17,905)	2,609
Issue of shares		5,991	–
Net cash used in financing activities		(16,497)	(1,681)
Net (decrease) increase in cash and cash equivalents		(139)	3,210
Cash and cash equivalents at the beginning of the year		4,000	1,056
Effect of exchange rate changes on the balance of cash held in foreign currencies		1	(266)
Cash and cash equivalents at the end of the year	6	3,862	4,000

Note A

In 2019, the Group acquired plant and equipment with an aggregate cost of $909,000 of which $186,000 was acquired under finance lease arrangement and $43,000 remains unpaid as at September 30, 2019. The outstanding amount has been repaid in 2020.

See accompanying notes to financial statements.

1 GENERAL

(a) The Company (Registration No. 200105909M) is incorporated in Singapore with its principal place of business and registered office at 3 Jalan Pesawat, Singapore 619361. The Company is listed on the Singapore Exchange Securities Trading Limited. The financial statements are expressed in Singapore dollars.

(b) The principal activity of the Company is that of investment holding. The principal activities of the subsidiaries are disclosed in Note 12 to the financial statements.

(c) Going concern assumption

(I) As at September 30, 2020, the Group incurred a net loss of $44,079,000 for the financial year ended September 30, 2020. In addition, as at September 30, 2020, the Group's current liabilities exceeded the current assets by $22,752,000 and the Company's current liabilities exceeded its current assets by $5,838,000.

(II) Some of the Group's subsidiary loan agreements are subjected to covenant clauses, whereby the subsidiary is required to maintain a minimum net worth (share capital, accumulated profits/losses, and all reserves) of not less than $22,000,000 (2019 : $22,000,000) and maintain a maximum gearing of 3 (total external borrowings to adjusted tangible net worth) at all times. The subsidiary did not fulfil the minimum net worth and maximum gearing as required in the contract for the credit line of $39,000,000. Consequently, the secured borrowings of $2,079,736 was reclassified from non-current liabilities to current liabilities. As of the financial year ended September 30, 2020, the bank had frozen the credit line of $39,000,000.

(III) During the financial year and subsequent to the end of the reporting period, two of the Group subsidiaries, SMC Industries Pte Ltd ("**SMCI**") and SMCI Refinery Pte Ltd ("**SMCIR**") received letters of demand from several creditors totalling $9,147,000.

(IV) On October 27, 2020 and November 9, 2020, a subsidiary, SMCI received letters of demand from two banks, namely DBS Bank Ltd ("**DBS**") and Hong Kong and Shanghai Banking Corporation Limited ("**HSBC**").

As guarantor, the Company had received a letter of demand dated November 9, 2020 from a bank for the amount due and default interest. Subsequent to the financial reporting period, as disclosed below, one of the banks had successfully applied to the High Court of the Republic of Singapore, for each of the Company and SMCI to be placed under Interim Judicial Management. The Company did not provide for any potential liability arising from corporate guarantee provided to the banks as the Company was in negotiation with the banks for more time to settle the outstanding balances at the end of the financial reporting period.

The Company and SMCI were served with an originating summons filed on February 26, 2021 by its bank creditor, DBS, in the High Court of the Republic of Singapore, applying for each of the Company and SMCI to be placed under Judicial Management. At the pre-trial conference held on March 18, 2021, the Singapore High Court, amongst other directions and orders, directed that the hearing of the Interim Judicial Management Application and Judicial Management Application be fixed on April 1, 2021 and May 10, 2021 respectively.

On April 1, 2021, the Singapore High Court has granted the Interim Judicial Management Application to place the Company and SMCI under interim judicial management. As such, Mr Chee Yoh Chuang and Mr Lin Yueh Hung have been appointed as the joint and several interim judicial managers ("**IJM**") of the Company and SMCI with immediate effect.

1 GENERAL (cont'd)

(c) Going concern assumption (cont'd)

(V) As at the date of approval of these financial statements, the Company is working with the IJM to formulate a restructuring plan which include identifying additional investors for the Group and working out a repayment plan for the creditors and that the formulation of the restructuring plan will be finalised by the judicial managers after the order of the High Court is given at the hearing on May 10, 2021. Such future events, including the outcome of the restructuring plans, are inherently uncertain.

(VI) The above matters represent material uncertainties that may cast significant doubt on the Group and the Company's ability to continue as going concerns, and therefore, the Group and the Company may be unable to realise their assets and discharge their liabilities in the normal course of business. According to its judgement, management believes that notwithstanding the application for the Company and SMCI to be placed under Judicial Management and that the Company and SMCI has been placed under Interim Judicial Management, the Group and the Company will be able to continue as going concern. Hence, the management continues to adopt the going concern assumption in preparing these financial statements.

If the Group and the Company are unable to continue as a going concern, adjustments would have to be made to the accompanying financial statements to reflect the situation that assets may need to be realised other than in the normal course of business and at amounts which could differ significantly from the amounts at which they are currently recorded. In addition, the Group and the Company may have to provide for further liabilities that might arise, and to reclassify non-current assets and liabilities as current assets and liabilities. The accompanying financial statements do not reflect these adjustments.

The consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company for the year ended September 30, 2020 were authorised for issue by the Board of Directors on April 15, 2021.

2 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 and Singapore Financial Reporting Standards (International) ("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) 16 *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.*

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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.

BASIS OF CONSOLIDATION - The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by 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.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Changes in the Group's ownership interests in existing 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)s). 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.

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

BUSINESS COMBINATIONS - Acquisition of subsidiaries 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 remeasured 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 remeasured 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Changes in the Group's ownership interests in existing subsidiaries (cont'd)

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) 2 *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.

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 statement of financial position when the Group becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

All financial assets are recognised and de-recognised on a trade date basis where the purchase or sale of financial assets is under a contract whose terms require delivery of assets within the time frame established by the market concerned.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Financial assets (cont'd)

Classification of financial assets

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

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset 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").

Despite the aforegoing, the Group may make the following irrevocable election/designation at initial recognition of a financial asset:

- the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met; and
- the Group may irrevocably designate a debt investment that meets the amortised cost or fair value through other comprehensive income ("FVTOCI") criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

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 discounts 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 of 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. On the other hand, the gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost. For financial instruments other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Financial assets (cont'd)

Amortised cost and effective interest method (cont'd)

Interest income is recognised in profit or loss under "other operating income" line item.

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:

- Investments in equity instruments are classified as at FVTPL, unless the Company 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.

- Debt instruments that do not meet the amortised cost criteria or the FVTOCI criteria are classified as at FVTPL. In addition, debt instruments that meet either the amortised cost criteria or the FVTOCI criteria may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities or recognising the gains and losses on them on different bases. The Company has not designated any debt instruments as at FVTPL.

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. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset and is included in the "other operating income" line item (Note 25). Fair value is determined in the manner described in Note 4(c)(v).

Foreign exchange gains and losses

The carrying amount of financial assets that are denominated 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 or loss in either the "other operating income" or the "other operating expenses" line items; and

- for financial assets measured at FVTPL that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss in either the "other operating income" or the "other operating expenses" line items.

Impairment of financial assets

The Group recognises a loss allowance for expected credit losses ("ECL") on investments in debt instruments that are measured at amortised cost. No impairment loss is recognised for investments in equity instruments. 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Financial assets (cont'd)

Impairment of financial assets (cont'd)

The Group always recognised lifetime ECL for trade receivables. The expected credit losses on these financial assets are estimated 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 recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition instead of on evidence of a financial asset being credit-impaired at the reporting date or an 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, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument 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. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations.

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

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- 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;
- significant increases in credit risk on other financial instruments of the same debtor; and
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Financial assets (cont'd)

Significant increase in credit risk (cont'd)

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 aforegoing, 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 considers a financial asset to have low credit risk when it has an internal or external credit rating of "investment grade" as per globally understood definition.

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 of default 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 debtor 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:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Financial assets (cont'd)

Credit-impaired financial assets (cont'd)

- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

Write-off policy

The Group writes off a financial asset when there is information indicating that the 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. 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 loan commitments and financial guarantee contracts, the exposure includes the amount drawn down as at the reporting date, together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, the Group's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

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.

Where lifetime ECL is measured on a collective basis to cater for cases where evidence of significant increases in credit risk at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- Nature of financial instruments;
- Past-due status;
- Nature, size and industry of debtors;
- Nature of collaterals for other receivables; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Financial assets (cont'd)

Measurement and recognition of expected credit losses (cont'd)

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 12-month 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 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 ownerships 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.

Financial liabilities and equity instruments

Classification as debt or equity

Debt 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 the Group after deducting all of its liabilities. Equity instruments are recorded at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Financial liabilities and equity instruments (cont'd)

Financial liabilities subsequently measured at amortised cost

Financial liabilities that are not 1) contingent consideration of an acquirer in a business combination, 2) held-for-trading, or 3) designated as at FVTPL, are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (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) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument.

Financial guarantee contracts issued by the Company are initially measured at their fair values and, if not designated as at FVTPL and do not arise from a transfer of a financial asset, are subsequently measured at the higher of:

- the amount of the loss allowance determined in accordance with SFRS(I) 9; and
- the amount initially recognised less, where appropriate, cumulative amount of income recognised in accordance with the revenue recognition policies.

Foreign exchange gains and losses

For financial liabilities that are denominated in a foreign currency and are measured at amortised cost as at each reporting date, the foreign exchange gains and losses are determined based on the amortised cost of the instruments. These foreign exchange gains and losses are recognised either in the "other operating income" or "other operating expenses" line items in profit or loss for financial liabilities that are not part of a designated hedging relationship.

The fair value of financial liabilities denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Financial liabilities and equity instruments (cont'd)

Financial liabilities subsequently measured at amortised cost (cont'd)

Derivative financial instruments

The Group enters into commodity forward contracts to manage its exposure to commodity price risk. Further details of derivative financial instruments are disclosed in Note 17 to the financial statements.

The Group enters into interest rate swaps to manage its exposure to interest rate and foreign exchange forward contracts to manage foreign exchange rate risk. Further details of derivative financial instruments are disclosed in Note 17 to the financial statements.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately.

A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

Offsetting arrangements

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when the Company and 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.

LEASES (Before October 1, 2019)

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 an expense over the lease term on the same basis as the lease income.

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see below). Contingent rentals are recognised as expenses in the periods in which they are incurred.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

The Group as lessee (cont'd)

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 leased 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.

LEASES (After October 1, 2019)

The Group as lessee

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses the incremental borrowing rate specific to the lessee.

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

The Group as lessee (cont'd)

- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used); or

- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under SFRS(I) 1-37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the statement of financial position.

The Group applies SFRS(I) 1-36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss.

As a practical expedient, SFRS(I) 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Group has not used this practical expedient.

The Group as lessor

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

INVENTORIES - Inventories are stated at the lower of cost 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 first-in first-out method, except for e-waste inventories which the cost is calculated using the specific identification 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 buildings 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 their revalued amounts, 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 such land and buildings 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 such land and buildings 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 that asset.

Properties in the course of construction for production, supply or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

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

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

Freehold buildings	-	50 years
Leasehold land and buildings	-	10.5 to 50 years or over the lease period, whichever is shorter
Plant and equipment	-	2 to 17 years
Furniture, fittings and office equipment	-	2 to 12 years
Renovation and installation	-	5 to 10 years
Motor vehicles	-	5 to 10 years

No depreciation is provided on freehold land.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, if there is no certainty that the lessee will obtain ownership by the end of the lease term, the asset shall be fully depreciated over the short of the lease term and its useful life.

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 amounts 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 properties revaluation reserve is transferred directly to retained earnings. No transfer is made from the revaluation reserve to retained earnings except when an asset is derecognised.

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.

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.

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.

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. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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 increased 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 the 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.

GOVERNMENT GRANTS - Government grants are not recognised until there is reasonable assurance that the Company will comply with the conditions attaching to them and the grants will be received. The benefit of a government loan at a below-market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates. Government grants whose primary condition is that the Company 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 Company with no future related costs are recognised in profit or loss in the period in which they become receivable.

REVENUE RECOGNITION - The Group recognises revenue from sale of good and services. Revenue is measured based on the consideration specified in the contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when it transfers control of a product or service to a customer. The Group has concluded that it is the principal in its revenue arrangements and records revenue on a gross basis because it typically controls the goods or services before transferring them to customers.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Sale of goods

The Group manufactures and sells metal components and tool and die, which includes manufacturing and sale of perforated materials, speaker nets, tool, die and other metal components. The Group also engages in trading of commodities, which includes copper, stainless steel, other special alloys and e-waste.

Revenue is recognised at the point of time when control of the goods has transferred, being when the goods have been shipped or delivered to the customers based on the agreed incoterm. Following delivery, the customers have full discretion over the manner of distribution and price to sell the goods, have the primary responsibility when on selling the goods and bear the risks of obsolescence and loss in relation to the goods. A receivable is recognised by the Group when the goods are delivered to the customers as this represents point in time at which the right to consideration becomes unconditional, as only the passage of time is required before payment is due. Credit note is issued when there is any deviation in the purity content of certain goods upon receipt by the customers.

Revenue from the provision of electro-deposition coating services

The Group provides electro-deposition (ED) coating services and secondary process.

Revenue from rendering of services is recognised at the point in time when service have been rendered and ownership or control of the goods have been transferred to the customers, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods.

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 - Employees 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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 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.

Deferred tax is recognised on 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 for taxable temporary differences arising on investments in subsidiaries, 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 directly 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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, 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 rate 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.

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 foreign 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), 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 are re-attributed to non-controlling interests and are not recognised in 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) are recognised in other comprehensive income and accumulated in a separate component of equity under the header of foreign currency translation reserve.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 2, 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.

Critical judgements in applying the Group's accounting policies

Management is of the opinion that there are no instances of application of judgements which are expected to have a significant effect on the amounts recognised in the financial statements other than the going concern assumption as set out in Note 1 to the financial statements and those involving estimates as discussed below.

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.

Impairment of goodwill

The Group tests goodwill for impairment annually or more frequently if there are indicators that the goodwill might be impaired. The goodwill relates exclusively to one cash-generating unit ("CGU"). Determining whether goodwill is impaired requires an estimation of the value in use of the CGU to which goodwill has been allocated. The value in use calculation requires the entity 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. Goodwill has been fully impaired and is disclosed in Note 11 to the financial statements.

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (cont'd)

Key sources of estimation uncertainty (cont'd)

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 and integral credit enhancements.

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.

The carrying amount of trade and other receivables is disclosed in Note 7 to the financial statements.

Allowance for inventories

At the end of each reporting period, the Group reviews the carrying amount of its inventories to ensure that they are stated at lower of cost or net realisable value. In assessing the net realisable value and making appropriate allowance, management identifies inventories that are slow-moving, considers their physical condition, the market condition and prices for similar items. Management has assessed the allowance for inventories as at September 30, 2020 to be $1,790,000 (2019 : $4,000).

The Group engages a party to assess the purity content of the e-waste inventories. Purity content is a key measure to determine the net realisable value based on available market prices. Management works closely with experts to establish the appropriate method used in testing.

Management determines whether an allowance is required for inventory obsolescence or slow-moving items or for any shortfall in net realisable value of inventories by reviewing the inventory listing on a periodic basis. The review involves an analysis of the inventories ageing, a comparison of the carrying value of the inventory items with the respective net realisable value as well as the forecasted demand for the inventories. Where the Group identified items of inventory which have a net realisable value that is lower than its carrying amount, the Group estimates the amount of inventory loss in respect of write-downs of inventory to net realisable value as allowance of inventory.

The carrying amount of inventories is disclosed in Note 8 to the financial statements.

Impairment in value of investment in subsidiaries (Note 12)

Determining whether investment in subsidiaries is impaired involves the consideration of the performance of the subsidiaries and the market conditions in which the subsidiaries operate in. In assessing the impairment loss, the recoverable amounts for investments in subsidiaries were determined based on the higher of estimated fair value less cost to sell and value in use of the underlying assets of the individual subsidiary.

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (cont'd)

Key sources of estimation uncertainty (cont'd)

Impairment in value of investment in subsidiaries (Note 12) (cont'd)

During the financial year, management has determined that the recoverable amount of the investments in subsidiaries is lower than its carrying amount and accordingly, an impairment of $22,957,000 (2019 : a reversal of impairment $591,000) has been recognised. The carrying amount of investment in subsidiaries is disclosed in Note 12 to the financial statements.

Depreciation of property, plant and equipment

The Group depreciates its property, plant and equipment over their estimated useful lives, after taking into account their estimated residual value using the straight-line method. The estimated useful life reflects management's estimate of the periods that the Group intends to derive future economic benefits from the use of the Group's property, plant and equipment. The residual values reflect management's estimated amount that the Group would currently obtain from disposal of the asset, after deducting the estimated costs of disposal, if the assets were already of the age and in the condition expected at the end of its useful life. As at September 30, 2020, the carrying amount of property, plant and equipment is $28,853,000 (2019 : $30,006,000) as disclosed in Note 9 to the financial statements.

Fair value measurements and valuation processes

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. Management works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model.

Information about the valuation techniques and inputs used in determining the fair value of various assets and liabilities are disclosed in Notes 4, 9 and 13 to the financial statements.

Impairment of plant and equipment and right-of-use assets

The Group assess annually whether plant and equipment and right-of-use assets 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. During the financial year, management has determined that the recoverable amount of plant and equipment, and right-of-use assets through value in use is lower than its carrying amount and accordingly, an impairment of $621,000 and $918,000 has been recognised for plant and equipment, and right-of-use assets respectively. The value in use computation involves estimations relating to projected future cash flows, market demand and a discount rate of 10%. Any change in such projections and estimates can result in changes to the impairment loss in future periods. The carrying amounts of plant and equipment, and right-of-use assets at the end of the reporting period are disclosed in Notes 9 and 10 to the financial statements.

4 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	
	2020	2019	2020	2019
	$'000	$'000	$'000	$'000
Financial assets				
Amortised cost	15,719	72,164	103	295
Financial assets at FVTPL	4,157	4,101	–	–
	19,876	76,265	103	295
Financial liabilities				
Amortised cost	47,175	75,851	5,966	5,617
Derivative financial instrument	46	–	–	–
Lease liabilities	3,439	–	–	–
Finance lease liabilities	–	871	–	–
	50,660	76,722	5,966	5,617

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

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

(c) *Financial risk management policies and objectives*

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework.

The Group has a system of controls in place to create an acceptable balance between the cost of risks occurring and the cost of managing the risks. Management continually monitors the Group's risk management process to ensure that an appropriate balance between risk and control is achieved. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group activities.

The Group is exposed to a variety of financial risks, comprising market risk (including foreign currency risk and interest rate risk), credit risk and liquidity risk.

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:

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (cont'd)

(c) Financial risk management policies and objectives (cont'd)

(i) Foreign exchange risk management

The Group's foreign exchange exposures arise mainly from the exchange rate movement of the functional currencies of the respective group entities against Singapore dollar, United States dollar and Malaysia ringgit.

The Company has a number of investments in foreign subsidiaries whose net assets are exposed to currency translation risk. The Group does not currently designate its foreign currency denominated debt as a hedging instrument for the purpose of hedging the translation of its foreign operations. The risk is managed through natural hedges. When required, the Group enters into forward foreign exchange contracts to manage certain of its foreign currency denominated trade receivables exposure.

The carrying amounts of foreign currency denominated monetary assets and monetary liabilities denominated in currencies other than the respective Group entities' functional currencies at the end of the reporting period are as follows:

	Assets		Liabilities	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Group				
Singapore dollar	161	330	52	71
United States dollar	10,182	18,366	22,874	23,664
Malaysian ringgit	–	–	–	4,088
Company				
United States dollar	2	8	110	–
Malaysian ringgit	–	–	4,135	4,088

Foreign currency sensitivity

The sensitivity rate used when reporting foreign exchange risk to key management personnel is 10%, which is the change in a foreign exchange rate that management deems reasonably possible, which will affect outstanding foreign currency denominated monetary items at the end of the reporting period.

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (cont'd)

(c) Financial risk management policies and objectives (cont'd)

(i) Foreign exchange risk management (cont'd)

If the relevant foreign currency weakens by 10% against the functional currency of each Group entity, the effect on loss for the year will (increase) decrease [2019: profit for the year will increase (decrease)] by:

	Group		Company	
	2020	**2019**	**2020**	**2019**
	$'000	**$'000**	**$'000**	**$'000**
Singapore dollar	(11)	(26)	–	–
United States dollar	1,269	530	11	–
Malaysian ringgit	–	409	414	409

If the relevant foreign currency strengthens by 10% against the functional currency of each Group entity, the above will have an opposite effect.

(ii) Interest rate risk management

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's debt obligations with floating interest rates. The Group monitors the movements in interest rates on an ongoing basis and evaluates the exposure for its debt obligations.

Interest rate sensitivity

The sensitivity analysis below has been determined based on the exposure to interest rates for cash and cash equivalents placed with and borrowings from banks and financial institutions in Singapore, Malaysia and Indonesia at the end of the reporting period.

For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at the end of the reporting period was outstanding for the whole year. 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 reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower with all other variables held constant, the Group's loss for the year ended September 30, 2020 would increase/decrease by $108,000 (2019 : profit for the year would decrease/increase by $221,000).

No analysis is prepared at the Company level as the impact is not expected to be material.

The Group's sensitivity to interest rates has decreased during the current year mainly due to the decrease in average bank borrowings.

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (cont'd)

(c) Financial risk management policies and objectives (cont'd)

(iii) Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. As at September 30, 2020, the Group's maximum exposure to credit risk without taking into account any collateral held or other credit enhancements, which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties arises from the carrying amount of the respective recognised financial assets as stated in the statements of financial position.

The Group has adopted the policy of only dealing with creditworthy counterparties as a mean of mitigating the risk of financial losses from default. Credit risk is managed through the application of credit approvals, credit limits and monitoring procedures. Where appropriate, the Group obtains collateral from its customers. Cash terms, advance payments and letter of credits are required for customers of lower credit standing.

The Group's current credit risk 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

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (cont'd)

(c) Financial risk management policies and objectives (cont'd)

(iii) Credit risk management (cont'd)

The table below detail the credit quality of the Group's financial assets and other items, as well as maximum exposure to credit risk by credit risk rating grades:

Group	Note	Internal credit rating	12–month or lifetime ECL	Gross carrying amount $'000	Loss allowance $'000	Net carrying amount $'000
2020						
Trade receivables	7	(i)	Lifetime ECL (simplified approach)	7,408	–	7,408
Trade receivables	7	In default	Lifetime ECL	36,587	(36,587)	–
Other receivables	7	In default	Lifetime ECL	1,248	(1,248)	–
Other receivables	7	Performing	12–month ECL	990	–	990
					(37,835)	
2019						
Trade receivables	7	(i)	Lifetime ECL (simplified approach)	49,265	(65)	49,200
Other receivables	7	In default	Lifetime ECL	1,331	(1,331)	–
Other receivables	7	Performing	12–month ECL	1,551	–	1,551
					(1,396)	

(i) For trade receivables, the Group has applied the simplified approach in SFRS(I) 9 to measure the loss allowance at lifetime ECL. The Group determines the expected credit loss on this items based on the ongoing evaluation of collectability and aging analysis of the outstanding debts and on management's estimate of the ultimate realisation of these debts, including creditworthiness and the past collection history of each debtor. Note 7 includes further details on the loss allowance for these assets.

As at September 30, 2020, 17.1% (2019 : 67.1%) of trade receivables for the Group relate to amounts due from one (2019 : four) major customers. The Group manages concentration of credit risk by performing credit analysis procedures to assess the potential customers' credit quality and defines credit limits by customer before offering credit term to any new customer.

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (cont'd)

(c) Financial risk management policies and objectives (cont'd)

(iii) Credit risk management (cont'd)

The maximum amount the Company could be forced to settle under the financial guarantee contract in Note 30(b), if the full guaranteed amount is claimed by the counterparty to the guarantee is $27,351,000 (2019 : $61,199,000). This estimated amount that will be payable under the arrangement depends on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the financial receivables held by the counterparty which are guaranteed suffer credit losses (Note 30(b)).

The carrying amount of financial assets recorded in the financial statements, grossed up for any allowances for losses, and the exposure to defaults from financial guarantees above, represents the Group's maximum exposure to credit risk without taking account of the value of any collateral obtained.

The Group places its cash with reputable financial institutions.

The credit risk for trade and other receivables based on the information provided to key management is as follows:

	Group		Company	
	2020	2019	2020	2019
	$'000	$'000	$'000	$'000
By geographical areas:				
Singapore	1,542	4,278	–	–
People's Republic of China	1,539	31,999	–	–
Malaysia	3,680	8,696	–	–
Indonesia	514	601	–	–
Thailand	–	2,010	–	–
South Korea	404	1,557	–	–
Others	719	1,610	–	–
	8,398	50,751	–	–

(iv) Liquidity risk management

The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liability requirements in the short and longer term.

The Group's and the Company's exposure to liquidity risk and management approach are set out in Note 1 to the financial statements.

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (cont'd)

(c) Financial risk management policies and objectives (cont'd)

(iv) Liquidity risk management (cont'd)

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 the 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 statements of financial position.

	Weighted average effective interest rate	On Demand or within 1 year	Within 2 to 5 years	Adjustment	Total
	% p.a.	$'000	$'000	$'000	$'000
GROUP					
2020					
Non-interest bearing	–	19,386	–	–	19,386
Lease liabilities (fixed rate)	2.90	815	2,897	(273)	3,439
Trade bills (variable rate)	8.10	22,631	–	(1,697)	20,934
Loan facilities (variable rate)	4.64	9,404	–	(2,549)	6,855
		52,236	2,897	(4,519)	50,614
2019					
Non-interest bearing	–	14,523	–	–	14,523
Finance leases (fixed rate)	4.38	331	581	(41)	871
Trade bills (variable rate)	4.19	54,001	–	(2,172)	51,829
Loan facilities (variable rate)	4.10	7,434	2,624	(559)	9,499
		76,289	3,205	(2,772)	76,722
COMPANY					
2020					
Non-interest bearing	–	4,966	–	–	4,966
Loan facilities (variable rate)	4.64	1,046	–	(46)	1,000
		6,012	–	(46)	5,966
2019					
Non-interest bearing	–	4,617	–	–	4,617
Loan facilities (variable rate)	4.13	1,041	–	(41)	1,000
		5,658	–	(41)	5,617

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (cont'd)

(c) Financial risk management policies and objectives (cont'd)

(iv) Liquidity risk management (cont'd)

Liquidity and interest risk analyses (cont'd)

Non-derivative financial assets

Except for other receivables and financial assets at FVTPL as disclosed in Notes 7 and 13, substantially all financial assets of the Group and Company are on demand or due within one year.

Derivative financial instruments

The Group's derivative financial instruments comprise interest rate swap and commodity forward contracts which are measured at fair value at the end of the reporting period. The Group's commodity forward contracts are insignificant as at the end of 2019. See Note 17 for more information on derivative financial instruments.

(v) Fair value of financial assets and financial liabilities

Fair value of the Group's financial assets that are measured at fair value on a recurring basis

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used). See Note 17 for more information on derivative financial instruments.

Financial assets at FVTPL

Fair value as at					
2020 $'000	**2019 $'000**	**Fair value hierarchy**	**Valuation technique and key input**	**Significant unobservable input**	**Relationship of unobservable inputs to fair value**
4,157	4,101	Level 2	Statement from the respective insurers on the cash surrender value as at reporting date.	N/A	N/A

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (cont'd)

(c) Financial risk management policies and objectives (cont'd)

(v) Fair value of financial assets and financial liabilities (cont'd)

Fair value of the Group's financial assets and financial liabilities that are not measured at fair value on a recurring basis

Management considers that the carrying amounts of cash and cash equivalents, trade and other current receivables and payables and other liabilities recorded at amortised cost in the financial statements approximate their respective fair values due to the relatively short-term maturity of these financial instruments. In respect of the financial assets and financial liabilities recorded at amortised cost whose maturity is more than a year, management also considers that such financial instruments approximate their fair values. The fair values of other classes of financial assets and financial liabilities are disclosed in the respective notes to the financial statements.

(d) Capital management policies and objectives

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maintain an optimal capital structure to maximise shareholder value. In order to maintain or achieve an optimal capital structure, the Group may adjust the amount of dividend payment, return capital to shareholders, issue new shares, buy back issued shares, obtain new borrowings or sell assets to reduce borrowings. The Group's overall strategy remains unchanged from the prior year.

The capital structure of the Group consists of equity attributable to owners of the Company, comprising issued capital, reserves and retained earnings.

Some of the Group's subsidiary loan agreements are subjected to covenant clauses, whereby the subsidiary is required to maintain a minimum net worth (share capital, accumulated profits/losses, and all reserves) of not less than $22,000,000 (2019 : $22,000,000) and maintain a maximum gearing of 3 (total external borrowings to adjusted tangible net worth) at all times. The subsidiary did not fulfil the minimum net worth and maximum gearing as required in the contract for the credit line of $39,000,000. Consequently, the secured borrowings of $2,079,736 was reclassified from non-current liabilities to current liabilities. As of the financial year ended September 30, 2020, the bank had frozen the credit line of $39,000,000.

In addition, two of the Group subsidiaries, SMCI and SMCIR received letters of demand from several creditors and two banks.

Please refer to Note 34 for the developments subsequent to year end.

5 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 the financial statements. The balances are unsecured, interest-free and repayable on demand unless otherwise stated.

During the year, the Group entered into the following transactions with related party:

	Group	
	2020	2019
	$'000	$'000
Subcontracting expenses	–	27
Purchase of equipments	–	1

Compensation of Directors and key management personnel

The remuneration of Directors and other members of key management during the year was as follows:

	Group	
	2020	2019
	$'000	$'000
Short term benefits	1,888	2,201
Post-employment benefits	76	90
	1,964	2,291

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

6 CASH AND BANK BALANCES

	Group		Company	
	2020	2019	2020	2019
	$'000	$'000	$'000	$'000
Cash at banks and in hand	4,261	4,325	91	295
Fixed deposits	3,060	17,088	–	–
Cash and bank balances in statements of financial position	7,321	21,413	91	295
Fixed deposits pledged with financial institutions	(3,060)	(17,088)	–	–
Bank overdraft (Note 14)	(399)	(325)	–	–
Cash and cash equivalents in statement of cash flows	3,862	4,000	91	295

During the year, the Group withdrew certain fixed deposits pledged with financial institution of $12,990,000 (2019 : $Nil) to settle the borrowings and trade financing balances outstanding.

6 CASH AND BANK BALANCES (cont'd)

Fixed deposits with financial institutions amounting to approximately $3,060,000 (2019 : $17,088,000) have been pledged to financial institutions for banking facilities granted to the Group (Note 14), of which $3,021,900 are withdrawn immediately after financial year end to offset banking facilities owing by a subsidiary.

Fixed deposits interest at an average rate of 1.29% (2019 : 1.06%) per annum and for a tenure of approximately 213 days (2019 : 213 days).

7 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2020	**2019**	**2020**	**2019**
	$'000	**$'000**	**$'000**	**$'000**
Current				
Trade receivables from outside parties	43,995	49,265	–	–
Deposits and other receivables	2,197	2,882	–	–
Related company	–	–	12	–
Prepayments	234	749	25	10
Tax recoverables	197	16	–	–
GST refundable	47	913	–	–
Contract assets	22	–	–	–
Loss allowance:				
- Trade	(36,587)	(65)	–	–
- Non-trade	(1,248)	(1,331)	–	–
	8,857	52,429	37	10
Non-current				
Prepayments	365	634	–	–
Deposits	41	–	–	–
	406	634	–	–
Total	9,263	53,063	37	10

Trade receivables

Trade receivables as of September 30, 2020 includes amount due from seven companies that are suspected to be indirectly controlled by the former executive chairman of the Company, Mr Koh Mia Seng as disclosed in Note 35 to the financial statements totalling $1,336,304, net of allowances for expected credit loss of $31,137,631. The net outstanding amount of $1,336,304 has been received subsequent to year end.

The average credit period on sale of goods is 7 to 180 days (2019 : 7 to 180 days). No interest is charged on outstanding trade receivables that are beyond the credit timeframe.

Loss allowance for trade receivables has always been measured at an amount equal to lifetime expected credit losses (ECL). The ECL on trade receivables are estimated 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 and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

7 TRADE AND OTHER RECEIVABLES (cont'd)

Trade receivables (cont'd)

The table below shows the movement in lifetime ECL that has been recognised for trade receivables in accordance with the simplified approach set out in SFRS(I) 9:

	Lifetime ECL - credit-impaired	
	2020	2019
	$'000	$'000
Balance as at beginning of the year	65	7
Change in loss allowance	36,524	58
Currency translation differences	(2)	–
Balance as at end of the year	36,587	65

The following tables explain how significant changes in the gross carrying amount of the trade receivables contributed to changes in the loss allowance:

	Lifetime ECL - credit-impaired	
	2020	2019
	$'000	$'000
Past due account from seven companies that are suspected to be indirectly controlled by Mr Koh Mia Seng (Note 35)	31,137	–
Past due account from one customer unlikely to be collectible	4,979	–

The table below is an ageing analysis of net trade receivables:

	Group		Company	
	2020	2019	2020	2019
	$'000	$'000	$'000	$'000
Not past due	3,560	34,875	–	–
Less than 1 month overdue	1,737	9,858	–	–
1 to 3 months overdue	1,933	4,087	–	–
3 to 6 months overdue	178	352	–	–
6 to 12 months overdue	–	28	–	–
Total	7,408	49,200	–	–

Other receivables

For purpose of impairment assessment, other receivables are considered to have low credit risk as they are not due for payment at the end of the reporting period and there has been no significant increase in the risk of default on the receivables since initial recognition except for a debtor with carrying amount of $1,248,000 for which there is evidence of credit impairment. Accordingly, for the purpose of impairment assessment for other receivables, the loss allowance is measured at an amount equal to 12-month ECL, except for receivables which the Group has assessed that there has been a significant increase in credit risk since initial recognition.

7 TRADE AND OTHER RECEIVABLES (cont'd)

Other receivables (cont'd)

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.

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.

Including the Group's other receivables are debtors with a carrying amount of $1,248,000 (2019 : $1,331,000) for which there is evidence of credit impairment and accordingly, the Group has recognised loss allowance.

The table below shows the movement in lifetime ECL that has been recognised for other receivables in accordance with the simplified approach set out in SFRS(I) 9:

	Lifetime ECL - credit-impaired	
	2020 $'000	**2019 $'000**
Balance as at beginning of the year	1,331	1,251
Amounts written off	(4)	–
Currency translation differences	(79)	80
Balance as at end of the year	1,248	1,331

8 INVENTORIES

	Group	
	2020 $'000	**2019 $'000**
Raw materials	3,472	8,294
Work-in-progress	113	265
Inventory-in-transit	579	485
Finished goods	4,864	4,917
	9,028	13,961

Included in raw materials and finished goods are $1,968,000 (2019 : $2,557,000) and $4,784,000 (2019 : $4,065,000) of e-waste inventories, respectively.

The cost of inventories recognised as an expense includes $1,790,000 (2019 : $4,000) in respect of write-downs of inventory to net realisable value.

9 PROPERTY, PLANT AND EQUIPMENT

Group	Valuation			Cost					
	Freehold land $'000	Freehold buildings $'000	Leasehold land and buildings $'000	Plant and equipment $'000	Furniture, fittings and office equipment $'000	Renovation and installation $'000	Motor vehicles $'000	Construction in progress $'000	Total $'000
Cost/Valuation:									
At October 1, 2018	4,833	3,073	15,749	11,660	1,385	627	813	–	38,140
Additions	–	40	–	331	40	306	192	–	909
Disposals	–	–	–	(8)	(5)	–	(91)	–	(104)
Written off	–	–	–	(456)	(237)	(5)	–	–	(698)
Revaluation of properties	395	(114)	418	–	–	–	–	–	699
Exchange differences	(2)	(2)	187	63	25	14	–	–	285
At September 30, 2019	5,226	2,997	16,354	11,590	1,208	942	914	–	39,231
Reclassification to right-of-use assets (Note 10)	–	–	–	(1,163)	–	–	(574)	–	(1,737)
Additions	–	–	7	413	21	39	–	57	537
Disposals	–	–	–	(35)	(3)	–	–	–	(38)
Written off	–	–	–	(12)	(28)	(29)	–	–	(69)
Revaluation of properties	311	281	803	–	–	–	–	–	1,395
Exchange differences	(11)	(6)	(201)	(88)	(10)	(15)	–	–	(331)
At September 30, 2020	5,526	3,272	16,963	10,705	1,188	937	340	57	38,988

Group	Valuation			Cost				
	Freehold land $'000	Freehold buildings $'000	Leasehold land and buildings $'000	Plant and equipment $'000	Furniture, fittings and office equipment $'000	Renovation and installation $'000	Motor vehicles $'000	Total $'000
Accumulated depreciation:								
At October 1, 2018	–	281	932	6,224	1,088	339	170	9,034
Depreciation	–	77	1,554	1,209	108	184	114	3,246
Disposals	–	–	–	(2)	(3)	–	(90)	(95)
Written off	–	–	–	(453)	(236)	(5)	–	(694)
Eliminated on revaluation	–	–	(2,443)	–	–	–	–	(2,443)
Exchange differences	–	–	34	37	9	13	2	95
At September 30, 2019	–	358	77	7,015	966	531	196	9,143
Reclassification to right-of-use Assets (Note 10)	–	–	–	(774)	–	–	(63)	(837)
Depreciation	–	78	1,602	880	90	186	57	2,893
Disposals	–	–	–	(35)	(2)	–	–	(37)
Written off	–	–	–	(12)	(27)	(29)	–	(68)
Eliminated on revaluation	–	(19)	(1,559)	–	–	–	–	(1,578)
Exchange differences	–	–	1	(57)	(9)	(14)	–	(79)
At September 30, 2020	–	417	121	7,017	1,018	674	190	9,437

9 PROPERTY, PLANT AND EQUIPMENT (cont'd)

Group	Valuation			Cost					
	Freehold land $'000	Freehold buildings $'000	Leasehold land and buildings $'000	Plant and equipment $'000	Furniture, fittings and office equipment $'000	Renovation and installation $'000	Motor vehicles $'000	Construction in progress $'000	Total $'000
Impairment:									
At October 1, 2018	–	–	14	–	–	–	–	–	14
Impairment loss	–	–	–	66	–	–	–	–	66
Exchange differences	–	–	1	1	–	–	–	–	2
At September 30, 2019	–	–	15	67	–	–	–	–	82
Impairment loss	–	–	–	621	–	–	–	–	621
Exchange differences	–	–	(1)	(4)	–	–	–	–	(5)
At September 30, 2020	–	–	14	684	–	–	–	–	698
Carrying amount:									
At September 30, 2020	5,526	2,855	16,828	3,004	170	263	150	57	28,853
At September 30, 2019	5,226	2,639	16,262	4,508	242	411	718	–	30,006

In 2019, the carrying amount of the Group's plant and equipment includes an amount of $747,000 secured in respect of assets held under finance leases.

As at September 30, 2020, freehold land and buildings and leasehold land and building of the Group with an aggregate carrying amount of $18,708,000 (2019 : $17,366,000) are pledged as security to secure bank loans (Note 14).

During the financial year, due to poor operational performance of a subsidiary, the Group carried out a review of the recoverable amount of plant and equipment which resulted in the recognition of an impairment loss of $621,000.

The recoverable amount of the relevant assets was determined on the basis of their value in use, using a discounted rate of 10%. In the determining the value in use, the future benefits expected from the plant and equipment are considered in forecasting cash flows.

Fair value measurement of the Group's freehold and leasehold land and buildings

The Group's land and buildings are stated at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. The fair value measurement on certain freehold and leasehold land and building was performed as at September 30, 2020 and 2019. The fair value measurements were performed by independent valuers 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 remainder of the Group's freehold and leasehold land and buildings were not revalued in 2020 and 2019 as management had determined that there were no significant changes to the fair value as at September 30, 2020 and 2019.

9 PROPERTY, PLANT AND EQUIPMENT (cont'd)

The valuation for freehold land and buildings is an estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction and the values are based on actual sales transactions for properties that are similar to the freehold land and buildings held by the Group during the year. The valuation for leasehold land and buildings is an estimated amount based on the Direct Comparison Method and Investment Method of Valuation which is the generally accepted valuation approach under the International Valuation Standards. In estimating the fair value of the freehold and leasehold land and buildings, the highest and best use of the freehold and leasehold land and buildings are their current use. There has been no change to the valuation technique during the year.

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

Group	Level 1	Level 2	Level 3	Fair value as at September 30, 2020
	$'000	$'000	$'000	$'000
Non-financial assets measured at fair value				
Freehold land and buildings	–	–	8,381	8,381
Leasehold land and buildings	–	–	16,828	16,828
	–	–	25,209	25,209

Group	Level 1	Level 2	Level 3	Fair value as at September 30, 2019
	$'000	$'000	$'000	$'000
Non-financial assets measured at fair value				
Freehold land and buildings	–	–	7,865	7,865
Leasehold land and buildings	–	–	16,262	16,262
	–	–	24,127	24,127

The Group made upfront payment in full for ownership interest of properties which include right-of-use of leasehold land and purchased building elements. The leasehold interest in land is classified together with the building elements in leasehold land and buildings amounting to $2,604,000 (2019 : $2,681,000).

As at September 30, 2020, the carrying amount of the Group's freehold and leasehold land and buildings stated at valuation would have been $4,326,000 (2019 : $4,407,000) and $7,422,000 (2019 : $8,324,000), respectively, had the freehold land and buildings and leasehold land and buildings been carried at cost less accumulated depreciation.

10 RIGHT-OF-USE ASSETS

Group	Leasehold land and buildings $'000	Machinery and equipment $'000	Motor vehicles $'000	Total $'000
Cost:				
Adoption of SFRS(I) 16 (Note 32)	3,141	–	–	3,141
Reclassification from property, plant and equipment (Note 9)	–	1,163	574	1,737
Additions	116	–	–	116
Exchange differences	4	–	–	4
At September 30, 2020	3,261	1,163	574	4,998
Accumulated depreciation:				
Reclassification from property, plant and equipment (Note 9)	–	774	63	837
Depreciation	416	280	59	755
Exchange differences	1	–	–	1
	417	1,054	122	1,593
Accumulated impairment loss:				
Impairment loss during the year and at September 20, 2020	918	–	–	918
Carrying amount:				
September 30, 2020	1,926	109	452	2,487

During the financial year ended September 30, 2020, certain leases for building expired. The expired contracts were replaced by new leases for identical underlying assets. This resulted in additions to right-of-use assets of $116,000 in 2020.

During the financial year, with the poor operational performance of a subsidiary, the Group carried out a review of the recoverable amount of right-of-use assets which resulted in the recognition of an impairment loss of $918,000.

The recoverable amount of the relevant assets was determined on the basis of their value in use, using a discounted rate of 10%. In the determining the value in use, the future benefits expected from the right-of-use assets are considered in forecasting cash flows.

The Group leases a number of land, warehouse and factory facilities. The leases typically run for a period of two years, with an option to renew the lease after that date. Lease payments are increased every two years to reflect market rentals.

11 GOODWILL

	Group	
	2020	2019
	$'000	$'000
Cost:		
At beginning of the year	338	338
Impairment loss recognised in profit or loss	(338)	–
At end of the year	–	338

Goodwill acquired in the business combination had been allocated, at acquisition, to SMCI (commodities segment).

The Group tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired. Goodwill has been fully impaired due to deterioration in the capabilities of SMCI to generate future cashflows.

The recoverable amount of the goodwill is determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates and growth rates. Management estimates discount rates using post-tax rates that reflect current market assessments of the time value of money and the risks specific to SMCI . The growth rates are based on industry growth forecasts.

During the financial year, goodwill has been fully impaired due to deterioration in the capability of SMCI to generate future cashflows and matters as disclosed in Notes 34 and 35 to the financial statements.

In 2019, the Group prepared cash flow forecasts derived from the most recent financial budgets approved by management for the next five years and extrapolates cash flows based on an estimated growth rate of 2%. This rate does not exceed the average long-term market growth rate. The rate used to discount the forecast cash flows was approximately 12%.

12 SUBSIDIARIES

	Company	
	2020	2019
	$'000	$'000
At cost		
Unquoted equity shares, at cost	31,886	31,886
Loans to a subsidiary	14,423	8,992
	46,309	40,878
Impairment loss	(31,847)	(8,890)
Carrying amount	14,462	31,988

Loans to a subsidiary are unsecured and interest-free as at the reporting date. The settlement of the loans is neither planned nor likely to occur in the foreseeable future. As the loans represent, in substance, a part of the Company's net investment in the subsidiary, they are stated at cost less accumulated impairment loss.

12 SUBSIDIARIES (cont'd)

Movement in the allowance for impairment:

	Company 2020 $'000	Company 2019 $'000
Balance at beginning of year	8,890	9,481
Impairment (Reversal) during the year	22,957	(591)
Balance at end of year	31,847	8,890

The Company carried out a review of the recoverable amounts of its investment in subsidiaries where there was an indication that the investments had suffered an impairment loss and has also assessed there is evidence of credit impairment for the loans to a subsidiary. The review concluded that an impairment of $22,957,000 (2019 : a reversal of impairment $591,000) is required on the carrying amount of the investments. The recoverable amount is determined from value in use calculations of the underlying assets of the individual subsidiary.

The subsidiaries of the Company are set out below:

Name of subsidiary	Country of incorporation and operation	Proportion of ownership interest and voting power held 2020 %	Proportion of ownership interest and voting power held 2019 %	Principal activity
Held by the Company				
CED System Sdn. Bhd. [b]	Malaysia	100	100	ED coating
Hong Nam Industry (M) Sdn. Bhd. [b]	Malaysia	100	100	ED coating
Macore Technology (M) Sdn. Bhd. [b]	Malaysia	100	100	ED coating
PNE Marvellous Sdn. Bhd. [b]	Malaysia	100	100	Property investment holding
SYH E-Waste Management Pte. Ltd. [a]	Singapore	100	100	Metal stamping
PNE Micron Engineering Sdn. Bhd.[b]	Malaysia	100	100	Metal stamping
PNE Micron (Kuala Lumpur) Sdn. Bhd. [b]	Malaysia	100	100	ED coating
PNE Precision Sdn. Bhd. [b]	Malaysia	100	100	Metal stamping
SYH Resources Pte. Ltd. [a]	Singapore	100	100	Trading of commodities, waste management
PNE-Sino Pte Ltd [a]	Singapore	100	100	Investment holding
SMC Industrial Pte Ltd [a]	Singapore	100	100	Trading of commodities, waste management
Held by PNE-Sino Pte Ltd				
PT. PNE Indonesia [b]	Indonesia	100	100	ED coating
PT Le Royaume PNE [c]	Indonesia	100	100	Investment holding
Held by SMC Industrial Pte Ltd				
SMC Industrial (HK) Limited [c]	Hong Kong	100	100	Waste management
SMC Industrial (UK) Co Ltd [c]	United Kingdom	100	100	Waste management
SMCI Refinery Pte Ltd [c] [d]	Singapore	100	100	Waste management

12 SUBSIDIARIES (cont'd)

[a] Audited by Deloitte & Touche LLP, Singapore.

[b] Audited by overseas practices of Deloitte Touche Tohmatsu Limited.

[c] Not audited for consolidation purposes as management is of the opinion that the results of the subsidiary for the year is insignificant.

[d] Incorporated in 2019. On October 7, 2019, SMCI and SMCI Refinery Pte Ltd entered into a joint venture agreement with Electroloy Metal Pte Ltd and Mr Wang Chun Jian (collectively, the "JV Partners") to build a smelting facility ("Smelter") in Singapore to extract and recover metals and materials from waste materials and metal scraps.

According to JV Agreement, JV Partners shall supply, construct, test and commission a fully functional smelting facility at an aggregate cost of $4,000,000. SMCI shall be responsible for obtaining all approvals, consents, licences and authorisations from the relevant government or regulatory authorities for the project; providing staff and administrative support on a cost reimbursement basis; selling all metals and materials for processing in the Smelter, at procurement cost comprising of cost of such material plus material processing cost of SMCI and renting the land on which the Smelter will be constructed and housed at $40,000 per month (excluding GST).

The issued share capital of the joint venture is $10 million comprising 10 million shares. The allotment and issue of the shares of the joint venture shall be completed thirty days after SMCI has verified completion and functionality of the Smelter. During the financial reporting period, the aggregate cost to be incurred for the Smelter is expected to be more than $4,000,000. JV partners had requested to revise the JV Agreement. At the end of financial reporting period, the construction of the Smelter and discussion of new JV Agreement are in progress.

Information about the composition of the Group's wholly-owned subsidiaries at the end of the financial year is as follows:

Principal activity	Country of incorporation and operation	Number of wholly-owned subsidiaries	
		2020	2019
Metal stamping	Singapore, Malaysia	3	3
Investment holding company	Singapore, Indonesia	2	2
Property investment holding	Malaysia	1	1
ED coating	Malaysia, Indonesia	5	5
Trading of commodities	Singapore	2	2
Waste management	Hong Kong, United Kingdom, Singapore	3	3
		16	16

13 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group	
	2020	2019
	$'000	$'000
Keyman life insurance policies at fair value:		
- Balance at beginning of year	4,101	3,985
- Increase in fair value recognised in profit or loss	96	91
- Exchange difference	(40)	25
- Balance at end of year	4,157	4,101

Certain keyman life insurance policies relate to life insurance contracts purchased by one of the subsidiaries - SMCI for one of its executive directors - Mr Koh Mia Seng. The total insured amount of the three contracts (2019 : three contracts) are US$10,000,000 ($13,660,000) [2019 : US$10,000,000 ($13,793,000)]. The contracts will mature on the date when the insured person reaches the age of 100, or death of the insured person whichever is earlier. At the time of death of the insured person, 100% of the insured amount plus the accumulated investment returns will be payable to the Group.

SMCI had also purchased a keyman life insurance policy for its general manager. The insured amount of the contract is US$1,500,000 ($2,049,000) [2019 : US$1,500,000 ($2,069,000)]. The contract will mature on the date when the insured person reaches the age of 125, or death of the insured person whichever is earlier. At the time of death of the insured person, 100% of the insured amount plus the accumulated investment returns will be payable to the Group.

At the end of the reporting period, the cash surrender value of the abovementioned keyman life insurance policies totalled US$3,043,000 ($4,157,000) [2019 : US$2,973,000 ($4,101,000)]. The difference between the premiums paid of US$3,340,000 ($4,441,000) [2019 : US$3,340,000 ($4,441,000)] and initial cash surrender value of US$2,651,000 ($3,526,000) [2019 : US$2,651,000 ($3,526,000)] at inception date is recorded as prepayments (Note 7) and amortised over 8 to 19 years (2019 : 8 to 19 years). As disclosed in Note 14 to the financial statements, the Group received letter of demand from the banks, accordingly, the remaining unamortised prepayment of $633,000 was charged to profit or loss.

The fair value of abovementioned investment-linked keyman life insurance policies is based on the total cash surrender value of the contracts stated in the annual statements of these policies (Level 2).

The keyman life insurance policies are pledged to a bank to secure banking facilities granted to the Group (Note 14).

14 BANK OVERDRAFTS, LOANS AND TRADE BILLS

	Group		Company	
	2020	2019	2020	2019
	$'000	$'000	$'000	$'000
Bank overdrafts (Note 6)	399	325	–	–
Loans	6,456	9,174	1,000	1,000
Trade bills	20,934	51,829	–	–
	27,789	61,328	1,000	1,000
Classified as:				
- Current	27,789	58,970	1,000	1,000
- Non-current	–	2,358	–	–
	27,789	61,328	1,000	1,000

The Group's term loan facilities of $4,376,000 (2019 : $5,574,000), revolving credit facilities of $2,080,000 (2019 : $3,600,000), overdraft facility of $399,000 (2019 : $325,000), and trade facilities of $20,934,000 (2019 : $51,829,000) are secured on one or more of the following:

a. Mortgage over certain freehold land and buildings of the Group (Note 9);

b. Mortgage over a leasehold land and building of a subsidiary with carrying amount of $12,300,000 (2019 : $11,500,000) (Note 9);

c. Deposits pledged with financial institutions amounting to $3,060,000 (2019 : $17,088,000) (Note 6);

d. Corporate guarantee given by the Company;

e. Personal guarantee by a Director;

f. Assignment of three life insurance policies assured on a Director of the subsidiary (Note 13); and

g. Assignment of one life insurance policy assured on a general manager of the subsidiary (Note 13).

Management is of the opinion that the carrying amount of the bank overdrafts, loans and trade bills approximate their fair value due to market interest rate charged.

During the financial year, the Group has defaulted on the settlement of trade bills owing to the banks. On October 27, 2020 and November 9, 2020, the Group received letters of demand from two banks, namely DBS and HSBC.

Please refer to Note 34 for the developments subsequent to year end.

14 BANK OVERDRAFTS, LOANS AND TRADE BILLS (cont'd)

Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

					Non-cash changes			
	September 30, 2019 $'000	Adoption of SFRS(I) 16 (Note 32)	October 1, 2019 $'000	Financing cash flow (i) $'000	New lease liability (Note 10) $'000	Offset against fixed deposits (Note 6)	Foreign exchange movement $'000	September 30, 2020 $'000
Loans (Note 14)	9,174	–	9,174	(2,694)	–	–	(24)	6,456
Trade bills (Note 14)	51,829	–	51,829	(17,905)	–	(12,990)	–	20,934
Lease liabilities (Note 16)	871	3,141	4,012	(697)	116	–	8	3,439

				Non-cash changes		
	October 1, 2018 $'000	Financing cash flow (i) $'000	New loan $'000	New finance lease (ii) $'000	Foreign exchange movement $'000	September 30, 2019 $'000
Loans (Note 14)	9,474	(1,168)	857	–	11	9,174
Trade bills (Note 14)	49,221	2,609	–	–	(1)	51,829
Finance leases (Note 16)	1,022	(337)	–	186	–	871

(i) The cash flows make up the net amount of proceeds from borrowings and repayments of borrowings in the consolidated statement of cash flows.

(ii) Please refer to Note A in the consolidated statement of cash flows.

15 TRADE AND OTHER PAYABLES

	Group		Company	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Current				
Outside parties, trade	16,489	11,897	–	–
Subsidiaries, non-trade (Note 12)	–	–	4,415	4,258
Accrued expenses	2,185	2,080	479	346
Other payables	609	468	72	13
	19,283	14,445	4,966	4,617
Non-current				
Other payables	103	78	–	–
Total	19,386	14,523	4,966	4,617

Trade payables principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period on purchase of goods is 30 days (2019 : 30 days). No interest is charged on the outstanding balance of trade payables.

Amounts due to subsidiaries are unsecured, interest-free and are repayable on demand.

On September 29, 2020, a subsidiary, SMCI received a letter of demand from a creditor for payment of an aggregate balance outstanding sum of $7,887,000 including any accrued interest for late payment of the balance outstanding. The Group's director, Mr Koh Mia Seng, has executed a personal guarantee in favour of the creditor to, inter alia, guarantee to pay on demand the guaranteed obligations if SMCI does not pay such amounts when due. SMCI has also agreed with the creditor on an 18-month repayment plan to settle the total outstanding sum in full by February 28, 2022.

Subsequent to year end, a subsidiary, SMCI received letters of demand from another five creditors amounting of $1,149,000.

Subsequent to year end, another subsidiary, SMCIR received a letter of demand from creditor amounted to $111,000.

Please refer to Note 34 for the developments subsequent to year end.

16 LEASE LIABILITIES

Disclosure required under SFRS(I) 16:

The Group as a lessee

	2020 $'000
Maturity analysis:	
Year 1	815
Year 2	592
Year 3	503
Year 4	442
Year 5	418
Year 6 onwards	942
	3,712
Less: Unearned interest	(273)
	3,439
Analysed as:	
Current	736
Non-current	2,703
	3,439

The Group's and the Company's exposure to liquidity risk and management approach are set out in Note 1 to the financial statements.

Finance leases (Disclosure required by SFRS(I) 1-17)

	2019 Minimum lease payments $'000	2019 Present value of minimum lease payments $'000
Group		
Amounts payable under finance leases:		
Within one year	331	309
In the second to fifth years inclusive	581	562
Less: Future finance charges	(41)	–
Present value of lease obligations	871	871
Less: Amount due for settlement within 12 months (shown under current liabilities)		(309)
Amount due for settlement after 12 months		562

It is the Group's policy to lease certain of its plant and equipment under finance leases. In 2019, the leases bear an average interest rate of 2.8% to 3.7% per annum and are repayable over an average lease term of 3 to 5 years. Interest rates are fixed at the contract dates, and thus expose the Group to fair value interest rate risk. All leases are on a fixed repayment basis with no arrangements entered into for contingent rental payments.

The Group's obligations under finance leases are secured by the lessors' title to the leased assets.

17 DERIVATIVE FINANCIAL INSTRUMENTS

During the financial year, the Group uses interest rate swaps to manage its exposure to interest rate movements on its bank borrowings by swapping a proportion of those borrowings from floating rates to fixed rates.

The following table details the notional principal amounts and remaining terms of interest rate swap contracts outstanding as at the end of the reporting period:

Outstanding floating for fixed contracts	Contracted fixed interest rate	Notional principal amount	Fair value loss
	% per annum	$'000	$'000
3 years contract	2.35	2,714	46

The interest rate swaps settle on a monthly basis. The floating rate on the interest rate swaps is the SGD Swap Offered Rate which average about 2.1% per annum.

The derivative financial instruments are determined based on level 2 of fair value hierarchy and based on intermediate market rate between the offer rate and the bid rate.

Forward commodity contracts

In 2019, the Group utilises forward commodity contracts to manage the fluctuations in world copper and aluminium prices.

At the end of the reporting period, the total notional amounts of derivative financial instruments to which the Group is committed to are as follows:

	2019 $'000
Purchase forward commodity contracts:	
- Copper	995

The average maturity period for forward commodity contracts is 3 months.

The Group does not apply hedge accounting for both types of derivative financial instruments. The fair value of the derivative financial instruments are insignificant as at the end of the reporting period.

18 DEFERRED TAX LIABILITIES

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

	Accelerated tax depreciation $'000	Revaluation of land and buildings $'000	Others $'000	Total $'000
Group				
At October 1, 2018	308	1,161	(172)	1,297
Charge (Credit) to:				
- Profit or loss (Note 27)	297	(125)	(5)	167
- Other comprehensive income (Note 27)	–	624	20	644
Exchange differences	(3)	(5)	6	(2)
At September 30, 2019	602	1,655	(151)	2,106
Charge (Credit) to:				
- Profit or loss (Note 27)	29	(199)	14	(156)
- Other comprehensive income (Note 27)	–	496	(1)	495
Exchange differences	4	(68)	46	(18)
At September 30, 2020	635	1,884	(92)	2,427

Subject to the agreement by the tax authorities in the relevant foreign tax jurisdictions in which the Group operates and conditions imposed by law, the Group has unutilised tax losses, unutilised reinvestment allowances, unutilised capital allowances and tax incentives of $43,331,000, $3,401,000, $767,000, $12,000 (2019 : $4,701,000, $3,409,000, $2,124,000 and $12,000) for offset against future profits, respectively. No deferred tax asset has been recognised in respect of the tax losses due to the unpredictability of future profit streams.

19 SHARE CAPITAL

	Group and Company			
	2020	2019	2020	2019
	Number of ordinary shares '000	Number of ordinary shares '000	$'000	$'000
Issued and paid up:				
At the beginning	864,280	864,280	40,255	40,255
Issue of placement shares	120,000	–	5,991	–
At end of year	984,280	864,280	46,246	40,255

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.

During the financial year, an aggregate of 120,000,000 placement shares were allotted and issued to the subscriber at an issue price of $0.05 for each placement share, in accordance with the terms of the subscription Agreement.

The placement shares rank *pari passu* in all respects with the then existing shares for any dividends, rights, allotments or other distributions.

20 MERGER DEFICIT

The merger deficit arises from the difference between the nominal value of shares issued by the Company and the nominal value of shares of subsidiaries acquired under the common control method of accounting.

21 TRANSLATION RESERVE

Exchange differences relating to the translation from the functional currencies of the Group's foreign subsidiaries into Singapore dollars are brought to account by recognising those exchange differences in other comprehensive income and accumulating them in a separate component of equity under the header of foreign currency translation reserve.

22 REVALUATION RESERVE

The revaluation reserve arises on the revaluation of land and buildings. Where revalued buildings are sold, the portion of property revaluation reserve that relates to that asset, and is effectively realised, is transferred directly to retained earnings.

	Group	
	2020	**2019**
	$'000	**$'000**
At the beginning of the year	11,168	8,623
Revaluation increase	2,473	2,545
At the end of the year	13,641	11,168

23 CAPITAL RESERVE

The capital reserve represents the effects of changes in ownership interests in a subsidiary when there is no change in control (Note 12).

24 REVENUE

	Group	
	2020	**2019**
	$'000	**$'000**
Timing of revenue recognition		
At a point in time:		
Sale of goods	163,342	229,307
Revenue from the provision of electro-deposition coating services	11,764	14,135
	175,106	243,442

25 OTHER OPERATING INCOME

	Group	
	2020 $'000	2019 $'000
Rental income	20	56
Interest income	187	241
Scrap sales	33	39
Fair value increase in financial assets at FVTPL	96	91
Management and administrative fees	373	464
Other income	831	–
Others	384	243
	1,924	1,134

Included in other income are grant income amounting to $437,000 (2019 : $Nil) relates to the wages support for local employees under the Job Support Scheme from the Singapore Government.

26 FINANCE COSTS

	Group	
	2020 $'000	2019 $'000
Interest expenses on:		
- bank overdraft, loans and trade bills	2,009	2,539
- obligations under lease liabilities	95	–
- obligations under finance leases	–	28
	2,104	2,567

27 INCOME TAX EXPENSE

	Group	
	2020 $'000	2019 $'000
Current tax expense:		
- Current year	499	1,069
- Overprovision in prior years	(46)	(55)
	453	1,014
Deferred tax expense relating to:		
- Current year	(31)	–
- Origination and reversal of temporary differences	(16)	(70)
- (Over) Underprovision in prior years	(109)	237
	(156)	167
Income tax expense for the year	297	1,181

Domestic income tax is calculated at 17% (2019 : 17%) of the estimated assessable (loss) profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

27 INCOME TAX EXPENSE (cont'd)

The total charge for the year can be reconciled to the accounting profit as follows:

	Group 2020 $'000	Group 2019 $'000
(Loss) Profit before income tax	(43,782)	1,202
Tax at statutory rate at 17%	(7,443)	204
Effects of different tax rates of subsidiaries reporting in other jurisdictions	122	298
Income exempt from taxation	(52)	(31)
Non-deductible expenses	1,497	514
Deferred tax assets not recognised	6,389	143
Utilisation of deferred tax assets previously not recognised	–	(2)
Overprovision of income tax in prior years	(46)	(55)
(Over) Underprovision of deferred tax in prior years	(109)	237
Others	(61)	(127)
Total income tax expense	297	1,181

Income tax relating to each component of other comprehensive income

	Group 2020 $'000	Group 2019 $'000
Deferred tax		
Revaluation of land and buildings	496	624
Post-employment benefits liability	(1)	20

28 (LOSS) PROFIT FOR THE YEAR

In addition to the charges and credits disclosed elsewhere in the notes to the financial statements, (loss) profit for the year has been arrived at after charging (crediting):

	Group	
	2020	**2019**
	$'000	**$'000**
Depreciation of property, plant and equipment and right-of-use assets		
Depreciation of property, plant and equipment	2,893	3,246
Depreciation of right-of-use assets	755	–
	3,648	3,246
Employee benefits expense (including Directors' remuneration)		
Directors' remuneration:		
- of the Company	725	762
- of subsidiaries	440	693
	1,165	1,455
Directors' fees:		
- of the Company	116	85
Other staff costs	8,278	10,528
Defined contributions plans	580	537
Defined benefits plans	29	22
Total employee benefits expense	10,168	12,627
Impairment loss on financial assets		
Loss allowance for receivables	36,524	58
Bad debts written off on other receivables	–	4
	36,524	62
Others		
Net foreign exchange gain	(274)	(7)
Gain on disposal of property, plant and equipment	(5)	(4)
Property, plant and equipment written off	1	4
Impairment loss on goodwill *	338	–
Impairment loss on property, plant and equipment *	621	66
Impairment loss on right-of-use assets *	918	–
Allowance for inventories	1,790	4
Fair value loss on derivative financial instruments	46	–
Cost of inventories recognised as expense	169,027	229,675
Audit fees paid to auditors:		
- Auditors of the Company	422	187
- Other auditors	79	75
Aggregate amount of fees paid to auditors	501	262

* Included in other operating expenses in the consolidated statement of profit or loss.

28 (LOSS) PROFIT FOR THE YEAR (cont'd)

Amount recognised in profit or loss relating to leases (the Group as lessee)

Disclosure required under FRS 116

	2020 $'000
Depreciation expense on right-of-use assets	755

Disclosure required under FRS 17

	2019 $'000
Minimum lease payments under operating leases recognised as an expense in the year	762

29 (LOSS) EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the ordinary owners of the Company is based on the following data:

	2020 $'000	2019 $'000
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	957,067	864,280
Weighted average number of ordinary shares for the purposes of diluted earnings per share	957,067	864,280

	2020 $'000	2019 $'000
(Loss) Earnings		
(Loss) Profit attributable to owners of the Company	(44,079)	21
Basic (loss) earnings per share (cents)	(4.61)	–*
Fully diluted earnings per share (cents)	(4.61)	–*

* *Amount less than 0.01 cent*

There were no dilution of earnings per share for the financial year ended September 30, 2020 and 2019 as there were no potential ordinary shares outstanding.

30 COMMITMENTS

(a) Operating lease arrangements

Disclosure required under FRS 116

At September 30, 2020, the Group does not have any commitment for short-term leases.

Disclosure required under FRS 17

The Group leases a number of warehouse and factory facilities under operating leases. The leases typically run for a period of two years, with an option to renew the lease after that date. Lease payments are increased every two years to reflect market rentals.

At the end of the reporting period, the commitments in respect of non-cancellable operating leases for warehouse and factory were as follows:

	2019 **$'000**
Within one year	507
Within two to five years	1,705
After five years	1,359
	3,571

(b) Financial guarantee contracts

The Company has issued financial guarantees to banks in respect of banking facilities extended to its subsidiaries.

A provision is recognised based on the Company's estimate of the ultimate cost of settling all claims incurred but unpaid at the reporting date. The provision is assessed by reviewing individual claims and tested for adequacy by comparing the amount recognised and the amount that would be required to settle the guarantee contract. As disclosed in Note 1(c), the Company did not provide for potential liability arising from corporate guarantees provided to the banks as the Company was in negotiation with the banks for more time to settle the outstanding balances at the end of the financial reporting period.

The principal risk to which the Company is exposed is credit risk in connection with the guarantee contracts it has issued. The credit risk represents the loss that would be recognised upon a default by the parties to which the guarantees were given on behalf of. To mitigate these risks, management continually monitors the risks and has established processes including performing credit evaluations of the parties it is providing the guarantee on behalf of.

The intra-group financial guarantees are eliminated in preparing the consolidated financial statements. Estimates of the Company's obligation arising from financial guarantee contracts may be affected by future events, which cannot be predicted with any certainty. The assumptions made may well vary from actual experience so that the actual liability may vary considerably from the best estimates.

Intra-group financial guarantees comprise guarantees granted by the Company to banks in respect of banking facilities extended to subsidiaries amounting to $48,570,000 (2019 : $66,685,000) of which $27,351,000 (2019 : $61,199,000) was drawn down as at September 30, 2020. The financial guarantees expire between 1 and 10 years (2019 : between 1 and 10 years).

Please refer to Note 34 for the developments subsequent to year end.

30 COMMITMENTS (cont'd)

(c) Capital expenditure commitment

	Group	
	2020	2019
	$'000	$'000
Estimated amounts committed for future capital expenditure but not provided for in the financial statements	2,783	–

31 SEGMENT INFORMATION

(a) Reportable segments

For the purpose of resource allocation and assessment of segment performance, the Group's chief operating decision makers have focused on the business operating units which in turn, are segregated based on the types of goods supplied and services provided.

The Metal components and tool and die segment, ED coating segment and Commodities segment offer different products and services, and are managed separately because they require different technology and marketing strategies. For each of the segments, the Group's CEO who is the chief operating decision maker reviews internal management reports on at least a monthly basis. The following summary describes the operations in each of the Group's reportable segments:

- Metal components and tool and die - includes manufacturing and sale of perforated materials, speaker nets, tool, die and other metal components.
- ED coating - includes electro-deposition (ED) coating services and secondary process.
- Commodities - trading of commodities, which include copper, stainless steel, other special alloys. Since the end of 2017, the Group expanded this segment to include processing and trading of e-waste raw material into its metal elements.
- Others - corporate.

There are varying levels of integration between the Metal components and ED coating reportable segments. This integration includes ED coating services for metal component, shared customers, sale of equipment and provision of maintenance services and rental of industrial properties. Inter-segment pricing is determined on an arm's length basis.

Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit before income tax, as included in the internal management reports that are reviewed by the Group's CEO. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

31 SEGMENT INFORMATION (cont'd)

(a) Reportable segments (cont'd)

Information regarding the Group's reportable segments is presented below. The measurement basis of the Group's reportable segments is in accordance with its accounting policy.

	Metal components and tool and die $'000	ED Coating $'000	Commodities $'000	Others $'000	Inter-segment elimination $'000	Group $'000
2020						
Revenue	2,485	11,764	163,089	629	(2,861)	175,106
Cost of sales	(2,189)	(7,738)	(161,544)	(22)	2,466	(169,027)
Segment result	296	4,026	1,545	607	(395)	6,079
Other operating income						1,924
Distribution costs						(1,130)
Administrative expenses						(9,366)
Other operating expenses						(2,661)
Impairment loss recognised on financial assets						(36,524)
Finance costs						(2,104)
(Loss) before income tax						(43,782)
Income tax expense						(297)
(Loss) for the year						(44,079)
Segment assets	7,848	18,758	39,693	18,694	(23,884)	61,109
Segment liabilities	1,332	6,452	55,596	16,922	(27,111)	53,191
Other segment information						
Additions to non-current assets	–	1,378	144	–	(869)	653
Depreciation expenses	54	923	2,892	16	(237)	3,648
Loss allowance for receivables	37	–	36,487	7,253	(7,253)	36,524
Impairment loss on property, plant and equipment	–	–	621	–	–	621
Impairment loss on right-of-use assets	–	–	918	–	–	918
Impairment loss on goodwill	–	–	338	–	–	338
Revaluation of properties	–	652	1,821	–	–	2,473
Fair value loss on derivative financial instruments	–	–	46	–	–	46
Fair value gain of financial assets at FVTPL	–	–	(96)	–	–	(96)

31 SEGMENT INFORMATION (cont'd)

(a) Reportable segments (cont'd)

	Metal components and tool and die $'000	ED Coating $'000	Commodities $'000	Others $'000	Inter-segment elimination $'000	Group $'000
2019						
Revenue	4,413	14,135	227,557	1,073	(3,736)	243,442
Cost of sales	(3,411)	(8,465)	(220,985)	(21)	3,207	(229,675)
Segment result	1,002	5,670	6,572	1,052	(529)	13,767
Other operating income						1,134
Distribution costs						(1,405)
Administrative expenses						(9,444)
Other operating expenses						(221)
Impairment loss recognised on financial assets						(62)
Finance costs						(2,567)
Profit before income tax						1,202
Income tax expense						(1,181)
Profit for the year						21
Segment assets	8,685	17,649	100,329	36,880	(40,661)	122,882
Segment liabilities	1,930	6,552	74,689	17,197	(21,288)	79,080
Other segment information						
Additions to non-current assets	1,318	233	611	2	(1,255)	909
Depreciation expenses	52	738	2,440	16	–	3,246
Impairment loss on property, plant and equipment	–	66	–	–	–	66
Revaluation of properties	274	1,239	1,032	–	–	2,545
Fair value loss of financial assets at FVTPL	–	–	91	–	–	91

31 SEGMENT INFORMATION (cont'd)

(b) Geographical information

The Group's revenue from external customers and information about its segment assets (non-current assets excluding deferred tax assets) by geographical location are detailed below:

	Revenue		Non-current assets	
	2020	2019	2020	2019
	$'000	$'000	$'000	$'000
Singapore	15,739	21,032	16,589	15,893
People's Republic of China	41,853	74,260	–	–
Malaysia	26,520	28,401	11,282	10,652
Indonesia	3,566	3,576	3,467	3,797
South Korea	36,145	47,503	–	–
Taiwan	27,151	41,578	–	–
Japan	15,250	15,840	–	–
Others	8,882	11,252	2	2
Total	175,106	243,442	31,340	30,344

Non-current assets presented comprise property, plant and equipment, right-of-use assets and goodwill.

(c) Information about major customers

The Group's customer base includes six (2019 : five) customers from its commodities segment with whom transactions amounted to 42.70% (2019 : 42.10%) of the Group's revenues. In 2020, revenues generated from these customers amounted to approximately $74,841,000 (2019 : $102,479,000). Details of concentration of credit risk arising from these customers are set out in Note 4.

32 ADOPTION OF NEW AND REVISED STANDARDS

On October 1, 2019, the Group and the Company adopted all the new and revised SFRS(I) pronouncements that are relevant to its operations. The adoption of these new/ revised SFRS(I) pronouncements does not result in changes to the Group's and the Company's accounting policies and has no material effect on the amounts reported for the current or prior years, except as discussed below.

SFRS(I) 16 *Leases*

SFRS(I) 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to lessee accounting by removing the distinction between operating and finance lease and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets when such recognition exemptions are adopted. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. The impact of the adoption of SFRS(I) 16 on the Group's consolidated financial statements is described below.

The date of initial application of SFRS(I) 16 for the Group is October 1, 2019.

32 ADOPTION OF NEW AND REVISED STANDARDS (cont'd)

SFRS(I) 16 *Leases* (cont'd)

The Group has applied SFRS(I) 16 using the cumulative catch-up approach which:

- requires the Group to recognise the right-of-use assets and lease liabilities in the statements of financial position, initially measured at the present value of the remaining lease payments, with the right-of-use asset adjusted by the amount of any prepaid or accrued lease payments; and
- does not permit restatement of comparatives, which continue to be presented under SFRS(I) 1-17.

(a) Impact of the new definition of a lease

The Group has made use of the practical expedient available on transition to SFRS(I) 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with SFRS(I) 1-17 will continue to be applied to those leases entered or changed before October 1, 2019.

The change in definition of a lease mainly relates to the concept of control. SFRS(I) 16 determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time in exchange for consideration. This is in contrast to the focus on 'risks and rewards' in SFRS(I) 1-17.

The Group applies the definition of a lease and related guidance set out in SFRS(I) 16 to all lease contracts entered into or modified on or after October 1, 2019 (whether it is a lessor or a lessee in the lease contract). The new definition in SFRS(I) 16 does not significantly change the scope of contracts that meet the definition of a lease for the Group.

(b) Impact on lessee accounting

Former operating leases

SFRS(I) 16 changes how the Group accounts for leases previously classified as operating leases under SFRS(I) 1-17, which were off-balance-sheet.

Applying SFRS(I) 16, for all leases, the Group:

a) Recognises right-of-use assets and lease liabilities in the statements of financial position, initially measured at the present value of the remaining lease payments, with the right-of-use asset adjusted by the amount of any prepaid or accrued lease payments in accordance with SFRS(I) 16:C8(b)(ii);

b) Recognises depreciation of right-of-use assets and interest on lease liabilities in the consolidated statement of profit or loss; and

c) Separates the total amount of cash paid into a principal portion and interest (both presented within financing activities) in the consolidated statement of cash flows.

Lease incentives (e.g. free rent period) are recognised as part of the measurement of the right-of-use assets and lease liabilities whereas under SFRS(I) 1-17 they resulted in the recognition of a lease incentive liability, amortised as a reduction of rental expense on a straight-line basis.

32 ADOPTION OF NEW AND REVISED STANDARDS (cont'd)

(b) Impact on lessee accounting (cont'd)

Former operating leases (cont'd)

Under SFRS(I) 16, right-of-use assets are tested for impairment in accordance with SFRS 1-36 *Impairment of Assets*.

For short-term leases (lease term of 12 months or less) and leases of low-value assets (which includes small items of office equipment), the Group has opted to recognise a lease expense on a straight-line basis as permitted by SFRS(I) 16. This expense is presented within other operating expenses in the consolidated statement of profit or loss.

The Group has used the following practical expedients when applying the cumulative catch-up approach to leases previously classified as operating leases applying SFRS(I) 1-17.

- The Group has applied a single discount rate to a portfolio of leases with reasonably similar characteristics.
- The Group has elected not to recognise right-of-use assets and lease liabilities to leases for which the lease term ends within 12 months of the date of initial application.
- The Group has used hindsight when determining the lease term when the contract contains options to extend or terminate the lease.

(c) Impact on lessor accounting

SFRS(I) 16 does not change substantially how a lessor accounts for leases. Under SFRS(I) 16, a lessor continues to classify leases as either finance leases or operating leases and account for those two types of leases differently.

However, SFRS(I) 16 has changed and expanded the disclosures required, in particular regarding how a lessor manages the risks arising from its residual interest in leased assets.

(d) Former finance leases

For leases that were classified as finance leases applying SFRS(I) 1-17, the carrying amount of the leased assets and obligations under finance leases measured applying SFRS(I) 1-17 immediately before the date of initial application is reclassified to right-of-use assets and lease liabilities respectively without any adjustments, except in cases where the company has elected to apply the low-value lease recognition exemption.

The right-of-use asset and the lease liability are accounted for applying SFRS(I) 16 from October 1, 2019.

32 ADOPTION OF NEW AND REVISED STANDARDS (cont'd)

(e) Financial impact of initial application of SFRS(I) 16

The lessee's incremental borrowing rate applied to the lease liabilities recognised in the statement of financial position on October 1, 2019 is ranging from 2.40% to 3.18%.

The following table shows the operating lease commitments disclosed applying SFRS(I) 1-17 at September 30, 2019, discounted using the incremental borrowing rate at the date of initial application and the lease liabilities recognised in the statement of financial position at the date of initial application.

	Group 2019 $'000
Operating lease commitments at September 30, 2019	3,571
Less: Effect of discounting the above amounts	(323)
Less: Short-term leases and leases of low value assets	(107)
Add: Finance lease liabilities recognised under SFRS(I) 1-17 at September 30, 2019 (Note 16)	871
Lease liabilities recognised as October 1, 2019	4,012

Right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before the date of initial application. Consequently, right-of-use assets of $3,141,000 were recognised on October 1, 2019.

During the year, property, plant and equipment previously held under finance leases applying SFRS(I) 1-17, which amounted to $900,000, have been reclassified to 'right-of-use assets' under SFRS(I) 16 at date of initial application.

33 STANDARDS ISSUED BUT NOT EFFECTIVE

At the date of authorisation of these financial statements, the following SFRS(I) pronouncements were issued but not effective and are expected to have an impact to the Group and the Company in the periods of their initial application.

Effective for annual periods beginning on or after October 1, 2020

- Amendments to SFRS(I) 1-1 *Presentation of Financial Statements* and SFRS(I) 1-8 *Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Material*
- Amendments to SFRS(I) 3 *Business Combinations: Definition of a Business*
- Amendments to References to the Conceptual Framework in SFRS(I) Standards

Effective for annual periods beginning on or after October 1, 2021

- Amendments to SFRS(I) 9, SFRS(I) 1-39, SFRS(I) 7, SFRS(I) 4, SFRS(I) 16: *Interest Rate Benchmark Reform – Phase 2*

33 STANDARDS ISSUED BUT NOT EFFECTIVE (cont'd)

Effective for annual periods beginning on or after October 1, 2022

- Amendments to SFRS(I) 1-16: *Property, Plant and Equipment—Proceeds before Intended Use*
- Amendments to SFRS(I) 1-37: *Onerous Contracts—Cost of Fulfilling a Contract*
- Annual Improvements to SFRS(I)s 2018-2020

Effective for annual periods beginning on or after October 1, 2023

- Amendments to SFRS(I) 1-1: *Classification of Liabilities as Current or Non-current*
- Amendments to SFRS(I) 17

Effective date is deferred indefinitely

- Amendments to SFRS(I) 10 *Consolidated Financial Statements* and SFRS(I) 1-28 *Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The management anticipates that the adoption of the above SFRS(I) 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.

The Group has floating rate debt linked to SGD Swap Offered Rate and will be able to apply the practical expedient available under the Interest Rate Benchmark Reform – Phase 2 amendments to allow for modifications required by the reform as a direct consequence and made on an economically equivalent basis to be accounted for by updating the effective interest rate prospectively.

34 EVENTS DURING THE FINANCIAL YEAR AND AFTER THE REPORTING PERIOD

(a) Letter of demand and appointment of interim judicial managers

A subsidiary, SMCI had received letters of demand from two banks, namely DBS and HSBC (Note 14), total amounts owing and outstanding approximately $23,680,000. As guarantors, the Company had also received a letter of demand from one of the banks (Note 30(b)).

SMCI and SMCIR had received several letters of demand from the creditors. The total amounts owing are approximately $9,147,000 (Note 15).

The Company and SMCI were served with an originating summons filed on February 26, 2021 by its bank creditor, DBS, in the High Court of the Republic of Singapore, applying for each of the Company and SMCI to be placed under judicial management. At the pre-trial conference held on March 18, 2021, the Singapore High Court, amongst other directions and orders, directed that the hearing of the Interim Judicial Management Applications and Judicial Management Applications be fixed on April 1, 2021 and May 10, 2021 respectively.

On April 1, 2021, the court has granted the IJM Applications to place the Company and SMCI under interim judicial management. As such, Mr Chee Yoh Chuang and Mr Lin Yueh Hung have been appointed as the joint and several interim judicial managers of the Company and SMCI with immediate effect.

34 EVENTS DURING THE FINANCIAL YEAR AND AFTER THE REPORTING PERIOD (cont'd)

(b) Temporary suspension of operations in Johor Bahru, Malaysia due to COVID-19 outbreak on premises

The Ministry of Health of Malaysia has respectively on March 17, 2021 and March 19, 2021 ordered a shutdown of the premises of two of the Company's subsidiaries in Johor Bahru, Malaysia, being CED System Sdn. Bhd. ("CED") and PNE Micron Engineering Sdn. Bhd. ("PNE JB"), due to multiple COVID-19 cases detected on the Group's premises. The shut down of CED and PNE JB was to last for 13 days and 11 days respectively and the shut downs were lifted on March 30, 2021. At this juncture, the Group is unable to quantify the extent of the financial impact of the temporary shutdown of both premises.

35 INVESTIGATION ON SUSPECTED INTERESTED PARTY TRANSACTIONS

(a) During the financial year, the Company has engaged Foo Kon Tan Advisory Services Pte Ltd ("FKT") to conduct an independent review in relation to the concerns raised in respect of potential relationships that the former Executive Chairman of the Company, Mr Koh Mia Seng ("Mr Koh"), may have with certain companies that have dealings with the Group. FKT was engaged to (i) undertake independent background searches and conducted certain data analytics work under the Independent Review; and (ii) review the reasonableness of the 180 days credit terms that have been extended by SMCI to certain customers. Subsequently, FKT was engaged to perform an expanded scope of the Independent Review following receipt of Mr Koh's responses to the FKT Report (the "Expanded Scope") to ascertain whether certain customers/suppliers that its wholly-owned subsidiary, SMCI, had business transactions with were related to the former Executive Chairman of the Company and whether the transactions between SMCI and those customers/suppliers were arm's length transactions.

(b) FKT is of the view that the following seven identified companies ("Identified Entities") are indirectly controlled by Mr Koh and the transactions between SMCI and these seven companies are interested person transactions ("IPTs") and had therefore breached Catalist Rules 905, 906 and 907:

i. SMC Technology Sdn Bhd ("SMCT")

ii. Matrade Co. Ltd ("Matrade")

iii. Thai DD Recycle Co. Ltd ("TDD")

iv. Fung Jet Logistics Trading Limited ("FJL")

v. Mild On International Limited ("MOI")

vi. Foshan City Nanhai District Sea Sheng Waste Materials Recycling Co. Ltd ("FSS")

vii. Tai Zhou Yi Ze Metal Co. Ltd ("TZY")

FKT noted that the breaches of the relevant Catalist Rules did not arise from a breach of the Company's internal controls relating to IPT. Instead, the breaches arose due to non-disclosure by Mr Koh of his relationships with the 7 Identified Entities to the Company.

35 INVESTIGATION ON SUSPECTED INTERESTED PARTY TRANSACTIONS (cont'd)

(b) FKT is of the view that the following seven identified companies ("Identified Entities") are indirectly controlled by Mr Koh and the transactions between SMCI and these seven companies are interested person transactions ("IPTs") and had therefore breached Catalist Rules 905, 906 and 907 (cont'd):

As reported by FKT, total amount of transactions (both sales and purchases) between seven identified entities and SMCI are as follow:

Financial year	2020 (S$'000)	2019 (S$'000)	2018 (S$'000)	2017 (S$'000)	2016 (S$'000)	2015 (S$'000)
Total	51,404	70,978	85,587	95,692	59,580	57,815

FKT disclosed in its report the high risk that some of the transactions between SMCI and the seven Identified Entities are not conducted on an arms' length basis and/or may not be bona fide. As such, FKT recommended that the Company lodge a report with the appropriate authorities and request the appropriate authorities to carry out a full investigation in light that (i) there are reasons to believe that there are certain fraudulent and/or fictitious transactions (ii) there is a high risk that some of the transactions between SMCI and certain companies may be fraudulent and/or fictitious transactions and (iii) there is evidence that criminal offences may have been committed.

In view of FKT's report, the Group and the Company are unable to determine whether any adjustments to these financial statements might be necessary in respect on the abovementioned transactions.

(c) As disclosed in the Company's announcement on January 13, 2021, following the Board's review of the report by FKT and taking into account the Notice of Compliance issued by the SGX RegCo on June 18, 2020, the Nominating Committee has recommended the suspension of Mr Koh's duties as Executive Director of the Company and its subsidiaries with effect from January 8, 2021. Mr Koh has been placed on gardening leave, re-designated to Non-Executive Chairman and his duties and responsibilities in the Group has since been assumed by Mr Neo Gim Kiong (Executive Director and CEO).

(d) In view of FKT's recommendation, the Company filed a report with the Commercial Affairs Department ("CAD") on January 5, 2021 in relation to the matters highlighted by FKT.

CAD has on January 27, 2021 issued an order to the Company pursuant to Section 20 of the Criminal Procedure Code (Chapter 68, 2012 Revised Edition) to produce certain documents and information in relation to offences under the Penal Code (Cap.224) and the Securities and Futures Act (Cap.289) pursuant to the Criminal Procedure Code for financial years ended September 30, 2015 to 2020. Mr Koh and certain staff of SMCI had been interviewed by the CAD officers. On February 1, 2021, the passport of Mr Koh has been impounded.

As at the date of approval of these financial statements, the investigation of CAD is still in progress.

No.	Location	Description	Existing Use	Tenure	Gross floor area (sq ft)
1	No. 16 Jalan Mahir 5 Taman Perindustrian Cemerlang 81800 Ulu Tiram Johor Darul Takzim Malaysia	3 storey office and factory building	Office/ factory	Freehold	50,941
2	No. 21 Jalan Gemilang 3 Taman Perindustrian Cemerlang 81800 Ulu Tiram Johor Darul Takzim Malaysia	2 storey office and factory building	Office/ factory	Freehold	18,472
3	No. 23 Jalan Gemilang 3 Taman Perindustrian Cemerlang 81800 Ulu Tiram Johor Darul Takzim Malaysia	2 storey office and factory building	Office/ factory	Freehold	18,472
4	No. 25 Jalan Gemilang 3 Taman Perindustrian Cemerlang 81800 Ulu Tiram Johor Darul Takzim Malaysia	2 storey office and factory building	Office/ factory	Freehold	14,403
5	No. 27 Jalan Gemilang 3 Taman Perindustrian Cemerlang 81800 Ulu Tiram Johor Darul Takzim Malaysia	2 storey office and factory building	Office/ factory	Freehold	14,403
6	No. 29 Jalan Gemilang 3 Taman Perindustrian Cemerlang 81800 Ulu Tiram Johor Darul Takzim Malaysia	2 storey office and factory building	Office/ factory	Freehold	14,403
7	Plot 97 Jalan PKNK 1 Rancang Industrial Park Kawasan Perusahaan Sungai Petani (LPK) 08000 Sungai Petani Kedah Darul Aman Malaysia	2 storey office and factory building	Office/ factory	Leasehold 60 years from 23/11/1994 to 22/11/2054	25,446
8	Plot 98 Jalan PKNK 1 Rancang Industrial Park Kawasan Perusahaan Sungai Petani (LPK) 08000 Sungai Petani Kedah Darul Aman Malaysia	2 storey office and factory building	Office/ factory	Leasehold 60 years from 23/11/1994 to 22/11/2054	18,966

No.	Location	Description	Existing Use	Tenure	Gross floor area (sq ft)
9	Plot 99 Jalan PKNK 1 Rancang Industrial Park Kawasan Perusahaan Sungai Petani (LPK) 08000 Sungai Petani Kedah Darul Aman Malaysia	2 storey office and factory building	Office/ factory	Leasehold 60 years from 23/11/1994 to 22/11/2054	19,773
10	Plot 100 Jalan PKNK 1 Rancang Industrial Park Kawasan Perusahaan Sungai Petani (LPK) 08000 Sungai Petani Kedah Darul Aman Malaysia	2 storey office and factory building	Office/ factory	Leasehold 60 years from 23/11/1994 to 22/11/2054	25,737
11	Lot 19 Jalan Jaya Setia 26/3, Section 26 Hicom Industrial Estate 40400 Shah Alam Selangor Darul Ehsan Malaysia	2 storey office and factory building	Office/ factory	Freehold	30,765
12	HGB No 10344 (Oakwood Cluster) Cibatu Alam Permai Complex Jalan Alam Permai I 33 Cibatu Cikarang Selatan 17550 Bekasi Indonesia	2 storey building	Hostel	Leasehold 13 years from 15/08/2011 to 24/09/2024	1,528
13	GB No 2154 Pasirsari Kawasan Industri Karyadeka Pancamurni Block B Kav. I Pasirsari 17550 Cikarang Bekasi Indonesia	2 storey office and factory building	Office/ factory	Leasehold 25 years from 08/08/2001 to 24/09/2026	80,524
14	3 Jalan Pesawat Singapore 619361	2 storey office and factory building	Office/ factory	Leasehold 60 years from 01/01/1968 to 31/12/2028	117,790

Share Capital

Issued and Fully Paid-up Capital	:	S$46,245,942
Number of shares	:	984,280,038
Treasury Shares	:	Nil
Subsidiary holdings held	:	Nil
Number of Shareholders	:	773
Class of Equity Security	:	Ordinary Shares
Voting Rights of Ordinary Shareholders	:	One vote for each ordinary share

RANGE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1-99	15	1.94	104	0.00
100 – 1,000	41	5.30	31,448	0.00
1,001 – 10,000	169	21.86	888,200	0.09
10,001 – 1,000,000	496	64.17	87,362,630	8.88
1,000,001 AND ABOVE	52	6.73	895,997,656	91.03
	773	100.00	984,280,038	100.00

Major Shareholders List – Top 20

NO.	NAME	NO. OF SHARES HELD	%
1	KOH MIA SENG	369,109,046	37.50
2	UOB KAY HIAN PTE LTD	122,038,000	12.40
3	DI LINGBIN	100,000,000	10.16
4	LIEW NYOK WAH	62,000,000	6.30
5	PHILLIP SECURITIES PTE LTD	25,665,400	2.61
6	DBS NOMINEES PRIVATE LIMITED	22,488,510	2.28
7	OCBC SECURITIES PRIVATE LIMITED	15,140,800	1.54
8	GAN KIM KUAN SERENE	13,270,000	1.35
9	SING KHANG MIANT	11,283,900	1.15
10	CHEW CHOO LING	10,320,300	1.05
11	YEOH SOON HENG	10,092,600	1.02
12	SHENTU HONG	10,080,000	1.02
13	YANG WENHUA	9,350,000	0.95
14	LIM SIEW LOON	6,970,600	0.71
15	PECK CHENG CHIANG @ PEH SENG THONG	6,783,000	0.69
16	TAY MEI LING SERENE	6,459,000	0.66
17	YU LIHONG	6,000,000	0.61
18	LIM KIAN HONG (LIN JIAN HONG)	5,972,000	0.61
19	YAP MENG SING @ YAP AH KOW	5,950,000	0.60
20	ANG KIM LYE	5,339,100	0.54
		824,312,256	83.75

Statistics of
SHAREHOLDINGS

As at April 6, 2021

Substantial Shareholders

as shown in the Register of Substantial Shareholders

		Direct Interest		Deemed Interest	
S/No	**Name of Shareholders**	**No. of shares**	**%**	**No. of shares**	**%**
1	KOH MIA SENG	369,109,046	37.50	–	–
2	JIANGMENSHI CHANGXIN TECHNOLOGY LIMITED[(1)(2)]	–	–	120,000,000	12.19
3	DI LINGBIN	100,000,000	10.16	–	–
4	LIEW NYOK WAH	62,000,000	6.30	–	–

Notes:

(1) Jiangmenshi Changxin Technology Limited is deemed to be interested in 120,000,000 shares of the Company held in a nominee account.

(2) Tian Ji Ping and Wang Jing are spouses and are deemed to be interested in all the shares of the Company held by Jiangmenshi Changxin Technology Limited by virtue of Section 4 of the Securities and Futures Act (Chapter 289) of Singapore through their respective shareholding in Jiangmenshi Changxin Technology Limited.

Shareholding Held in Hands of Public

Based on information available to the Company as at 6 April 2021, approximately 32.65% of the issued ordinary shares of the Company was held by the public and therefore, Rule 723 of the Listing Manual Section B: Rules of Catalist of the Singapore Exchange Securities Trading Limited, is complied with.

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Sen Yue Holdings Limited (the "**Company**") will be held by way of electronic means on Friday, 30 April 2021 at 10.30 a.m. (the "**AGM**") to transact the following businesses:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Statement and the Audited Financial Statements of the Company and the Group for the financial year ended 30 September 2020 together with the Independent Auditors' Report thereon. **Resolution 1**

2. To re-elect the following Directors of the Company retiring pursuant to Regulation 89 of the Company's Constitution:

   (a) Mr Koh Mia Seng; **Resolution 2**
   (b) Mr Low Ka Choon Kevin; and **Resolution 3**
   (c) Mr Neo Gim Kiong. **Resolution 4**
   [See Explanatory Note (i)]

3. To approve the payment of Directors' fees of S$116,390 for the financial year ended 30 September 2020. (FY2019: S$94,000) **Resolution 5**

4. To transact any other ordinary business which may properly be transacted at an AGM.

AS SPECIAL BUSINESS

To consider and, if thought fit, to pass the following Resolutions as Ordinary Resolutions, with or without any amendments:

6. **Authority to issue shares in the capital of the Company pursuant to Section 161 of the Companies Act, Chapter 50 of Singapore ("Companies Act") and Rule 806 of the Listing Manual Section B: Rules of Catalist ("Catalist Rules") of Singapore Exchange Securities Trading Limited ("SGX-ST")** **Resolution 6**

   That pursuant to Section 161 of the Companies Act and Rule 806 of Catalist Rules of the SGX-ST, authority be and is hereby given to the Directors of the Company:

   (a) (i) allot and issue share 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) options, warrants, debentures or other Instruments convertible into Shares,

   at any time and upon such terms and conditions and for such purposes and to such person 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 the Instruments made or granted by the Directors while this Resolution was in force, provided that:

(1) the aggregate number of Shares to be issued pursuant to this Resolution (including Shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution) shall not exceed 100 percent of the total number of issued Shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (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 shareholders of the Company (including Shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution) shall not exceed 50 percent of the total number of issued Shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as calculated in accordance with the sub-paragraph (2) below);

(2) (subject to such manner of calculation and adjustments 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 subsidiary holdings) in the capital of the Company at the time this Resolution is passed, after adjusting for:

(a) new shares arising from the conversion or exercise of convertible securities which were issued and outstanding or subsisting at the time this Resolution is passed;

(b) new shares arising from exercising share options or vesting of share awards which were issued and outstanding or subsisting at the time this Resolution is passed, provided the options or awards were granted in compliance with Part VIII of Chapter 8 of the Listing Manual of the SGX-ST; and

(c) any subsequent bonus issue, consolidation or subdivision of shares;

Adjustments in accordance with sub paragraphs (2)(a) or (2)(b) are only to be made in respect of new shares arising from convertible securities, share options or share awards which were issued and outstanding or subsisting at the time of the passing of this Resolution;

(3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Catalist Rules for the time being in force (unless such compliance has been waived by the SGX-ST), all applicable legal requirements under the Companies Act, and otherwise, the Company's Constitution for the time being; and

(4) unless revoked or varied by the Company in general meeting, such authority conferred shall continue to be in force until the conclusion of the next AGM of the Company or the date by which the next AGM of the Company is required by law to be held, whichever is earlier.

[See Explanatory Note (ii)]

By Order of the Board

Wee Woon Hong
Company Secretary

Singapore
15 April 2021

Explanatory Notes:

(i) Mr Koh Mia Seng is the Non-Executive Chairman of the Company and will, upon re-election as a Director of the Company, remain as Non-Executive Chairman of the Company and a member of Remuneration Committee. Please refer to Table C of the Corporate Governance Report on page 47 to page 52 in the Annual Report for the detailed information required pursuant to Rule 720(5) of the Catalist Rules of SGX-ST.

Mr Low Ka Choon Kevin is the Independent Non-Executive Director of the Company and will, upon re-election as a Director of the Company, remain as Chairman of the Nominating Committee and a member of Audit and Remuneration Committees. The Board considers Mr Low Ka Choon Kevin to be independent for the purposes of Rule 704(7) of the Catalist Rules of SGX-ST. Please refer to Table C of the Corporate Governance Report on page 47 to page 52 in the Annual Report for the detailed information required pursuant to Rule 720(5) of the Catalist Rules of SGX-ST.

Mr Neo Gim Kiong is the Executive Director and Chief Executive Officer of the Company and will, upon re-election as a Director of the Company, remain as an Executive Director and Chief Executive Officer of the Company. Please refer to Table C of the Corporate Governance Report on page 47 to page 52 in the Annual Report for the detailed information required pursuant to Rule 720(5) of the Catalist Rules of SGX-ST.

(ii) The Ordinary Resolution 6 above, if passed, will empower the Directors of the Company from the date of this AGM until the date of the next AGM of the Company, or the date by which the next AGM of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to allot and issue Shares, make or grant Instruments convertible into Shares and to issue Shares pursuant to such Instruments. The aggregate number of Shares (including Shares to be made in pursuance of Instruments made or granted pursuant to this Resolution) which the Directors may allot and issue under this Resolution shall not exceed 100% of the total number of issued Shares, excluding treasury shares and subsidiary holdings. For issues of Shares other than on a pro-rata basis to all shareholders, the aggregate number of Shares and convertible securities to be issued shall not exceed 50% of the total number of issued shares, excluding treasury shares and subsidiary holdings at the time this Resolution is passed.

Notes:

(1) A member of the Company entitled to attend and vote at the above AGM may appoint the Chairman of the AGM as proxy to vote on his behalf. Please refer to the section entitled “Submission of Proxy Forms to Vote” of the Measures to Minimise Risk of Community Spread of 2019 Novel Coronavirus (“**COVID-19**”) on the Notice of AGM for further information.

(2) If the member is a corporation, the instrument appointing the proxy must be under seal or the hand of an officer or attorney duly authorised.

(3) The instrument appointing a proxy must be (a) submitted by mail to the Company’s Share Registrar, M&C Services Private Limited, at 112 Robinson Road, #05-01, Singapore 068902; or (b) submitted by email to gpe@mncsingapore.com not less than forty-eight (48) hours before the time appointed for holding the AGM.

(4) A Depositor’s name must appear on the Depository Register maintained by The Central Depository (Pte) Limited as at seventy-two (72) hours before the time fixed for holding the AGM in order for the Depositor to be entitled to attend and vote at the AGM.

Personal data privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the AGM of the Company and/or any adjournment thereof, a member of the Company consents to the collection, use and disclosure of the member’s and its proxy(ies)’s or representative(s)’s personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the AGM of the Company (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM of the Company (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines.

Measures to Minimise Risk of Community Spread of 2019 Novel Coronavirus ("COVID-19"):

Pursuant to the COVID-19 (Temporary Measures) Act 2020 (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020, in Singapore, the Company is arranging for a live webcast of the AGM proceedings (the "**Live AGM Webcast**") which will take place on Friday, 30 April 2021 at 10.30 a.m.. The Live AGM Webcast will take place at 3 Jalan Pesawat, Singapore 619361. **Shareholders will be able to watch the AGM proceedings through the Live AGM Webcast, and the Company will not accept any physical attendance by Shareholders. Any Shareholder seeking to attend the AGM physically in person will be turned away.**

Shareholders will be able to participate in the AGM in following manner set out in the paragraphs below.

Live Webcast:

1. Shareholders may watch the AGM proceedings through the Live AGM Webcast. To do so, Shareholders will need to register at https://online.meetings.vision/senyue-agm-registration (the "**Registration Link**") by **10.30 a.m.** on **27 April 2021** (the "**Registration Deadline**") to enable the Company to verify their status.

2. Following verification, authenticated Shareholders will receive an email by **10.30 a.m.** on **29 April 2021** containing a link to access the live *visual and audio webcast* of the AGM proceedings as well as a toll-free telephone number to access the live audio only stream of the AGM proceedings.

3. Shareholders must not forward the abovementioned link or telephone number to other persons who are not Shareholders of the Company and who are not entitled to attend the AGM. This is also to avoid any technical disruptions or overload to the Live AGM Webcast.

4. Shareholders who register by the Registration Deadline but do not receive an email response by **10.30 a.m.** on **29 April 2021** may contact the Company by email to Company's Share Registrar, M&C Services Private Limited at gpe@mncsingapore.com.

Submission of Proxy Forms to Vote:

1. Shareholders who wish to vote at the AGM may submit a proxy form to appoint the Chairman of the AGM to cast votes on their behalf.

2. The proxy form (a copy of which is also attached hereto), duly completed and signed, must be submitted by: (a) mail to the Company's Share Registrar, M&C Services Private Limited, at 112 Robinson Road, #05-01, Singapore 068902; or (b) email to gpe@mncsingapore.com, **by no later than 10.30 a.m.** on **28 April 2021, being forty-eight (48) hours before the time appointed for holding the AGM.**

3. CPF or SRS investors who wish to vote should approach their respective banks approved by CPF to be their agent banks ("**CPF Agent Banks**") or agent banks approved by CPF under the Supplementary Retirement Scheme ("**SRS Operators**") to submit their votes at least seven (7) working days before the AGM (i.e. by **5.00 p.m.** on **19 April 2021** at least seven (7) working days) in order to allow sufficient time for their respective relevant intermediaries to in turn submit a proxy form to appoint the Chairman of the AGM to vote on their behalf by the cut-off date.

Please note that Shareholders will not be able to vote through the live webcast and can only vote with their proxy forms which are required to be submitted in accordance with the foregoing paragraphs.

Submission of Questions:

1. Shareholders may submit questions relating to the items on the Notice of AGM either (a) submitted by mail to the Company's Share Registrar, M&C Services Private Limited, at 112 Robinson Road, #05-01, Singapore 068902; or (b) submitted by email to gpe@mncsingapore.com not less than seventy-two (72) hours before the time appointed for holding the AGM. All questions must be submitted by the Registration Deadline.

2. The Company will endeavour to address the substantial and relevant questions at or before the AGM. The responses to such questions from Shareholders will be posted on the SGXNET and the Company's website before the deadline for lodgement of the proxy form while the minutes of the AGM, will be posted on the SGXNET and the Company's website within one month after the date of the AGM.

3. As the COVID-19 pandemic continues to evolve, further measures and/or changes to the AGM arrangements may be made on short notice in the ensuing days, even up to the day of the AGM. Please check our Company website at https://senyueholdings.com or SGXNET for updates.

The Company seeks the understanding and cooperation of all members to minimise the risk of community spread of COVID-19.

SEN YUE HOLDINGS LIMITED

Registration Number 200105909M
(Incorporated in the Republic of Singapore)

IMPORTANT:

1. This proxy form is not valid for use by the investor who holds shares under the Central Provident Fund Investment Scheme ("**CPF Investor**") and/or the Supplementary Retirement Scheme ("**SRS Investor**") and shall be ineffective for all intents and purported to be used by them.
2. CPF and SRS Investors who wish to appoint the Chairman of the Annual General Meeting ("**AGM**") as proxy should approach their respective approved CPF Agent Banks or SRS Operators to submit their votes by 5.00 p.m. on 19 April 2021, being at least seven (7) working days before the AGM.
3. Please read the notes overleaf which contain instructions on, amongst others, the appointment of the Chairman of the AGM as a member's proxy to attend, speak and vote on his/her/its behalf at the AGM.

PROXY FORM

(Please see notes overleaf before completing this form)

*I/We, ______________________________ (Name) ____________________ (NRIC/Passport No.)

of ____ (Address)

being a member/members of Sen Yue Holdings Limited (the "**Company**"), hereby appoint the Chairman of the AGM of the Company as my/our* proxy to vote for me/us* on my/our* behalf at the AGM of the Company to be held by electronic means on Friday, 30 April 2021 at 10.30 a.m. and at any adjournment thereof.

I/We* direct the Chairman of the AGM to vote for or against or abstain from voting on the resolutions to be proposed at the AGM as indicated hereunder.

All resolutions put to the vote at the AGM shall be decided by way of poll.

No.	Resolutions	For	Against	Abstain
	ORDINARY BUSINESS			
1.	Adoption of the Directors' Statement and the Audited Financial Statements of the Company and the Group for the financial year ended 30 September 2020 together with the Independent Auditors' Report thereon			
2.	Re-election of Mr Koh Mia Seng as a Director			
3.	Re-election of Mr Low Ka Choon Kevin as a Director			
4.	Re-election of Mr Neo Gim Kiong as a Director			
5.	Approval of payment of Directors' fees of S$116,390 for the financial year ended 30 September 2020			
	SPECIAL BUSINESS			
6.	Authority to allot and issue shares pursuant to Section 161 of the Companies Act, Chapter 50 of Singapore			

(Please indicate your vote "For" or "Against" or "Abstain" with a tick [√] within the box provided. Alternatively, please indicate the number of votes as appropriate.)

Dated this __________ day of ______________ , 2021

Total number of Shares in	No. of Shares
(a) CDP Register	
(b) Register of Members	

____
Signature of Shareholder(s)
or Common Seal of Corporate Shareholder

**Delete where inapplicable*

Notes:

1. Please insert the total number of shares held by you. If you have shares entered against your name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act, Chapter 289 of Singapore), you should insert that number. If you have shares registered in your name in the Register of Members of the Company, you should insert that number. If you have shares entered against your name in the Depository Register and shares registered in your name in the Register of Members, you should insert the aggregate number. If no number is inserted, this form of proxy will be deemed to relate to all the shares held by you.

2. A Shareholder of the Company entitled to attend and vote at the AGM of the Company may appoint the Chairman of the AGM as proxy to vote on his behalf. Please refer to section entitled "Submission of Proxy Forms to Vote" of the Measures to Minimise Risk of Community Spread of 2019 Novel Coronavirus ("**COVID-19**") on the Notice of AGM for further information.

3. The instrument appointing a proxy must be (a) submitted by mail to the Company's Share Registrar, M&C Services Private Limited, at 112 Robinson Road, #05-01, Singapore 068902; or (b) submitted by email to gpe@mncsingapore.com **by no later than 10.30 a.m.** on **28 April 2021, being** not less than forty-eight (48) hours before the time appointed for holding the AGM.

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 under its common seal or under the hand of its attorney or by an officer on behalf of the corporation.

5. CPF or SRS investors who wish to vote should approach their respective banks approved by CPF to be their agent banks ("**CPF Agent Banks**") or agent banks approved by CPF under the Supplementary Retirement Scheme ("SRS Operators") to submit their votes at least seven (7) working days before the AGM (i.e. by 5.00 p.m. on 19 April 2021) in order to allow sufficient time for their respective relevant intermediaries to in turn submit a proxy form to appoint the Chairman of the AGM to vote on their behalf by the cut-off date.

6. Where an instrument appointing a proxy or proxies is signed on behalf of the appointor by an attorney or other authority, the power of attorney or authority or a notarially certified copy thereof must be lodged with the instrument of proxy, failing which the instrument of proxy may be treated as invalid.

7. 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 AGM, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore.

8. The Company shall be entitled to reject an instrument of proxy 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 instrument of proxy. In addition, in the case of shares entered in the Depository Register, the Company may reject an instrument of proxy if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at seventy-two (72) hours before the time appointed for holding the AGM, as certified by The Central Depository (Pte) Limited to the Company.

PERSONAL DATA PRIVACY:

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member is deemed to have accepted and agreed to the personal data privacy terms set out in the Notice of AGM dated 15 April 2021.

SEN YUE HOLDINGS LIMITED
森跃控股有限公司

3 Jalan Pesawat
Singapore 619361
Tel: (65) 6268 9593
Fax: (65) 6264 0508
Company registration number: 200105909M