SEN YUE HOLDINGS LIMITED

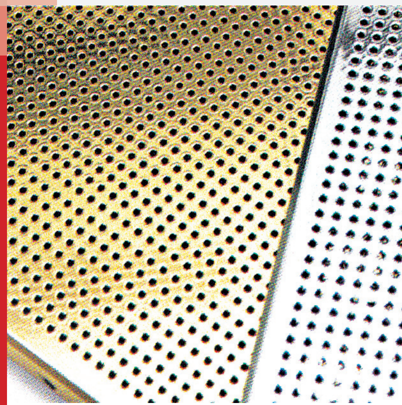
Sustaining Our Strength and Stability

Annual Report 2016

This annual report has been prepared by the Company and its contents have been reviewed by the Company's sponsor, PrimePartners Corporate Finance Pte. Ltd. (the "Sponsor") for compliance with the Singapore Exchange Securities Trading Limited (the "SGX-ST") Listing Manual Section B: Rules of Catalist. The Sponsor has not verified the contents of this annual report.

This annual report has not been examined or approved by the SGX-ST. The Sponsor and the SGX-ST assume no responsibility for the contents of this annual report, including the accuracy, completeness or correctness of any of the information, statements or opinions made or reports contained in this annual report.

The contact person for the Sponsor is Ms. Keng Yeng Pheng, Associate Director, Continuing Sponsorship, at 16 Collyer Quay #10-00, Income at Raffles, Singapore 049318, telephone (65) 6229 8088.



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Corporate Profile

Sen Yue Holdings Limited, f.k.a. PNE Micron Holdings Ltd, (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;
- 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.

Chairman's Statement

DEAR SHAREHOLDERS,

It is our privilege and pleasure to present you the annual report of Sen Yue Holdings Limited for the financial year ended 30 September 2016 ("**FY2016**").

FY2016 was a challenging year marked by significant global macroeconomic developments which had impacted our business, resulting in a loss within the commodities segment due to the devaluation of Chinese Yuan and the United States Dollar against the Singapore Dollar. In addition, sales of our customers were affected by a slowdown of economic activities across Asia.

The Group is seeking new ideas and opportunities to enhance shareholders' value such as diversification into the waste management business. This is to position the Group to take advantage of future growth opportunities when they become available.

Thank you for your support and approval granted at the extraordinary general meeting held on 22 December 2016 for the acquisition of the remaining 50% of SMC Industrial Pte Ltd ("**SMC**")'s shares. We are in the process of completing the acquisition as at the date of this annual report. The initial 50% acquisition in January 2015 had paved the way for the Company to expand its businesses into the resources industry, which includes environmental-related businesses. With the industry knowledge and technical expertise derived from access to SMC's operation in the past year, the Group is confident in its ability to continue its further expansion into the resources industry through the complete acquisition of SMC. This will also allow us to better position and align ourselves as a vertically integrated player in the resources industry to aid the Group's future growth.

APPRECIATION

On behalf of the Board, I would like to thank all our stakeholders for their unwavering support to the Group. I would also like to thank the Board for their commitment, valuable time, advice and contribution. We would also like to extend our thanks to our suppliers, customers, bankers, professional partners, who have been most understanding and accommodating. Lastly, a note of thanks to our management and staff who have shown loyalty and dedication. I have utmost confidence in the Board and management and I look forward to your continued support to the Group.

Koh Mia Seng
Executive Chairman

Business Operations & Financial Review

REVIEW OF INCOME STATEMENT

The Group's revenue increased by approximately S$50.5 million or 49.6% in FY2016, mainly due to the increase of revenue in the trading of commodities segment. However, the Group registered a loss before tax of S$1.2 million in FY2016 from a profit before tax of S$1.0 million in FY2015, mainly due to the foreign currency translation loss of S$2.1 million from the trading of commodities segment arising from the devaluation of Chinese Yuan and US Dollar against Singapore Dollar.

Gross profit increased by approximately S$2.3 million or 24.4% from S$9.6 million in FY2015 to S$11.9 million in FY2016. The gross profit margin decreased from 9.4% in FY2015 to 7.8% in FY2016, mainly due to a lower profit margin for the trading of commodities segment.

Decrease in other operating income to S$1.0 million in FY2016 (FY2015: S$2.6 million) was mainly due to an absence of foreign exchange gain of S$1.3 million present in FY2015.

Increases in administrative expenses to S$8.7 million in FY2016 (FY2015: S$7.7 million) and in distribution expenses to S$1.1 million in FY2016 (FY2015: S$0.9 million) were mainly due to expenses incurred by SMC which was acquired in January 2015. For FY2015, only 9 months of expenses incurred by SMC were consolidated into the Group's financial results.

Share of loss of joint venture was *nil* in FY2016 as the investment in PNE Teknicast Sdn. Bhd. ("**PNE Teknicast**"), being the joint venture company, was fully impaired in FY2015. PNE Teknicast has commenced members' voluntary liquidation on 20 April 2016 and the liquidation exercise is in progress, pending tax clearance from the Inland Revenue Board of Malaysia as at date of this annual report.

Increase in other operating expenses to S$3.2 million in FY2016 (FY2015: S$0.9 million) was mainly due to the foreign exchange loss incurred by the trading of commodities segment.

Increase in finance cost to S$1.1 million in FY2016 (FY2015: S$0.7 million) was mainly due to higher bank borrowings undertaken for working capital purposes and interest from the convertible notes issued during the financial year.

The increase in depreciation of property, plant and equipment to S$1.6 million (FY2015: S$1.1 million) was mainly due to the upward revaluations of properties and additional purchase of machinery and equipment during the financial year.

STATEMENT OF FINANCIAL POSITION

The decrease in property, plant and equipment from S$19.6 million as at 30 September 2015 to S$19.1 million as at 30 September 2016 was mainly due to depreciation charges, offset by the purchase of new machinery and equipment for the expansion of operations.

The increase in available-for-sale financial assets to S$3.3 million as at 30 September 2016 was mainly due to the life insurance policies taken up on a director of a subsidiary. These policies were pledged to financial institutions as collaterals for banking facilities related to working capital purposes.

The Group's current assets amounted to S$55.2 million in FY2016, comprising mainly cash and cash equivalents of S$8.9 million, trade and other receivables of S$41.3 million and inventories of S$4.9 million.

The increase in trade and other receivables of S$2.7 million was mainly due to the increase in trading activities from the trading of commodities segment.

Business Operations & Financial Review

The increase in inventories of S$1.9 million was mainly due to the increase in inventory levels related to the trading of commodities segment which recorded higher revenue for the financial year.

The Group's current liabilities amounted to S$42.2 million as at 30 September 2016, comprised mainly trade and other payables of S$6.2 million, bank overdrafts and short term loans of S$35.5 million, finance leases of S$0.1 million and income tax payable of S$0.3 million.

The increase in trade and other payables of approximately S$0.8 million was mainly due to an increase in purchases of materials in the commodities trading segment.

The increase in the bank overdrafts and short term loans of approximately S$3.7 million was mainly due to an increase in loan facilities of S$1.7 million undertaken for working capital purposes and S$2.0 million of short term loans undertaken in FY2016 by PNE Resources Pte. Ltd. which commenced its business activities in FY2016.

The decrease in income tax payable of S$136,000 was mainly due to lower income taxes estimated for FY2016 for which a subsidiary reported a loss.

The Group had positive working capital of approximately S$13.0 million as at 30 September 2016.

The Group's non-current liabilities amounted to approximately S$3.3 million as at 30 September 2016 (FY2015: S$1.5 million). The increase was due to the issuance of convertible notes of S$1.9 million by the Company for the purpose of working capital and business expansion. Finance leases decreased by approximately S$41,000 in FY2016 mainly due to the repayment of hire purchase loans.

The decrease in deferred tax liabilities of approximately S$0.2 million was mainly due to the reversal of deferred tax liabilities in one of the Indonesian subsidiaries.

CASH FLOW ANALYSIS

In FY2016, the Group generated net cash from operating activities before changes in working capital of approximately S$0.2 million and net cash generated from operating activities amounted to approximately S$0.6 million. This was mainly due to an increase in trade and other receivables of approximately S$2.9 million and an increase in inventories of approximately S$1.9 million, partially offset by the increase in trade payable of S$0.6 million and trade bills and banker acceptances of S$4.1 million. Additionally, income tax paid was approximately S$0.8 million in FY2016.

Net cash used in investing activities amounted to approximately S$1.9 million in FY2016, mainly due to capital expenditures for the purchase of property, plant and equipment amounting to approximately S$0.4 million. There is an increase in available-for-sale financial assets of S$1.5 million.

Net cash generated from financing activities amounted to approximately S$0.9 million in FY2016, mainly due to the proceeds obtained from bank loans amounting to approximately S$1.3 million, issuance of convertible notes of S$1.9 million and decrease in pledged deposits with financial institutions of approximately S$0.9 million, partially offset by interest paid of S$1.1 million and repayment of borrowings of S$2.0 million.

Board of Directors

Mr. Koh Mia Seng is the Company's Executive Director and Executive Chairman, first appointed as an Executive Director on 3 March 2015. He was re-elected as a Director of the Company and appointed as Executive Chairman on 25 January 2016. 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. Koh has also guided the growth of the Company to ensure that it complies with safety, environmental and other regulations. With more than 20 years of experience in the resources industry, Mr. Koh has grown and expanded the Group in the resources segment.

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 25 January 2016. 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 Astaka Holdings Ltd. In addition, he is a board member of both P.R.China Guangdong Province Overseas Exchange Association and Ningxia Autonomous Region Overseas Exchange Association. 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 29 January 2015. 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. Kevin Norbert Scully is the Company's Non-Executive Lead Independent Director, appointed on 11 April 2011 and was re-elected as a Director of the Company on 29 January 2015. He has more than 30 years of experience in equities research and analysis, corporate advisory and related matters, having worked for more than 12 years in various positions in the Schroder Securities Group in Asia such as the head of research and managing director of Schroder Securities Singapore and a director of Schroder Asia Securities (Hong Kong) Limited. In 1999, he founded and is currently the executive chairman of the Net-research group of companies with operations in Singapore and Malaysia. Mr. Scully is currently also an independent director of JEP Holdings Ltd, NTUC Income Insurance Co-operative in Singapore and Electro Optic Systems Ltd of Australia. He is a member of the Investment Committee of the Singapore Institute of Management ("SIM") Group. Mr. Scully is an Adjunct Professor of SIM University School of Human Development & Social Services since March 2014. He holds a Bachelor of Social Science (Hons) in Economics & Statistics from the National University of Singapore.

Board of Directors

Mdm. Yu Lihong is the Company's Non-Executive Independent Director, appointed on 3 September 2014 and was re-elected as a Director of the company on 29 January 2015. 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 found 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).

Mr. Low Ka Choon Kevin is the Company's Non-Executive Independent Director, appointed on 9 April 2015 and was re-elected as a Director of the Company on 25 January 2016. 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.

Key Management

Ms. Chai Lee Shun is the Company's Chief Financial Officer and Company Secretary since 15 January 2016. She is responsible for finance, accounting and the Group's compliance with audit and statutory requirements. She joined SMC Industrial Pte Ltd in 2009 as the Group Financial Controller. Ms. Chai is a non-practising member of the Institute of Singapore Chartered Accountants (ISCA, Singapore). She holds a Master of Business Administration degree from the University of Technology, Sydney.

Mr. Foo Say Kit is the Group Managing Director who is responsible for the overall performance, engineering and technical support of the Group. He joined the Group in 2004, where his responsibilities included the exploration and business development with suppliers. Prior to joining the Group, 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. Pua Kai Chek is the Divisional General Manager of the Group 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).

Corporate Information

AUDIT COMMITTEE
Kevin Norbert Scully, Chairman
Yu Lihong
Low Ka Choon Kevin

NOMINATING COMMITTEE
Low Ka Choon Kevin, Chairman
Yu Lihong
Kevin Norbert Scully

REMUNERATION COMMITTEE
Yu Lihong, Chairman
Kevin Norbert Scully
Koh Mia Seng
Low Ka Choon Kevin

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COMPANY SECRETARY
Chai Lee Shun
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
Tsia Chee Wah
(With effect from financial year ended
30 September 2015)

PRINCIPAL BANKERS
Australia and New Zealand Banking Group Limited
CIMB Bank Berhad
DBS Bank Ltd
Malayan Banking Berhad
RHB Bank Berhad
Standard Chartered Bank Limited

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

Group
Structure

- 100% PNE Micron Engineering Pte Ltd (Singapore)
- 100% PNE Resources Pte Ltd (Singapore)
- 100% PNE-Sino Pte Ltd (Singapore)
  - 100% PT PNE Indonesia (Indonesia)
  - 100% PT Le Royaume PNE (Indonesia)
  - 60% PNE Teknicast Sdn Bhd (Under Member's Voluntary Liquidation) (Malaysia)
- 100% PNE Micron Engineering Sdn Bhd (Malaysia)
- 100% PNE Marvellous Sdn Bhd (Malaysia)
- 100% CED System Sdn Bhd (Malaysia)
- 100% Hong Nam Industry (M) Sdn Bhd (Malaysia)
- 100% PNE Micron (Kuala Lumpur) Sdn Bhd (Malaysia)
- 100% PNE Precision Sdn Bhd (Malaysia)
- 100% Macore Technology (M) Sdn Bhd (Malaysia)
- 50% SMC Industrial Pte Ltd (Singapore)*

*Shareholders of the Company approved the acquisition of the balance 50% interest of SMC Industrial Pte Ltd in a general meeting held on 22 December 2016. As at the date of this annual report, the Company is in the process of completing the acquisition. Please refer to announcements on SGXNET for more information.

Financial Contents

Corporate Governance

The Board of Directors (the "**Board**") of Sen Yue Holdings Limited (the "**Company**") are 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 2016 ("**FY2016**") with reference to the principles set out in the Code of Corporate Governance 2012 (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 guidelines 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.

Guidelines of the Code	Sen Yue Corporate Governance Practices

BOARD MATTERS

The Board's Conduct of Affairs

Principle 1
Every company should be headed by an effective Board to lead and control the company. The Board is collectively responsible for the long-term success of the company. The Board works with Management to achieve this objective and Management remains accountable to the Board.

1.1 The Board's role is to:

(a) provide entrepreneurial leadership, set strategic objectives, and ensure that the necessary financial and human resources are in place for the company to meet its objectives;

(b) establish a framework of prudent and effective controls which enables risks to be assessed and managed, including safeguarding of shareholders' interests and the company's assets;

(c) review management performance;

(d) identify the key stakeholder groups and recognise that their perceptions affect the company's reputation;

(e) set the company's values and standards (including ethical standards), and ensure that obligations to shareholders and other stakeholders are understood and met; and

(f) consider sustainability issues, e.g. environmental and social factors, as part of its strategic formulation.

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 41 and 42 of this Annual Report for the composition and primary functions of the Board.

Guidelines of the Code		Sen Yue Corporate Governance Practices
1.2	All directors must objectively discharge their duties and responsibilities at all times as fiduciaries in the interests of the company.	Every Director, in the course of carrying out his or her duties, acts in good faith and considers at all times, the interests of the Group.
1.3	The Board may delegate the authority to make decisions to any Board Committee but without abdicating its responsibility. Any such delegation should be disclosed.	The Board delegates the implementation of business policies and day-to-day operations to the Chief Executive Officer ("**CEO**"), Mr. Neo Gim Kiong and the Group's Management team. 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 41 and 42 of this Annual Report for the composition and primary functions of the Board Committees.
1.4	The Board should meet regularly and as warranted by particular circumstances, as deemed appropriate by the board members. Companies are encouraged to amend their Articles of Association (or other constitutive documents) to provide for telephonic and video-conference meetings. The number of meetings of the Board and Board Committees held in the year, as well as the attendance of every board member at these meetings, should be disclosed in the company's Annual Report.	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 FY2016 are set out in Table B at page 43 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 held several conference calls throughout the year 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 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.

Corporate Governance

Guidelines of the Code	Sen Yue Corporate Governance Practices
1.5 Every company should prepare a document with guidelines setting forth: (a) the matters reserved for the Board's decision; and (b) clear directions to Management on matters that must be approved by the Board. The types of material transactions that require board approval under such guidelines should be 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; ● 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 in its Financial Accounting Policy.
1.6 Incoming directors should receive comprehensive and tailored induction on joining the Board. This should include his duties as a director and how to discharge those duties, and an orientation program to ensure that they are familiar with the company's business and governance practices. The company should provide training for first-time director in areas such as accounting, legal and industry-specific knowledge as appropriate. It is equally important that all directors should receive regular training, particularly on relevant new laws, regulations and changing commercial risks, from time to time.	All newly appointed Directors will undergo an orientation program to provide them with background information on the Group and industry-specific knowledge. 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. 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.

Guidelines of the Code	Sen Yue Corporate Governance Practices
The company should be responsible for arranging and funding the training of directors. The Board should also disclose in the company's Annual Report the induction, orientation and training provided to new and existing directors.	The Company Secretary (or her representatives) also briefs the Directors on key regulatory changes, while Deloitte & Touche LLP, the Company's external auditors (the "**External Auditors**") briefs the AC on key amendments to the accounting standards. During FY2016, some Directors attended seminars on financial reporting, audits and sustainability jointly organised by ACRA, SGX and SID. 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. If regulatory changes have a material impact on either the Group or the Directors, the Management will update the Directors during the Board meetings.
1.7 Upon appointment of each director, the company should provide a formal letter to the director, setting out the director's duties and obligations.	The Company has issued a formal appointment letter and service agreement, to all non-executive directors and executive directors, respectively.

Board Composition and Guidance

Principle 2
There should be a strong and independent element on the Board, which is able to exercise objective judgement on corporate affairs independently, in particular, from Management and 10% shareholders. No individual or small group of individuals should be allowed to dominate the Board's decision making.

2.1 There should be a strong and independent element on the Board, with independent directors making up at least one-third of the Board.	During FY2016, the Board consisted of one Executive Chairman, two Executive Directors and three Independent Non-Executive Directors. 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 50% 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 41 to page 42 of this Annual Report for the composition of the Board and Board Committees.
2.2 The independent directors should make up at least half of the Board where: (a) the Chairman of the Board (the "**Chairman**") and the Chief Executive Officer (or equivalent) (the "**CEO**") is the same person;	As the Chairman of the Board is part of the Management team and is not an Independent Non-Executive Director, the Company has complied and ensured that at least half of the Board comprises Independent Non-Executive Directors.

Guidelines of the Code	Sen Yue Corporate Governance Practices
(b) the Chairman and the CEO are immediate family members; (c) the Chairman is part of the management team; or (d) the Chairman is not an independent director.	
2.3 An "independent" director is one who has no relationship with the company, its related corporations, its 10% shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the director's independent business judgement with a view to the best interests of the company. The Board should identify in the company's Annual Report each director it considers to be independent. The Board should determine, taking into account the views of the Nominating Committee ("NC"), whether the director is independent in character and judgement and whether there are relationships or circumstances which are likely to affect, or could appear to affect, the director's judgement. If the Board wishes, in spite of the existence of one or more of these relationships, to consider the director as independent, it should disclose in full the nature of the director's relationship and bear responsibility for explaining why he should be considered independent.	The NC is responsible for reviewing the independence of each Director based on the guidelines 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 guidelines 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. 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.
2.4 The independence of any director who has served on the Board beyond nine years from the date of his first appointment should be subject to particularly rigorous review. In doing so, the Board should also take into account the need for progressive refreshing of the Board. The Board should also explain why any such director should be considered independent.	As at 30 September 2016, no Independent Non-Executive Directors on the Board had served for more than nine years from the date of his/her initial appointment.
2.5 The Board should examine its size and, with a view to determining the impact of the number upon effectiveness, decide on what it considers an appropriate size for the Board, which facilitates effective decision making. The Board should take into account the scope and nature of the operations of the company, the requirements of the business	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.

Guidelines of the Code	Sen Yue Corporate Governance Practices
and the need to avoid undue disruptions from changes to the composition of the Board and Board Committees. The Board should not be so large as to be unwieldy.	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 are satisfied that the current Board's size and composition are appropriate for the Group.
2.6 The Board and its Board Committees should comprise directors who as a group provide an appropriate balance and diversity of skills, experience, gender and knowledge of the company. They 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.	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 three 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 1 female and 5 male directors with diverse backgrounds such as accounting, finance, manufacturing and business management. Details of the Directors' academic and professional qualifications and other appointments are set out on page 5 and 6 of this Annual Report.
2.7 Non-executive directors should: (a) constructively challenge and help develop proposals on strategy; and (b) review the performance of management in meeting agreed goals and objectives and monitor the reporting of performance.	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.
2.8 To facilitate a more effective check on management, non-executive directors are encouraged to meet regularly without the presence of Management.	The Group's Independent Non-Executive Directors had held periodic conference calls and/or meetings without the presence of Management in FY2016.

Corporate Governance

Guidelines of the Code	Sen Yue Corporate Governance Practices

Chairman and Chief Executive Officer

Principle 3
There should be a clear division of responsibilities between the leadership of the Board and the executives responsible for managing the company's business. No one individual should represent a considerable concentration of power.

3.1 The Chairman and the CEO should in principle be separate persons, to ensure an appropriate balance of power, increased accountability and greater capacity of the Board for independent decision making. The division of responsibilities between the Chairman and the CEO should be clearly established, set out in writing and agreed by the Board. In addition, the Board should disclose the relationship between the Chairman and the CEO if they are immediate family members.	The role of the Chairman is 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. The Board is of the view that there is adequate accountability and transparency as Independent Non-Executive Directors make up 50% 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.
3.2 The Chairman should: (a) lead the Board to ensure its effectiveness on all aspects of its role; (b) set the agenda and ensure that adequate time is available for discussion of all agenda items, in particular strategic issues; (c) promote a culture of openness and debate at the Board; (d) ensure that the directors receive complete, adequate and timely information; (e) ensure effective communication with shareholders; (f) encourage constructive relations within the Board and between the Board and Management; (g) facilitate the effective contribution of non-executive directors in particular; and (h) promote high standards of corporate governance.	The Chairman plays a key role in 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. The CEO's responsibilities encompass managing the day-to-day business activities of the Group, developing and executing the Group's strategies, reporting back to the Board on the performance of the Group, and providing guidance to the Group's employees. The CEO also encourages constructive relations between Management and the Board.

Guidelines of the Code	Sen Yue Corporate Governance Practices
3.3 Every company should appoint an independent director to be the lead independent director where: (a) the Chairman and the CEO is the same person; (b) the Chairman and the CEO are immediate family members; (c) the Chairman is part of the management team; or (d) the Chairman is not an independent director. The lead independent director (if appointed) should be available to shareholders where they have concerns and for which contact through the normal channels of the Chairman, the CEO or the Chief Financial Officer (or equivalent) (the "**CFO**") has failed to resolve or is inappropriate.	Mr. Kevin Norbert Scully is the Lead Independent Non-Executive Director of the Company as Mr. Koh Mia Seng, the Executive Chairman of the Board, is part of the Management team and is not considered as independent. 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.
3.4 Led by the lead independent director, the independent directors should meet periodically without the presence of the other directors, and the lead independent director should provide feedback to the Chairman after such meetings.	The Lead Independent Non-Executive Director met up with the Independent Non-Executive Directors twice in FY2016 before the Board meetings, for discussions in the absence of the Executive Directors.

Board Membership

Principle 4
There should be a formal and transparent process for the appointment and re-appointment of directors to the Board.

Guidelines of the Code	Sen Yue Corporate Governance Practices
4.1 The Board should establish a NC to make recommendations to the Board on all board appointments, with written terms of reference which clearly set out its authority and duties. The NC should comprise at least three directors, the majority of whom, including the NC Chairman, should be independent. The lead independent director, if any, should be a member of the NC. The Board should disclose in the company's Annual Report the names of the members of the NC and the key terms of reference of the NC, explaining its role and the authority delegated to it by the Board.	The NC, which terms of reference are approved by the Board, comprises three Independent Non-Executive Directors. The NC meets at least once a year. Please refer to Table A set out on page 41 to 42 of this Annual Report for the composition and responsibilities of the NC, based on written terms of reference. The Chairman and members of the NC are independent.

Guidelines of the Code	Sen Yue Corporate Governance Practices
4.2 The NC should make recommendations to the Board on relevant matters relating to: (a) the review of board succession plans for directors, in particular, the Chairman and the CEO; (b) the development of a process for evaluation of the performance of the Board, its Board Committees and directors; (c) the review of training and professional development programs for the Board; and (d) the appointment and re-appointment of directors (including alternate directors, if applicable). Important issues to be considered as part of the process for the selection, appointment and re-appointment of directors include composition and progressive renewal of the Board and each director's competencies, commitment, contribution and performance (e.g. attendance, preparedness, participation and candour) including, if applicable, as an independent director. All directors should be required to submit themselves for re-nomination and re-appointment at regular intervals and at least once every three years.	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 the Company's Constitution, one-third of the Directors (or, if their number is not a multiple of three, then the number nearest to but not less than one-third) shall retire from office by rotation at every annual general meeting of the Company. Any Director appointed by the Board during the financial year shall hold office only until the next annual general meeting. A retiring Director shall be eligible for re-election. 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. Guideline 2.4 of the Code provides that the independence of Independent Non-Executive Directors serving for more than 9 years should be rigorously reviewed. The Board will take Guideline 2.4 of the Code into account when determining the re-appointment of the Independent Non-Executive Directors.
4.3 The NC is charged with the responsibility of determining annually, and as and when circumstances require, if a director is independent, bearing in mind the circumstances set forth in Guidelines 2.3 and 2.4 and any other salient factors. If the NC considers that a director who has one or more of the relationships mentioned therein can be considered independent, it shall provide its views to the Board for the Board's consideration. Conversely, the NC has the discretion to consider that a director is not independent even if he does not fall under the circumstances set forth in Guideline 2.3 or Guideline 2.4, and should similarly provide its views to the Board for the Board's consideration.	A Director who has no relationship with the Company, its related corporation, its 10% shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Director's independent business judgement, is considered to be independent. The NC conducts an annual review of Directors' independence based on the guidelines set forth in the Code and is of the view that Mr. Kevin Norbert Scully, Mdm. Yu Lihong and Mr. Low Ka Choon Kevin are independent.

Guidelines of the Code		Sen Yue Corporate Governance Practices
4.4	When a director has multiple board representations, he must ensure that sufficient time and attention is given to the affairs of each company. The NC should decide if a director is able to and has been adequately carrying out his duties as a director of the company, taking into consideration the director's number of listed company board representations and other principal commitments. Guidelines should be adopted that address the competing time commitments that are faced when directors serve on multiple boards. The Board should determine the maximum number of listed company board representations which any director may hold, and disclose this in the company's Annual Report.	All Directors declare their board memberships 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. The NC is satisfied that the Directors are able to and have adequately carried out their duties as Directors of the Company after taking into consideration the number of listed company Board representations and their principal commitments. Currently, the NC does not determine the maximum number of listed company Board representations which a Director may hold as the NC is of the view that it is for each Director to assess his/her own capacity and ability to undertake other obligations or commitments together with serving on the Board effectively. The Board and the NC will review the requirement to determine the maximum number of listed Board representations as and when they deem fit.
4.5	Boards should generally avoid approving the appointment of alternate directors. Alternate directors should only be appointed for limited periods in exceptional cases such as when a director has a medical emergency. If an alternate director is appointed, the alternate director should be familiar with the company affairs, and be appropriately qualified. If a person is proposed to be appointed as an alternate director to an independent director, the NC and the Board should review and conclude that the person would similarly qualify as an independent director, before his appointment as an alternate director. Alternate directors bear all the duties and responsibilities of a director.	The Company does not have any alternate directors.
4.6	A description of the process for the selection, appointment and re-appointment of directors to the Board should be disclosed in the company's Annual Report. This should include disclosure on the search and nomination process.	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

Guidelines of the Code	Sen Yue Corporate Governance Practices
	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. For the board nomination process for re-electing incumbent Directors, please refer to Guideline 5.3.
4.7 Key information regarding directors, such as academic and professional qualifications, shareholding in the company and its related corporations, Board Committees served on (as a member or Chairman), date of first appointment as a director, date of last re-appointment as a director, directorships or chairmanships both present and those held over the preceding three years in other listed companies, and other principal commitments, should be disclosed in the company's Annual Report. In addition, the company's annual disclosure on corporate governance should indicate which directors are executive, non-executive or considered by the NC to be independent. The names of the directors submitted for appointment or re-appointment should also be accompanied by details and information to enable shareholders to make informed decisions. Such information, which should also accompany the relevant resolution, would include: (a) any relationships including immediate family relationships between the candidate and the directors, the company or its 10% shareholders; (b) a separate list of all current directorships in other listed companies; and (c) details of other principal commitments.	Details of the Directors' academic and professional qualifications, date of first appointment and other relevant information are set out on page 5 and 6 as well as Table C on page 43 of this Annual Report.

Guidelines of the Code	Sen Yue Corporate Governance Practices

Board Performance

Principle 5
There should be a formal annual assessment of the effectiveness of the Board as a whole and its Board Committees and the contribution by each director to the effectiveness of the Board.

5.1 Every Board should implement a process to be carried out by the NC for assessing the effectiveness of the Board as a whole and its Board Committees and for assessing the contribution by the Chairman and each individual director to the effectiveness of the Board. The Board should state in the company's Annual Report how the assessment of the Board, its Board Committees and each director has been conducted. If an external facilitator has been used, the Board should disclose in the company's Annual Report whether the external facilitator has any other connection with the company or any of its directors. This assessment process should be disclosed in the company's Annual Report.

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 performance and hence are less applicable to the Directors.

No external facilitator was engaged by the Company in FY2016.

5.2 The NC should decide how the Board's performance may be evaluated and propose objective performance criteria. Such performance criteria, which allow for comparison with industry peers, should be approved by the Board and address how the Board has enhanced long-term shareholder value. These performance criteria should not be changed from year to year, and where circumstances deem it necessary for any of the criteria to be changed, the onus should be on the Board to justify this decision.

The NC had conducted the Board's performance evaluation as a whole for FY2016 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 and Financial Reporting;
8. Chairman of the Board;
9. Board Committees; and
10. Communication 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.

Guidelines of the Code	Sen Yue Corporate Governance Practices
	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. The NC is satisfied that the Board as a whole and Board Committees had met its performance objectives for FY2016.
5.3 Individual evaluation should aim to assess whether each director continues to contribute effectively and demonstrate commitment to the role (including commitment of time for meetings of the Board and Board Committees, and any other duties). The Chairman should act on the results of the performance evaluation, and, in consultation with the NC, propose, where appropriate, new members to be appointed to the Board or seek the resignation of directors.	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.

Access to Information

Principle 6
In order to fulfil their responsibilities, directors should be provided with complete, adequate and timely information prior to board meetings and on an on-going basis so as to enable them to make informed decisions to discharge their duties and responsibilities.

6.1 Management has an obligation to supply the Board with complete, adequate information in a timely manner. Relying purely on what is volunteered by Management is unlikely to be enough in all circumstances and further enquiries may be required if the particular director is to fulfil his duties properly. Hence, the Board should have separate and independent access to Management. Directors are entitled to request from Management and should be provided with such additional information as needed to make informed decisions. Management shall provide the same in a timely manner.	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.

Guidelines of the Code	Sen Yue Corporate Governance Practices
	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.
6.2 Information provided should include board papers and related materials, background or explanatory information relating to matters to be brought before the Board, and copies of disclosure documents, budgets, forecasts and monthly internal financial statements. In respect of budgets, any material variance between the projections and actual results should also be disclosed and explained.	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. In respect of budgets and financial results, any material variance between the projections and actual results are disclosed and explained.
6.3 Directors should have separate and independent access to the company secretary. The role of the company secretary should be clearly defined and should include responsibility for ensuring that board procedures are followed and that applicable rules and regulations are complied with. Under the direction of the Chairman, the company secretary's responsibilities include 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 as required. The company secretary should attend all board meetings.	The Directors have separate and independent access to the Company Secretary. The Company Secretary ensures that applicable rules and regulations are complied with and assists the Board in implementing corporate governance practices. In addition, the Company Secretary (or her representatives), had attended all Board and Board Committee meetings of the Company in FY2016.
6.4 The appointment and the removal of the company secretary should be a matter for the Board as a whole.	The appointment and the removal of the Company Secretary are subject to the Board's approval.
6.5 The Board should have a procedure for directors, either individually or as a group, in the furtherance of their duties, to take independent professional advice, if necessary, and at the company's expense.	All Directors have direct access to the Group's independent 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. The cost of all such professional advice is borne by the Company.

Guidelines of the Code	Sen Yue Corporate Governance Practices

REMUNERATION MATTERS

Procedures for Developing Remuneration Policies

Principle 7
There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors. No director should be involved in deciding his own remuneration.

Guidelines of the Code	Sen Yue Corporate Governance Practices
7.1 The Board should establish a Remuneration Committee ("**RC**") with written terms of reference which clearly set out its authority and duties. The RC should comprise at least three directors, the majority of whom, including the RC Chairman, should be independent. All of the members of the RC should be non-executive directors. This is to minimise the risk of any potential conflict of interest. The Board should disclose in the company's Annual Report the names of the members of the RC and the key terms of reference of the RC, explaining its role and the authority delegated to it by the Board.	The RC, which terms of reference are approved by the Board, comprises three Independent Non-Executive Directors and one Executive Director. The majority of the members, including the Chairman, are independent. It meets at least once a year. The RC does not comprise wholly Non-Executive Directors as recommended by the Code, as the Board is of the view that the inclusion of an Executive Director in the RC will facilitate the flow of information between the RC and the Company, when required. Please refer to Table A set out on page 41 to 42 for the composition and functions of the RC.
7.2 The RC should review and recommend to the Board a general framework of remuneration for the Board and key management personnel. The RC should also review and recommend to the Board the specific remuneration packages for each director as well as for the key management personnel. The RC's recommendations should be submitted for endorsement by the entire Board. The RC should cover all aspects of remuneration, including but not limited to director's fees, salaries, allowances, bonuses, options, share-based incentives and awards, and benefits in kind.	The RC reviews and makes recommendations to the Board on the framework of remuneration packages and policies applicable to the CEO, Directors and key management personnel. The RC reviews the remuneration packages and employment contracts of the 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 each Director, the CEO and key management personnel.
7.3 If necessary, the RC should seek expert advice inside and/or outside the company on remuneration of all directors. The RC should ensure that existing relationships, if any, between the company and its appointed remuneration consultants will not affect the independence and objectivity of the remuneration consultants. The company should also disclose the names and firms of the remuneration consultants in the annual remuneration report, and include a statement on whether the remuneration consultants have any such relationships with the company.	No remuneration consultants were engaged by the Company during FY2016. 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.

	Guidelines of the Code	Sen Yue Corporate Governance Practices
7.4	The RC should review the company's obligations arising in the event of termination of the executive directors' and key management personnel's contracts of service, to ensure that such contracts of service contain fair and reasonable termination clauses which are not overly generous. The RC should aim to be fair and avoid rewarding poor performance.	The RC 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.

Level and Mix of Remuneration

Principle 8
The level and structure of remuneration should be aligned with the long-term interest and risk policies of the company, and should be appropriate to attract, retain and motivate (a) the directors to provide good stewardship of the company, and (b) key management personnel to successfully manage the company. However, companies should avoid paying more than is necessary for this purpose.

	Guidelines of the Code	Sen Yue Corporate Governance Practices
8.1	A significant and appropriate proportion of executive directors' and key management personnel's remuneration should be structured so as to link rewards to corporate and individual performance. Such performance-related remuneration should be aligned with the interests of shareholders and promote the long-term success of the company. It should take account of the risk policies of the company, be symmetric with risk outcomes and be sensitive to the time horizon of risks. There should be appropriate and meaningful measures for the purpose of assessing executive directors' and key management personnel's performance.	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 the Executive Directors and key management personnel have been met for FY2016.
8.2	Long-term incentive schemes are generally encouraged for executive directors and key management personnel. The RC should review whether executive directors and key management personnel should be eligible for benefits under long-term incentive schemes. The costs and benefits of long-term incentive schemes should be carefully evaluated. In normal circumstances, offers of shares or grants of options or other forms of deferred remuneration should vest over a period of time. The use of vesting schedules, whereby only a portion of the benefits can be exercised each year, is also strongly encouraged. Executive directors and key management personnel should be encouraged to hold their shares beyond the vesting period, subject to the need to finance any cost of acquiring the shares and associated tax liability.	The Company had no long-term incentive schemes during FY2016.

Guidelines of the Code	Sen Yue Corporate Governance Practices
8.3 The remuneration of non-executive directors should be appropriate to the level of contribution, taking into account factors such as effort and time spent, and responsibilities of the directors. Non-executive directors should not be over-compensated to the extent that their independence may be compromised. The RC should also consider implementing schemes to encourage non-executive directors to hold shares in the company so as to better align the interests of such non-executive directors with the interests of shareholders.	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 44 to 45 for the detailed schedule of annual fees for Independent Non-Executive Directors being proposed to Shareholders.
8.4 Companies are encouraged to consider the use of contractual provisions to allow the company to reclaim incentive components of remuneration from executive directors and key management personnel in exceptional circumstances of misstatement of financial results, or of misconduct resulting in financial loss to the company.	There are currently no incentive schemes for the Executive Directors and key management personnel. The Board uses contractual provisions or other measures to reclaim the incentives or any related payments from the parties involved should there be any misstatements of financial results, or of misconduct resulting in financial loss to the Group.

Disclosure on Remuneration

Principle 9
Every company should provide clear disclosure of its remuneration policies, level and mix of remuneration, and the procedure for setting remuneration, in the company's Annual Report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to directors and key management personnel, and performance.

9.1 The company should report to the shareholders each year on the remuneration of directors, the CEO and at least the top five key management personnel (who are not also directors or the CEO) of the company. This annual remuneration report should form part of, or be annexed to the company's annual report of its directors. It should be the main means through which the company reports to shareholders on remuneration matters. The annual remuneration report should include the aggregate amount of any termination, retirement and post-employment benefits that may be granted to directors, the CEO and the top five key management personnel (who are not directors or the CEO).	Please refer to Table D set out on page 44 to 45 for remuneration details for the Directors and top five key management personnel.

Guidelines of the Code		Sen Yue Corporate Governance Practices
9.2	The company should fully disclose the remuneration of each individual director and the CEO on a named basis. There should be a breakdown (in percentage or dollar terms) of each director's and the CEO's remuneration earned through base/fixed salary, variable or performance-related income/bonuses, benefits in kind, stock options granted, share-based incentives and awards, and other long-term incentives	Please refer to Table D set out on page 44 to 45 for remuneration details for the Directors and the CEO.
9.3	The company should name and disclose the remuneration of at least the top five key management personnel (who are not directors or the CEO) in bands of S$250,000. Companies need only show the applicable bands. There should be a breakdown (in percentage or dollar terms) of each key management personnel's remuneration earned through base/fixed salary, variable or performance-related income/bonuses, benefits in kind, stock options granted, share-based incentives and awards, and other long-term incentives. In addition, the company should disclose in aggregate the total remuneration paid to the top five key management personnel (who are not directors or the CEO). As best practice, companies are encouraged to fully disclose the remuneration of the said top five key management personnel.	Please refer to Table D set out on page 44 to 45 for remuneration bands and details for the top five key management personnel. The Board believes that it is for the benefit of the Company and the Group that the remuneration of key management personnel (who are not Directors of the Company) be kept confidential, due to its sensitive nature and concerns of poaching. As a company with 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.
9.4	For transparency, the annual remuneration report should disclose the details of the remuneration of employees who are immediate family members of a director or the CEO, and whose remuneration exceeds S$50,000 during the year. This will be done on a named basis with clear indication of the employee's relationship with the relevant director or the CEO. Disclosure of remuneration should be in incremental bands of S$50,000. The company need only show the applicable bands.	Please refer to Table D set out on page 44 to 45 for remuneration bands and details of employees who are immediate family members of a Director or the CEO and whose remuneration exceeded S$50,000 during FY2016.

Guidelines of the Code		Sen Yue Corporate Governance Practices
9.5	The annual remuneration report should also contain details of employee share schemes to enable their shareholders to assess the benefits and potential cost to the companies. The important terms of the share schemes should be disclosed, including the potential size of grants, methodology of valuing stock options, exercise price of options that were granted as well as outstanding, whether the exercise price was at the market or otherwise on the date of grant, market price on the date of exercise, the vesting schedule, and the justifications for the terms adopted.	The Company had no employee share schemes in place during FY2016.
9.6	For greater transparency, companies should disclose more information on the link between remuneration paid to the executive directors and key management personnel, and performance. The annual remuneration report should set out a description of performance conditions to which entitlement to short-term and long-term incentive schemes are subject, an explanation on why such performance conditions were chosen, and a statement of whether such performance conditions are met.	The Company's remuneration policy is one that seeks to ensure that the remuneration offered is competitive and sufficient to attract, retain and motivate 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. For FY2016, the Executive Directors and key management personnel have met the relevant performance conditions. Please refer to Guideline 8.1 and 8.2 for further details regarding the Executive Directors' and key management personnel's remuneration.

Guidelines of the Code	Sen Yue Corporate Governance Practices
	The Independent Non-Executive Directors receive Directors' fees, in accordance with their contributions, taking into account factors such as effort, time spent and the individual responsibilities of the respective Directors. The Directors' fees are recommended by the RC and endorsed by the Board for approval by Shareholders of the Company at the AGM. Each member of RC abstains from making recommendation on his/her remuneration.

ACCOUNTABILITY AND AUDIT

Accountability

Principle 10
The Board should present a balanced and understandable assessment of the company's performance, position and prospects.

Guidelines of the Code	Sen Yue Corporate Governance Practices
10.1 The Board's responsibility to provide a balanced and understandable assessment of the company's performance, position and prospects extends to interim and other price sensitive public reports, and reports to regulators (if required).	The Board provides a balanced and understandable assessment of the Group's performance, position and prospects in its annual financial statements and half-yearly and full year results announcements to Shareholders.
10.2 The Board should take adequate steps to ensure compliance with legislative and regulatory requirements, including requirements under the listing rules of the securities exchange, for instance, by establishing written policies where appropriate.	The Board reviews compliance issues, if any, with Management on a half-yearly basis and as and when required.
10.3 Management should provide all members of the Board with management accounts and such explanation and information on a monthly basis and as the Board may require from time to time to enable the Board to make a balanced and informed assessment of the company's performance, position and prospects.	Management provides the Executive Directors with the management accounts on a monthly basis and Independent Non-Executive Directors are updated on half-yearly basis. The Board is of the opinion that the Management provides relevant information on a timely basis, comprehensive half yearly financial statements and analysis of the results so that the Board can make a balanced and informed assessment of the Company's performance, position and prospects. The Board also provides a negative assurance statement to the Shareholders in respect of the interim financial statements. For FY2016, the Executive Directors and the Chief Financial Officer ("**CFO**") have provided assurance to the Board on the integrity of the Group's financial statements.

Guidelines of the Code	Sen Yue Corporate Governance Practices

Risk Management and Internal Controls

Principle 11
The Board is responsible for the governance of risk. The Board should ensure that Management maintains a sound system of risk management and internal controls to safeguard shareholders' interests and the company's assets, and should determine the nature and extent of the significant risks which the Board is willing to take in achieving its strategic objectives.

11.1 The Board should determine the company's levels of risk tolerance and risk policies, and oversee Management in the design, implementation and monitoring of the risk management and internal control systems.	The Board reviews the Group's business and operational activities to identify areas of significant business risk as well as the measures in place to control and mitigate these risks within the Group's policies and business strategies. The risk assessment exercise also includes identifying and assessing key risk areas to the Group such as financial, operational, compliance and information technology risks based on the feedback of the Internal Auditors and External Auditors. The Board also oversees the Management in implementing the risk management and internal controls system. The Board is also responsible for governance of risk management, and determining the Company's levels of risk tolerance and risk policies. The Board consults with the External Auditors and Internal Auditors to determine the risk tolerance level and corresponding risk policies.
11.2 The Board should, at least annually, review the adequacy and effectiveness of the company's risk management and internal control systems, including financial, operational, compliance and information technology controls. Such review can be carried out internally or with the assistance of any competent third parties.	The statutory auditors carry out statutory audits annually in accordance with their audit plan. Control observations noted during their audits and the auditors' recommendations are reported to the AC. The internal audit function is outsourced to an external organisation, Foo Kon Tan Advisory Services Pte Ltd for FY2016. They perform their work according to the detailed internal audit scope including focus on operational and financial risks, evaluation of the adequacy of internal control system and application of controls in practice, and making appropriate recommendations for improvements to the Group. The internal controls of the Group provide reasonable but not absolute assurance that the Group will not be adversely affected by any event that could be reasonably foreseen as it strives to achieve its business objectives. The Board also recognises that no system of internal control or risk management can provide absolute assurance against the occurrence of errors, poor judgement in decision-making, losses, frauds or other irregularities.

Guidelines of the Code	Sen Yue Corporate Governance Practices
11.3 The Board should comment on the adequacy and effectiveness of the internal controls, including financial, operational, compliance and information technology controls, and risk management systems, in the company's Annual Report. The Board's commentary should include information needed by stakeholders to make an informed assessment of the company's internal control and risk management systems. The Board should also comment in the company's Annual Report on whether it has received assurance from the CEO and the CFO: (a) 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) regarding the effectiveness of the company's risk management and internal control systems.	Based on internal controls established and maintained by the Group, the works performed by the Internal and External Auditors, and the reviews performed by Management and the various Board Committees, 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 as at 30 September 2016. The Board met 3 times in FY2016 and have continuously updated the AC on the developments of the Company. The CEO and CFO have also assured the Board that internal controls are in place and updated the Board on the internal controls measures taken during FY2016. Discussion between Internal, External Auditors and the AC in the absence of the Management have also further reassured the AC that for FY2016, the internal controls established are maintained for the operations of the business. In addition, the Management letter issued by External Auditors is further evidence that the internal controls are functioning well in FY2016. The Board has also received assurance from the CFO and CEO in FY2016 that :- (a) 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 Company's risk management and internal control systems are effective.
11.4 The Board may establish a separate board risk committee or otherwise assess appropriate means to assist it in carrying out its responsibility of overseeing the company's risk management framework and policies.	The Company manages risks under an overall strategy determined by the Board and supported by the AC, RC and NC. The Company sets acceptable risk management standards and periodically reviews the risks that the Group is subject to.

Audit Committee

Principle 12
The Board should establish an Audit Committee ("AC") with written terms of reference which clearly set out its authority and duties.

12.1 The AC should comprise at least three directors, the majority of whom, including the AC Chairman, should be independent. All of the members of the AC should be non-executive directors.	The AC comprises three members, all of whom are Independent Non-Executive Directors. The AC members are appropriately qualified to discharge their responsibilities and functions under the terms of reference approved by the Board. It meets at least twice a year.

Guidelines of the Code	Sen Yue Corporate Governance Practices
The Board should disclose in the company's Annual Report the names of the members of the AC and the key terms of reference of the AC, explaining its role and the authority delegated to it by the Board.	Please refer to Table A set out on page 41 to 42 for the composition and the main functions of the AC.
12.2 The Board should ensure that the members of the AC are appropriately qualified to discharge their responsibilities. At least two members, including the AC Chairman, should have recent and relevant accounting or related financial management expertise or experience, as the Board interprets such qualification in its business judgement.	The Board is satisfied that the members of the AC are appropriately qualified to discharge their responsibilities. The Chairman Mr. Kevin Norbert Scully, Mdm. Yu Lihong and Mr. Low Ka Choon Kevin are trained in accounting and financial management.
12.3 The AC should have explicit authority to investigate any matter within its terms of reference, full access to and co-operation by 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 has explicit authority 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 key management personnel to attend its meetings. The AC has reasonable resources to enable it to discharge its duties properly.
12.4 The duties of the AC should 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;	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.
(b) reviewing and reporting to the Board at least annually the adequacy and effectiveness of the company's internal controls, including financial, operational, compliance and information technology controls (such review can be carried out internally or with the assistance of any competent third parties);	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.
(c) reviewing the effectiveness of the company's internal audit function;	Please refer to Guidelines 13.1 and 13.2.
(d) reviewing the scope and results of the external audit, and the independence and objectivity of the external auditors; and	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 Singapore Exchange Securities Trading Limited (the "**Catalist Rules**"), the Code, as well as interested person transactions and whistleblowing reports, if any.

Guidelines of the Code	Sen Yue Corporate Governance Practices
(e) making recommendations to the Board on the proposals to the shareholders on the appointment, re-appointment and removal of the external auditors, and approving the remuneration and terms of engagement of the external auditors.	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.
12.5 The AC should meet (a) with the external auditors, and (b) 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 has met with the Internal Auditors and External Auditors once without the presence of Management in FY2016.
12.6 The AC should review the independence of the external auditors annually and should state (a) the aggregate amount of fees paid to the external auditors for that financial year, and (b) a breakdown of the fees paid in total for audit and non-audit services respectively, or an appropriate negative statement, in the company's Annual Report. Where the external auditors also supply a substantial volume of non-audit services to the company, the AC should keep the nature and extent of such services under review, seeking to maintain objectivity.	Annual audit fees were approximately S$133,000 and there was no non-audit fee paid to the Company's External Auditors, Deloitte & Touche LLP in FY2016. 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. It is the opinion of the AC that the nature and extent of non-audit services provided by the External Auditors do not affect the independence and objectivity of the External Auditors. Deloitte & Touche LLP and its member firms are the auditors of all the Company's Singapore incorporated subsidiaries and foreign-incorporated subsidiaries except PT.PNE Indonesia, which is audited by Tjahjadi & Tamara, an independent member firm of Morison International. The Board and AC are of the view that the Company has complied with Catalist Rules 712 and 716 in relation to its External Auditors.
12.7 The AC should review the policy and arrangements by which staff of the company and any other persons may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters. The AC's objective should be to ensure that arrangements are in place for such concerns to be raised and independently investigated, and for appropriate follow-up action to be taken. The existence of a whistle-blowing policy should be disclosed in the company's Annual Report, and procedures for raising such concerns should be publicly disclosed as appropriate.	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. There were no whistleblowing reports received in FY2016. 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 Lead Independent Non-Executive Director 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.

Guidelines of the Code	Sen Yue Corporate Governance Practices
12.8 The Board should disclose a summary of all the AC's activities in the company's Annual Report. The Board should also disclose in the company's Annual Report measures taken by the AC members to keep abreast of changes to accounting standards and issues which have a direct impact on financial statements.	Please refer to the Group's practices in Guidelines 1.6 and 12.4.
12.9 A former partner or director of the company's existing auditing firm or auditing corporation should not act as a member of the company's AC: (a) within a period of 12 months commencing on the date of his ceasing to be a partner of the auditing firm or director of the auditing corporation; and in any case (b) for as long as he has 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 12 months and none of the AC members hold any financial interest in the above-mentioned auditing firms.

Internal Audit

Principle 13
The company should establish an effective internal audit function that is adequately resourced and independent of the activities it audits.

13.1 The Internal Auditor's primary line of reporting should be to the AC Chairman although the Internal Auditor would also report administratively to the CEO.	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 AC approves the hiring, removal, evaluation and compensation of the head of the internal audit function, or the accounting / auditing firm or corporation to which the internal audit function is outsourced. The Internal Auditor should have unfettered access to all the company's documents, records, properties and personnel, including access to the AC.	The internal audit function of the Group was outsourced to Foo Kon Tan Advisory Services Pte Ltd in FY2016. The Internal Auditors report primarily to the Chairman of AC and has unrestricted access to documents, records, properties and personnel of the Group.
13.2 The AC should ensure that the internal audit function is adequately resourced and has appropriate standing within the company. For the avoidance of doubt, the internal audit function can be in-house, outsourced to a reputable accounting/ auditing firm or corporation, or performed by a major shareholder, holding company or controlling enterprise with an internal audit staff.	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 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.

Guidelines of the Code	Sen Yue Corporate Governance Practices
	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 adequately resourced and has the appropriate standing within the Company to perform its function effectively.
13.3 The internal audit function should be staffed with persons with the relevant qualifications and experience.	The AC is satisfied that the internal audit function is staffed by suitably qualified and experienced professionals.
13.4 The Internal Auditor should carry out its function according to the standards set by nationally or internationally recognised professional bodies including the Standards for the Professional Practice of Internal Auditing set by The Institute of Internal Auditors.	Foo Kon Tan Advisory Services Pte Ltd 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.
13.5 The AC should, at least annually, review the adequacy and effectiveness of the internal audit function.	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. Please refer to Guidelines 13.1 and 13.2 above on the adequacy and effectiveness of the internal audit function.

SHAREHOLDER RIGHTS AND RESPONSIBILITIES

Shareholders Rights

Principle 14
Companies should treat all shareholders fairly and equitably, and should recognise, protect and facilitate the exercise of shareholders' rights, and continually review and update such governance arrangements

Guidelines of the Code	Sen Yue Corporate Governance Practices
14.1 Companies should facilitate the exercise of ownership rights by all shareholders. In particular, shareholders have the right to be sufficiently informed of changes in the company or its business which would be likely to materially affect the price or value of the company's shares.	The Company has adopted half-yearly results reporting since the half year ended 31 March 2002. In line with the Group's disclosure obligations pursuant to the Catalist Rules and the Companies Act, Chapter 50 of Singapore (the "**Act**") the Board's policy is that all Shareholders should be informed simultaneously in an accurate and comprehensive manner for all material developments that impact the Group via SGXNET on an immediate basis.

Guidelines of the Code	Sen Yue Corporate Governance Practices
14.2 Companies should ensure that shareholders have the opportunity to participate effectively in and vote at general meetings of shareholders. Shareholders should be informed of the rules, including voting procedures, that govern 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.
14.3 Companies should allow corporations which provide nominee or custodial services to appoint more than two proxies so that shareholders who hold shares through such corporations can attend and participate in general meetings as proxies.	The Company's Constitution also allow 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.

Communication with Shareholders

Principle 15
Companies should actively engage their shareholders and put in place an investor relations policy to promote regular, effective and fair communication with shareholders.

Guidelines of the Code	Sen Yue Corporate Governance Practices
15.1 Companies should devise an effective investor relations policy to regularly convey pertinent information to shareholders. In disclosing information, companies should be as descriptive, detailed and forthcoming as possible, and avoid boilerplate disclosures.	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 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. 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. The Board encourages shareholders' participation at the AGMs and periodically communicates with Shareholders through SGXNET throughout the financial year. Similarly, Shareholders receive the circulars and notices of Extraordinary General Meetings ("**EGMs**") which are advertised in the newspapers within the prescribed deadlines prior to the EGMs.

Guidelines of the Code	Sen Yue Corporate Governance Practices
15.2 Companies should disclose information on a timely basis through SGXNET and other information channels, including a well-maintained and updated corporate website. Where there is inadvertent disclosure made to a select group, companies should make the same disclosure publicly to all others as promptly as possible.	The Company does not practice selective disclosure of material information. The Group makes all necessary disclosures to Shareholders and the public via SGXNET.
15.3 The Board should establish and maintain regular dialogue with shareholders, to gather views or inputs, and address shareholders' concerns.	Both Executive and Independent Non-Executive Directors meet or speak with Shareholders regularly, primarily through general meetings of Shareholders, to gather their views and address concerns.
15.4 The Board should state in the company's Annual Report the steps it has taken to solicit and understand the views of the shareholders e.g. through analyst briefings, investor roadshows or Investors' Day briefings.	Please refer to the Group's practices set out in Guideline 15.3.
15.5 Companies are encouraged to have a policy on payment of dividends and should communicate it to shareholders. Where dividends are not paid, companies should disclose their reasons.	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 FY2016 in order to conserve cash for future operations in view of a challenging outlook of the Group's business.

Conduct of Shareholder Meetings

Principle 16
Companies should encourage greater shareholder participation at general meetings of shareholders, and allow shareholders the opportunity to communicate their views on various matters affecting the company.

16.1 Shareholders should have the opportunity to participate effectively in and to vote at general meetings of shareholders. Companies should make the appropriate provisions in their Articles of Association (or other constitutive documents) to 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 2 proxies; and (ii) Shareholders which are intermediaries (such as banks and capital markets services licence holders) providing custodial services may appoint more than 2 proxies to attend on their behalf, should Shareholders be unable to personally attend the meetings. 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.

Guidelines of the Code		Sen Yue Corporate Governance Practices
16.2	There should be separate resolutions at general meetings on each substantially separate issue. Companies should avoid "bundling" resolutions unless the resolutions are interdependent and linked so as to form one significant proposal.	The Company has separate resolutions at general meetings for each distinct issue.
16.3	All directors should attend general meetings of shareholders. In particular, the Chairman of the Board and the respective Chairman of the AC, NC and RC should be present and available to address shareholders' queries at these meetings. The external auditors should also be present to address shareholders' queries about the conduct of audit and the preparation and content of the auditors' report.	The respective chairpersons of the AC, RC and NC are present at the AGMs and EGMs 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.
16.4	Companies should prepare minutes of general meetings that include substantial and relevant comments or queries from shareholders relating to the agenda of the meeting, and responses from the Board and Management, and to make these minutes available to shareholders upon their request.	The Company prepares minutes of general meetings which incorporate substantial comments and queries from Shareholders and responses from the Board and Management. These minutes are made available upon request by Shareholders.
16.5	Companies should put all resolutions to vote by poll and make an announcement of the detailed results showing the number of votes cast for and against each resolution and the respective percentages. Companies are encouraged to employ electronic polling.	In line with the new Catalist Rule 730A, with effect from 1 August 2015, all the resolutions will be voted by way of poll and the Company will announce the detailed results showing the number of votes cast for and against each resolution and the respective percentages to the Shareholders and the public. The Company has adopted electronic poll voting for all general meetings.

OTHER CORPORATE GOVERNANCE MATTERS

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

The Company had entered into a sale and purchase agreement dated 11 May 2016 for the acquisition of the balance 50% shareholding interest in SMC Industrial Pte Ltd, the Company's 50%-owned subsidiary, from the Executive Chairman, at the consideration of S$8.9 million on the terms and conditions set out therein. Please refer to the circular to Shareholders dated 7 December 2016 for further information about the above interested person transaction.

The Company has obtained independent Shareholders' approval at an Extraordinary General Meeting held on 22 December 2016.

Save as disclosed above and as disclosed in Note 24 to the Financial Statements, no material contracts were entered into between any Director, CEO or controlling shareholder and the Group for FY2016. In addition, no Director, CEO, controlling shareholder or a company related to the aforesaid persons have received a benefit from any contract entered into by the Group since the end of FY2015.

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

The Company does not have a general mandate from shareholders for recurrent interested person transactions.

Name of interested person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than S$100,000 and conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than S$100,000)
Proposed Acquisition of Balance 50% Shareholding Interest in SMC Industrial Pte Ltd from Mr. Koh Mia Seng, the Executive Chairman of the Company[1]	S$8.9 million	Not applicable

[1] The Company has obtained independent Shareholders' approval at an Extraordinary General Meeting held on 22 December 2016. Please refer to the circular to Shareholders dated 7 December 2016 for further information about the above interested person transaction.

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 Companies 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 FY2016.

5. Update on Use of Proceeds

[Catalist Rule 1204(22)]

The Proceeds from the Issuance of Convertible Notes on 30 October 2015 and 18 January 2016

The Company had raised net proceeds amounting to S$1,900,000 from the issuance of convertible notes on 30 October 2015 (S$900,000) and 18 January 2016 (S$1,000,000).

As at the date of this report, the use of the proceeds from issuance of convertible notes is as follows:-

Intended Use of Proceeds	Amount allocated (S$'000)	Amount utilised (S$'000)	Balance (S$'000)
Business expansion and/or working capital	1,900	1,900[1]	–

[1] All funds utilised as at the date of this report have been used in the purchase of commodities such as copper and printed circuit board materials for trading purposes.

TABLE A

Board comprises:-

Koh Mia Seng	(Executive Chairman and Executive Director)
Neo Gim Kiong	(Executive Director & CEO)
Liew Nyok Wah	(Executive Director)
Kevin Norbert Scully	(Lead Independent Non-Executive Director)
Yu Lihong	(Independent Non-Executive Director)
Low Ka Choon Kevin	(Independent Non-Executive Director)

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 funding proposals, investment and divestment proposals, major acquisitions and disposals, corporate or financial restructuring, share issuance and dividends.

Audit Committee comprises:-

Kevin Norbert Scully	(Chairman, Independent Non-Executive)
Yu Lihong	(Member, Independent Non-Executive)
Low Ka Choon Kevin	(Member, Independent Non-Executive)

The AC performs the following main functions:-

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 with the external auditors;

3. reviewing management letters from the external auditors and responses from the management;

4. 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;

5. reviewing the scope and results of the internal audit procedures;

6. reviewing the adequacy and effectiveness of the Group's internal controls, including financial, operational and compliance controls and risk management; and

7. reviewing interested person transactions, if any.

Nominating Committee comprises:-

Low Ka Choon Kevin	(Chairman, Independent Non-Executive)
Yu Lihong	(Member, Independent Non-Executive)
Kevin Norbert Scully	(Member, Independent Non-Executive)

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-appointment 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; and

4. determining the independence of Directors, at least annually.

Remuneration Committee comprises:-

Yu Lihong	(Chairman, Independent Non-Executive)
Kevin Norbert Scully	(Member, Independent Non-Executive)
Koh Mia Seng	(Member, Executive)
Low Ka Choon Kevin	(Member, Independent Non-Executive)

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; and

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.

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

Name of Director	Board of Directors Meetings		Audit Committee Meetings		Remuneration Committee Meetings		Nominating Committee Meetings	
	No. held	No. attended	No. held	No. attended	No. held	No. attended	No. held	No. attended
Koh Mia Seng	3	3	N/A	N/A	1	1	N/A	N/A
Tan Kong Heng*	3	1	2	1	1	1	N/A	N/A
Neo Gim Kiong	3	3	N/A	N/A	N/A	N/A	N/A	N/A
Liew Nyok Wah	3	2	N/A	N/A	N/A	N/A	N/A	N/A
Kevin Norbert Scully	3	3	2	2	1	1	1	1
Yu Lihong	3	3	2	2	1	1	1	1
Low Ka Choon Kevin	3	2	2	2	1	1	1	1

N/A Not applicable as he or she is not a member of the respective Committees

* Retired on 25 January 2016 as Non-Executive Chairman and Director of the Company and ceased to be a member of the Audit Committee and Remuneration Committee.

TABLE C

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

Name of Director	Date of Appointment	Date of Last Election
Kevin Nobert Scully	11 April 2011	29 January 2015
Yu Lihong	3 September 2014	29 January 2015

TABLE D

The tables below show the remuneration bands of the Directors and the top five key management personnel of the Group, who are not directors as well as the approximate percentage breakdown of the remuneration during FY2016.

(a) Remuneration of Directors of the Company

Name of Director	Salary* (S$)	Bonus# (S$)	Directors' Fees (S$)	Allowance and other benefits (S$)	Total (S$)
Above S$500,000					
Koh Mia Seng (Executive Director)	$507,492	$40,901	–	–	$548,393
S$250,000 to S$500,000					
Neo Gim Kiong (Executive Director and CEO)	$350,904	$18,667	–	$36,000	$405,571
Liew Nyok Wah (Executive Director)	$278,600	$22,000	–	$36,000	$336,600
Below S$250,000					
Tan Kong Heng^ (Non-Executive Chairman)	–	–	$8,440	$1,500	$9,940
Kevin Norbert Scully (Lead Independent Non-Executive Director)	–	–	$37,000	$1,500	$38,500
Yu Lihong (Independent Non-Executive Director)	–	–	$28,500	$1,500	$30,000
Low Ka Choon Kevin (Independent Non-Executive Director)	–	–	$28,500	$500	$29,000

* 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.
^ Mr. Tan Kong Heng has resigned as a Non-Executive Chairman of the Company on 25 January 2016.

(b) Remuneration of top five Key Management Personnel

Name of Top 5 Key Management Personnels	Salary* (%)	Bonus* (%)	Directors' Fees (%)	Allowance and other benefits (%)	Total (%)
S$250,000 to S$500,000: -					
Foo Say Kit (Group Managing Director)	68%	18%	–	14%	100%
Chai Lee Shun^ (CFO/Company Secretary)	95%	5%	–	–	100%
Below S$250,000: -					
Tan Wei Keong ^^ (International Marketing Manager)	9%	13%	–	78%**	100%
Gary See Toh Ying Lock^^^ (Director of PNE Teknicast Sdn. Bhd.)	93%	–	–	7%**	100%
Pua Kai Chek (Divisional General Manager)	77%	21%	–	2%	100%

* The salary and bonus amounts shown are inclusive of CPF.
^ Ms. Chai Lee Shun was promoted to CFO of the Company on 15 January 2016.
^^ Mr. Tan Wei Keong has resigned as International Marketing Manager of the Company on 16 May 2016.
^^^ Mr. Gary See Toh Ying Lock has resigned as Director of PNE Teknicast Sdn Bhd on 31 December 2015.
** Post-employment benefits were included under Allowance and other benefits in accordance to the service agreements of the respective Key Management Personnel who has resigned during FY2016.

The total remuneration paid to the above top five key management personnel in FY2016 was S$798,813.

No stock options were granted in FY2016 as the Company has no employees share option scheme in place. Please refer to the disclosure under Guideline 9.5 for more details.

(c) Remuneration of employee related to Director

Name of Employee who are family members of a Director	Salary* (%)	Bonus* (%)	Directors' Fees (%)	Allowance and other benefits (%)	Total (%)
S$50,000 to S$100,000					
Xu Yi Rui^ (Assistant Manager)	92%	8%	–	–	100%

* The salary and bonus amounts shown are inclusive of CPF.
^ Mr. Xu Yi Rui is the nephew of Mr. Koh Mia Seng (Executive Director).

Mr. Xu Yi Rui is the nephew of Mr. Koh Mia Seng (Executive Director) and he is the Assistant Manager of SMC Industrial Pte Ltd. The remuneration of Mr. Xu in FY2016 was in the band of S$50,000 to S$100,000.

Save as disclosed above, there was no employee of the Group who is an immediate family member of any Director or the CEO whose remuneration exceeds S$50,000 in FY2016.

Directors' Statement

The Directors present their statement together with the audited consolidated financial statements of the Group and statement of financial position and statement of changes in equity of the Company for the financial year ended September 30, 2016.

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 50 to 113 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, 2016, and the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the financial year then ended and at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts when they fall due.

1 DIRECTORS

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

Koh Mia Seng
Neo Gim Kiong
Liew Nyok Wah
Kevin Norbert Scully
Yu Lihong
Low Ka Choon Kevin

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:

	Shareholdings registered in the name of Director		Shareholdings in which Director is deemed to have an interest	
Names of Directors and companies in which interests are held	**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	142,638,458	142,638,458	–	–
Liew Nyok Wah	62,000,000	62,000,000	–	–
Neo Gim Kiong	4,150,000	4,150,000	–	–
Yu Lihong	6,000,000	–	–	6,000,000*

* The 6,000,000 shares were held in a nominee account with United Overseas Bank Nominees (Private) Limited.

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

The Directors' interests in the shares of the Company and related corporations as at October 21, 2016 were the same as at September 30, 2016.

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 carries out its functions in accordance with the principles of corporate governance as prescribed in the Code of Corporate Governance 2012 issued by the Singapore Council on Corporate Disclosure and Governance. The functions carried out are detailed in the Corporate Governance Report.

6 AUDITORS

The auditors, Deloitte & Touche LLP, have expressed their willingness to accept re-appointment.

ON BEHALF OF THE DIRECTORS

____
Koh Mia Seng

____
Neo Gim Kiong

December 29, 2016

Independent Auditors' Report

To the Members of Sen Yue Holdings Limited

Report on the Financial Statements

We have audited the accompanying financial statements of Sen Yue Holdings Limited (formerly known as PNE Micron Holdings Ltd) (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at September 30, 2016, 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 50 to 113.

Management's Responsibility 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 Singapore Companies Act (the "Act") and Singapore Financial Reporting Standards, 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independent Auditors' Report

To the Members of Sen Yue Holdings Limited

Opinion

In our opinion, the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the financial position of the Group and of the Company as at September 30, 2016 and the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the year ended on that date.

Report on Other Legal and Regulatory Requirements

In our opinion, 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.

Deloitte & Touche LLP
Public Accountants and
Chartered Accountants
Singapore

December 29, 2016

Statements of Financial Position

September 30, 2016

	Note	Group		Company	
		2016 $'000	2015 $'000	2016 $'000	2015 $'000
			(restated)		
Assets					
Current assets					
Cash and cash equivalents	6	8,904	9,901	325	377
Trade and other receivables	7	41,347	38,612	2,554	37
Inventories	8	4,949	3,078	–	–
Total current assets		55,200	51,591	2,879	414
Non-current assets					
Property, plant and equipment	9	19,081	19,632	–	–
Goodwill	10	338	338	–	–
Subsidiaries	11	–	–	25,864	24,948
Joint venture	12	–	–	–	–
Other receivables	7	740	345	–	–
Available-for-sale financial assets	13	3,316	1,808	–	–
Deferred tax assets	14	26	6	–	–
Total non-current assets		23,501	22,129	25,864	24,948
Total assets		78,701	73,720	28,743	25,362
Liabilities and equity					
Current liabilities					
Bank overdrafts, loans and trade bills	15	35,495	31,843	1,861	2,497
Trade and other payables	16	6,217	5,458	2,610	1,075
Finance leases	17	110	112	–	–
Income tax payable		343	479	–	–
Total current liabilities		42,165	37,892	4,471	3,572
Non-current liabilities					
Convertible notes	18	1,900	–	1,900	–
Finance leases	17	147	188	–	–
Other payables	16	41	–	–	–
Deferred tax liabilities	14	1,147	1,323	–	–
Total non-current liabilities		3,235	1,511	1,900	–

Statements of Financial Position (cont'd)

September 30, 2016

	Note	Group 2016 $'000	Group 2015 $'000 (restated)	Company 2016 $'000	Company 2015 $'000
Capital, reserves and non-controlling interests					
Share capital	19	34,366	34,366	34,366	34,366
Merger deficit	20	(3,454)	(3,454)	–	–
Translation reserve	21	(6,934)	(7,451)	–	–
Revaluation reserve	22	6,577	6,496	–	–
Capital reserve	23	(26)	(26)	–	–
Accumulated losses		(5,903)	(4,981)	(11,994)	(12,576)
Equity attributable to owners of the Company		24,626	24,950	22,372	21,790
Non-controlling interests		8,675	9,367	–	–
Total equity		33,301	34,317	22,372	21,790
Total liabilities and equity		78,701	73,720	28,743	25,362

See accompanying notes to financial statements.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

Year ended September 30, 2016

	Note	Group 2016 $'000	Group 2015 $'000
Revenue	24	152,224	101,732
Cost of sales		(140,314)	(92,161)
Gross profit		11,910	9,571
Other operating income	25	1,017	2,575
Distribution costs		(1,124)	(939)
Administrative expenses		(8,711)	(7,680)
Other operating expenses		(3,211)	(935)
Share of loss of joint venture		–	(871)
Finance costs	26	(1,111)	(693)
(Loss)/Profit before tax		(1,230)	1,028
Income tax expense	27	(465)	(924)
(Loss)/Profit for the year	28	(1,695)	104
(Loss)/Profit attributable to:			
Owners of the Company		(922)	(226)
Non-controlling interests		(773)	330
		(1,695)	104
Earnings per share			
Basic and diluted (cents)	29	(0.14)	(0.04)
Other comprehensive income (loss):			
Items that will not be reclassified subsequently to profit or loss:			
Revaluation of properties		(30)	1,004
Reversal of impairment of properties		–	779
		(30)	1,783
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		517	(4,218)
Revaluation of available-for-sale financial assets		192	–
		709	(4,218)
Other comprehensive income/(loss) for the year, net of tax		679	(2,435)
Total comprehensive loss for the year		(1,016)	(2,331)
Total comprehensive loss attributable to:			
Owners of the Company		(324)	(2,894)
Non-controlling interests		(692)	563
		(1,016)	(2,331)

See accompanying notes to financial statements.

Statements of Changes in Equity

Year ended September 30, 2016

Group	Share capital $'000 (Note 19)	Merger deficit $'000 (Note 20)	Translation reserve $'000 (Note 21)	Revaluation reserve $'000 (Note 22)	Capital reserve $'000 (Note 23)	Accumulated losses $'000	Attributable to owners of the Company $'000	Non-controlling interests $'000	Total $'000
Balance as at October 1, 2014	30,639	(3,454)	(3,233)	4,946	–	(4,755)	24,143	35	24,178
Total comprehensive income for the year									
Loss for the year	–	–	–	–	–	(226)	(226)	330	104
Other comprehensive (loss) income for the year	–	–	(4,218)	1,550	–	–	(2,668)	233	(2,435)
Total	–	–	(4,218)	1,550	–	(226)	(2,894)	563	(2,331)
Transactions with owners, recognised directly in equity									
Acquisition of a subsidiary (Note 30)	3,727	–	–	–	–	–	3,727	8,804	12,531
Effect of acquiring part of non-controlling interests in a subsidiary (Note 11)	–	–	–	–	(26)	–	(26)	(35)	(61)
Total	3,727	–	–	–	(26)	–	3,701	8,769	12,470
Balance as at September 30, 2015	34,366	(3,454)	(7,451)	6,496	(26)	(4,981)	24,950	9,367	34,317
Total comprehensive income for the year									
Loss for the year	–	–	–	–	–	(922)	(922)	(773)	(1,695)
Other comprehensive income for the year	–	–	517	81	–	–	598	81	679
Total	–	–	517	81	–	(922)	(324)	(692)	(1,016)
Balance as at September 30, 2016	34,366	(3,454)	(6,934)	6,577	(26)	(5,903)	24,626	8,675	33,301

Company	Share capital $'000 (Note 19)	Accumulated losses $'000	Total $'000
Balance as at October 1, 2014	30,639	(10,930)	19,709
Loss for the year, representing total comprehensive loss for the year	–	(1,646)	(1,646)
Transactions with owners, recognised directly in equity:			
Issue of share capital	3,727	–	3,727
Balance as at September 30, 2015	34,366	(12,576)	21,790
Income for the year, representing total comprehensive income for the year	–	582	582
Balance as at September 30, 2016	34,366	(11,994)	22,372

See accompanying notes to financial statements.

Consolidated Statement of Cash Flows

Year ended September 30, 2016

	Note	Group 2016 $'000	Group 2015 $'000
Operating activities			
(Loss)/Profit before income tax		(1,230)	1,028
Adjustments for:			
Share of loss of joint venture		–	871
Allowance for inventories		1	4
Bad debts written off on other receivables		54	8
Interest income		(23)	(148)
Interest expense		1,111	693
Depreciation of property, plant and equipment	9	1,617	1,084
Impairment loss on property, plant and equipment		–	18
Reversal of impairment loss on property, plant and equipment		–	(222)
Recovery of other receivables previously written off		(287)	–
Net foreign exchange gain		67	(56)
Loss on disposal of property, plant and equipment		4	6
Property, plant and equipment written off		1	12
Post-employment benefits		34	–
Deposit forfeited		7	–
Operating cash flows before movements in working capital		1,356	3,298
Trade and other receivables		(2,924)	(4,089)
Inventories		(1,852)	(38)
Trade and other payables		645	853
Trade bills and banker acceptances		4,124	2,737
Cash generated from operations		1,349	2,761
Income taxes paid		(797)	(597)
Net cash generated from operating activities		552	2,164
Investing activities			
Interest received		23	148
Expenses from issuance of ordinary shares		–	(8)
Proceeds on disposal of property, plant and equipment		10	1
Purchase of plant and equipment		(430)	(187)
Acquisition of a subsidiary	30	–	(5,234)
Acquisition of non-controlling interests in a subsidiary		–	(61)
Available-for-sale financial assets		(1,496)	–
Net cash used in investing activities		(1,893)	(5,341)

Consolidated Statement of Cash Flows (cont'd)

Year ended September 30, 2016

	Note	Group 2016 $'000	Group 2015 $'000
Financing activities			
Interest paid		(1,111)	(693)
Repayments of borrowings		(1,976)	(1,903)
Repayments of finance lease liabilities		(129)	(66)
Decrease (Increase) in pledged deposits with financial institutions		907	(172)
New bank loans raised		1,339	805
Issuance of convertible notes		1,900	–
Net cash from (used in) financing activities		930	(2,029)
Net decrease in cash and cash equivalents		(411)	(5,206)
Cash and cash equivalents at the beginning of the year		2,140	7,833
Effect of exchange rate changes on the balance of cash held in foreign currencies		(23)	(487)
Cash and cash equivalents at the end of the year	6	1,706	2,140

Note

During the financial year, the Group acquired plant and equipment with an aggregate cost of $516,000 (2015: $225,000) of which $86,000 (2015: $38,000) was acquired under finance lease arrangement.

See accompanying notes to financial statements.

Notes to the Financial Statements

Year ended September 30, 2016

1 GENERAL

The Company (Registration No. 200105909M) is incorporated in Singapore with its principal place of business and registered office at 16 Tuas Avenue 20, Singapore 638827. The Company is listed on the Singapore Exchange Securities Trading Limited. The financial statements are expressed in Singapore dollars.

The principal activity of the Company is that of investment holding.

The principal activities of the subsidiaries and joint venture are disclosed in Notes 11 and 12 to the financial statements, respectively.

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, 2016 were authorised for issue by the Board of Directors on December 29, 2016.

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 Financial Reporting Standards in Singapore ("FRSs").

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 FRS 102 Share-based Payment, leasing transactions that are within the scope of FRS 17 Leases, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in FRS 2 Inventories or value in use in FRS 36 Impairment of Assets.

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

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

ADOPTION OF NEW AND REVISED STANDARDS - On October 1, 2015, the Group adopted all the new and revised FRSs and Interpretations of FRS ("INT FRS") that are effective from that date and are relevant to its operations. The adoption of these new/revised FRSs and INT FRSs does not result in changes to the Group's and Company's accounting policies and has no material effect on the amounts reported for the current or prior years.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

At the date of authorisation of these financial statements, the following FRSs, INT FRSs and amendments to FRS that are relevant to the Company were issued but not effective:

- FRS 109 *Financial Instruments* [1]
- FRS 115 *Revenue from Contracts with Customers* [1]
- FRS 116 *Leases* [4]
- Amendments to FRS 115 *Clarifications to FRS 115 Revenue from Contracts with Customers* [1]
- Amendments to FRS 1 *Presentation of Financial Statements: Disclosure Initiative* [2]
- Improvements to Financial Reporting Standards (November 2014) [2]
- Amendments to FRS 7 *Statement of Cash Flows: Disclosure Initiative* [3]
- Amendments to FRS 110 *Consolidated Financial Statements, FRS 112 Disclosure of Interests in Other Entities, FRS 28 Investments in Associates and Joint Ventures - Investment Entities: Applying the Consolidation Exception* [2]

[1] Applies to annual periods beginning on or after January 1, 2018, with early application permitted.
[2] Applies to annual periods beginning on or after January 1, 2016, with early application permitted.
[3] Applies prospectively to annual periods beginning on or after January 1, 2017, with early application permitted.
[4] Applies to annual periods beginning on or after January 1, 2019, with early application permitted if FRS 115 is adopted.

Consequential amendments were also made to various standards as a result of these new/revised standards.

Management anticipates that the adoption of the above FRSs, INT FRSs and amendments to FRS in future periods will not have a material impact on the financial statements of the Group and of the Company in the period of their initial adoption except for the following:

FRS 109 *Financial Instruments*

FRS 109 was issued in December 2015 to replace FRS 39 *Financial Instruments: Recognition and Measurement* and introduced new requirements for (i) the classification and measurement of financial assets and financial liabilities (ii) general hedge accounting (iii) impairment requirements for financial assets.

Key requirements of FRS 109 include:

- All recognised financial assets that are within the scope of FRS 39 are now required to be subsequently measured at amortised cost or fair value through profit or loss (FVTPL). Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at fair value through other comprehensive income (FVTOCI). All other debt investments and equity investments are measured at FVTPL at the end of subsequent accounting periods. In addition, under FRS 109, entities may make an irrevocable election, at initial recognition, to measure an equity investment (that is not held for trading) at FVTOCI, with only dividend income generally recognised in profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

- With some exceptions, financial liabilities are generally subsequently measured at amortised cost. With regard to the measurement of financial liabilities designated as at FVTPL, FRS 109 requires that the amount of change in fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch to profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under FRS 39, the entire amount of the change in the fair value of the financial liability designated as at FVTPL is presented in profit or loss.

- In relation to the impairment of financial assets, FRS 109 requires an expected credit loss model, as opposed to an incurred credit loss model under FRS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

- The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in FRS 39. Under FRS 109, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

FRS 115 *Revenue from Contracts with Customers*

In November 2014, FRS 115 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. FRS 115 will supersede the current revenue recognition guidance including FRS 18 *Revenue*, FRS 11 *Construction Contracts* and the related Interpretations when it becomes effective.

The core principle of FRS 115 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer.

- Step 2: Identify the performance obligations in the contract.

- Step 3: Determine the transaction price.

- Step 4: Allocate the transaction price to the performance obligations in the contract.

- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

Under FRS 115, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in FRS 115 to deal with specific scenarios. Furthermore, extensive disclosures are required by FRS 115.

In June 2016, amendments to FRS 115 was issued to provide clarification on (i) identifying performance obligations (ii) principal versus agent considerations and (iii) licensing application guidance. The amendments also include two additional transition reliefs on contract modifications and completed contracts.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

FRS 116 *Leases*

FRS 116 was issued in June 2016 and will supersede FRS 17 *Leases* and its associated interpretative guidance.

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

Significant changes to lessee accounting are introduced, with the distinction between operating and finance leases removed and assets and liabilities recognised in respect of all leases (subject to limited exceptions for short-term leases and leases of low value assets). The Standard maintains substantially the lessor accounting approach under the predecessor FRS 17.

Amendments to FRS 7 *Statement of Cash Flows: Disclosure Initiative*

The amendments required an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

Amendments to FRS 12 *Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses*

The amendments clarify that unrealised losses on debt instruments measured at fair value in the financial statements but at cost for tax purposes can give rise to deductible temporary differences.

The amendments also clarify that the carrying amount of an asset does not limit the estimation of probable future taxable profits, and that when comparing deductible temporary differences with future taxable profits, the future taxable profits excludes tax deductions resulting from the reversal of those deductible temporary differences.

Amendments to FRS 110 *Consolidated Financial Statements, FRS 112 Disclosure of Interests in Other Entities, FRS 28 Investments in Associates and Joint Ventures - Investment Entities: Applying the Consolidation Exception*

The amendments clarify that:

- the exemption from preparing consolidated financial statements is available to a parent entity that is subsidiary of an investment entity, even though the investment entity measures its subsidiaries at fair value in accordance with FRS 110;

- the requirement for an investment entity to consolidate a subsidiary applies only to a subsidiary that is not itself an investment entity and whose main purpose and activities are to provide services related to the investment entity parent's investment activities;

- in applying the equity method to an associate (or joint venture) that is an investment entity, a non-investment entity investor should retain the fair value measurements that the associate (or joint venture) used for its subsidiaries; and

- an investment entity that prepares financial statements in which all of its subsidiaries are measured at fair value through profit or loss shall present the disclosures relating to investment entities required by FRS 112.

Management is currently evaluating the potential impact of the application of these new changes and amendments on the financial statements of the Group and of the Company in the period of initial application.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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.

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

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

Changes in the Group's ownership interests in 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

In the Company's separate financial statements, investments in subsidiaries and joint venture 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.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under the FRS 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 FRS 12 *Income Taxes* and FRS 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 FRS 102 *Share-based Payment* at the acquisition date; and

- assets (or disposal groups) that are classified as held for sale in accordance with FRS 105 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

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

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial instrument and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments (including all fees on 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 instrument, or where appropriate, a shorter period. Income and expense is recognised on an effective interest basis for debt instruments other than those financial instruments "at fair value through profit or loss".

Financial assets

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

Financial assets comprise cash and cash equivalents, trade and other receivables and available-for-sale financial assets.

Available-for-sale investments

Certain insurance policies held by the Company are classified as being available for sale and are stated at fair value. Fair value is determined in the manner described in Note 4. Gains and losses arising from changes in fair value are recognised in other comprehensive income with the exception of impairment losses and foreign exchange gains and losses on monetary assets which are recognised directly in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in other comprehensive income and accumulated in fair value reserve is reclassified to profit or loss. The fair value of available-for-sale monetary assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at end of the reporting period. The change in fair value attributable to translation differences that result from a change in amortised cost of the available-for-sale monetary asset is recognised in profit or loss, and other changes are recognised in other comprehensive income.

Loans and receivables

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Impairment of financial assets

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

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

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

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

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

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

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

For available-for-sale financial assets, a significant or prolonged decline in the fair value of the assets below its cost is considered to be objective evidence of impairment.

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss.

In respect of available-for-sale equity instruments, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any subsequent increase in fair value after an impairment loss is recognised in other comprehensive income and accumulated under the heading of revaluation reserve. In respect of available-for-sale debt securities, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Derecognition of financial assets

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

Financial liabilities and equity instruments

Classification as debt or equity

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

Equity instruments

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

Financial liabilities

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

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

Derecognition of financial liabilities

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

Convertible notes

Convertible notes are regarded as compound instruments, consisting of a liability component and an equity component. The component parts of compound instruments are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangement. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for a similar non-convertible instrument. This amount is recorded as a liability on an amortised cost basis until extinguished upon conversion or at the instrument's maturity date. The equity component is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax effects, and is not subsequently remeasured.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Derivative financial instruments

The Group enters into foreign currency forward contracts and commodity forward contracts to manage its exposure to foreign exchange rate risk and commodity price risk. Further details of derivative financial instruments are disclosed in Note 33 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 - 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.

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.

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. 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 land and buildings	-	50 years
Leasehold land and buildings	-	15 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
Computers	-	2 to 6 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.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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 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.

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.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

The results and assets and liabilities of joint ventures are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with FRS 105. Under the equity method, an investment in a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the joint venture. When the Group's share of losses of a joint venture exceeds the Group's interest in that joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the joint venture.

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

The requirements of FRS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with FRS 36 *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount, any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with FRS 36 to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date when the investment ceases to be a joint venture, or when the investment is classified as held for sale. When the Group retains an interest in the former joint venture and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with FRS 39. The difference between the carrying amount of the joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the joint venture is included in the determination of the gain or loss on disposal of the joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that joint venture on the same basis as would be required if that joint venture had directly disposed of the related assets or liabilities.

Therefore, if a gain or loss previously recognised in other comprehensive income by that joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

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

2 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

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.

REVENUE RECOGNITION - Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Sale of goods

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

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

Revenue from electro-deposition coating and other support services

Revenue from electro-deposition coating and other support services is recognised when such services are rendered. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due.

Interest income

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

Rental income

The Group's policy for recognition of revenue from operating leases is described above.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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.

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 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 and joint venture, 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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.

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.

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

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

Classification of joint venture

PNE Teknicast Sdn Bhd is a private limited company whose legal form confers separation between the parties to the joint arrangement and the company itself. Furthermore, there is no contractual arrangement or any other facts and circumstances that indicate that the parties to the joint arrangement have rights to the assets and obligations for the liabilities of the joint arrangement.

The investee is accounted for as a joint venture despite the Company's 60% equity interest as the strategic operating and financial decisions require unanimous consent by the Company and the other shareholder. The day-to-day operation is independently managed by the management of the investee, which is appointed by the joint venture's board of Directors.

Accordingly, PNE Teknicast Sdn Bhd is classified as a joint venture of the Group. See Note 12 for details.

Control over SMC Industrial Pte Ltd

Note 11 describes that SMC Industrial Pte Ltd ("SMC") is a subsidiary of the Group although the Group only owns 50% ownership interest in SMC. Based on the contractual arrangements between the Group and the other investor, the Group has the power to appoint and remove the majority of the board of Directors of SMC who have the power to direct the relevant activities of SMC. All Directors of SMC, including one director who owns the 50% non-controlling interest in SMC, are also members of the Company's Board of Directors. Therefore, the Directors of the Company concluded that the Group has the practical ability to direct the relevant activities of SMC unilaterally and accordingly the Group has control over SMC.

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

(ii) Key sources of estimation uncertainty

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

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. The carrying amount of goodwill at the end of the reporting period was $338,000 (2015: $338,000). Details of the goodwill are provided in Note 10 to the financial statements.

Allowance for doubtful trade and other receivables

The Group makes allowance for doubtful debts based on an assessment of the recoverability of receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of doubtful debts required the use of judgement and estimates. Where the expectation is different from the original estimate, such difference will impact the carrying amount of receivables and doubtful debts expenses in the period in which such estimate has been changed. Management has assessed the allowance for doubtful receivables in respect of outside parties as at September 30, 2016 to be $1,437,000 (2015: $1,327,000). 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, 2016 to be $134,000 (2015: $142,000). The carrying amount of inventories is disclosed in Note 8 to the financial statements.

Impairment in value of investment in subsidiaries (Note 11)

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. At the end of the reporting period, management of the Company has performed an impairment assessment of its investment in its subsidiaries. As at September 30, 2016, the allowance for impairment loss is $10,450,000 (2015: $11,910,000).

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, 2016, the carrying amount of property, plant and equipment is $19,081,000 (2015: $19,632,000) as disclosed in Note 9 to the financial statements.

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

(ii) Key sources of estimation uncertainty (cont'd)

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.

Impairment of property, plant and equipment

At the end of each reporting period, the Group reviews the carrying amounts of its property, plant and equipment 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).

In 2015, the Group performed an impairment assessment and recognised a loss of $18,000 on its property, plant and equipment.

In 2015, a review was performed on the impairment made in prior years, and in view of the improved financial and operating performance of the Group's entities, an adjustment was made to reverse the impairment recognised prior to 2015 of which $222,000 and $779,000 were recognised in profit or loss and other comprehensive income, respectively.

Information about the impairment is disclosed in Note 9.

Convertible notes

Convertible notes are regarded as compound instruments, consisting of a liability component and an equity component. The components of compound instruments are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangement.

At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for a similar non-convertible instrument. Management has determined the value of the equity component of the convertible notes to be insignificant.

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT

(a) Categories of financial instruments

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

	Group		Company	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
		(restated)		
Financial assets				
Loans and receivables (including cash and cash equivalents)	50,006	48,289	2,869	405
Available-for-sale financial assets	3,316	1,808	–	–
	53,322	50,097	2,869	405
Financial liabilities				
Amortised cost	43,910	37,601	6,371	3,572

(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.

(i) Foreign exchange risk management

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:

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 Chinese Yuan.

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

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

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

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. The Group enters into forward foreign exchange contracts to hedge certain of its foreign currency denominated trade receivables exposure (Note 33).

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:

	Group				Company			
	Liabilities		Assets		Liabilities		Assets	
	2016	2015	2016	2015	2016	2015	2016	2015
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
		(restated)		(restated)				
Singapore dollar	–	22	132	412	–	–	–	–
United States dollar	26,841	21,620	15,996	20,903	861	1,497	178	188
Chinese Yuan	–	10	13,181	18,228	–	–	–	–

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.

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

	Group		Company	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
		(restated)		
Singapore dollar	(13)	(39)	–	–
United States dollar	1,085	72	68	131
Chinese Yuan	(1,318)	(1,822)	–	–

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

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

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

(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 borrowing 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 profit for the year ended September 30, 2016 would decrease (increase) by $177,000 (2015: $159,000).

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 increased during the current year mainly due to the increase in average bank borrowings.

(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. The Group has adopted the policy of only dealing with creditworthy counterparties as a means 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. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

As at September 30, 2016, 81.4% (2015: 80.9%) of trade receivables for the Group relate to amounts due from three (2015: three) 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.

The maximum amount the Company could be forced to settle under the financial guarantee contract in Note 31, if the full guaranteed amount is claimed by the counterparty to the guarantee is $2,723,000 (2015 : $Nil). Based on expectations at the end of the reporting period, the Group considers that it is more likely than not that no amount will be payable under the arrangement. However, this estimate is subject to change depending 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.

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

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

(iii) Credit risk management (cont'd)

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	
	2016	**2015**	**2016**	**2015**
	$'000	**$'000**	**$'000**	**$'000**
By geographical areas:				
Singapore	741	1,175	2,544	28
People's Republic of China	30,846	30,174	–	–
Malaysia	2,489	2,228	–	–
Indonesia	1,341	563	–	–
Thailand	2,948	1,590	–	–
South Korea	472	900	–	–
Others	2,292	1,818	–	–
	41,129	38,448	2,544	28

(iv) Liquidity risk management

The Group maintains sufficient cash and cash equivalents, and internally generated cash flows to finance their activities. 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.

As at September 30, 2016, the Company's current liabilities of $4,471,000 (2015: $3,572,000) exceeded its current assets by $1,592,000 (2015: $3,158,000). The Company is the ultimate holding company for all its subsidiaries, and the Group has positive working capital of $13,035,000 (2015: $13,699,000). Accordingly, management is of the opinion that the Group has sufficient working capital to meet the Company's short term working capital requirements.

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.

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

The maximum amount that the Company could be forced to settle under the financial guarantee contract in Note 31, if the full guaranteed amount is claimed by the counterparty to the guarantee, is $2,723,000 (2015: $Nil). The earliest period that the guarantee could be called is within 1 year (2015: 1 year) from the end of the reporting period. As mentioned in Note 4(c)(iii), the Group considers that it is more likely that no amount will be payable under the arrangement.

	Weighted average effective interest rate %	On demand or within 1 year $'000	Within 2 to 5 years $'000	Adjustment $'000	Total $'000
GROUP					
2016					
Non-interest bearing	–	6,217	41	–	6,258
Finance lease liability (fixed rate)	4.94	118	152	(13)	257
Trade bills (variable rate)	2.86	29,455	–	(818)	28,637
Convertible notes (fixed rate)	8.00	–	2,158	(258)	1,900
Loan facilities (variable rate)	2.38	7,021	–	(163)	6,858
		42,811	2,351	(1,252)	43,910
2015 (restated)					
Non-interest bearing	–	5,458	–	–	5,458
Finance lease liability (fixed rate)	6.72	122	197	(19)	300
Trade bills (variable rate)	2.17	25,043	–	(532)	24,511
Loan facilities (variable rate)	2.60	7,522	–	(190)	7,332
		38,145	197	(741)	37,601
COMPANY					
2016					
Non-interest bearing	–	2,610	–	–	2,610
Convertible notes (fixed rate)	8.00	–	2,158	(258)	1,900
Loan facilities (variable rate)	3.16	1,920	–	(59)	1,861
		4,530	2,158	(317)	6,371
2015					
Non-interest bearing	–	1,075	–	–	1,075
Loan facilities (variable rate)	2.69	2,564	–	(67)	2,497
		3,639	–	(67)	3,572

Non-derivative financial assets

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS 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 available-for-sale financial assets as disclosed in Note 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 forward foreign currency contracts and commodity forward contracts which are measured at fair value at the end of the reporting period. The Group's derivative financial instruments are insignificant as at the end of the reporting period. See Note 33 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 33 for more information on derivative financial instruments, which are insignificant as at the end of the reporting period.

Available-for-sale financial assets

Fair value as at					
September 30, 2016	**September 30, 2015**	**Fair value hierarchy**	**Valuation technique and key input**	**Significant unobservable input**	**Relationship of unobservable inputs to fair value**
$'000	$'000				
3,316	1,808	Level 2	Confirmation from the respective insurers on the cash surrender value as at year end.	N/A	N/A

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.

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

(d) Capital risk 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.

The Group is required to maintain a minimum net worth (share capital, accumulated profit/loss, and all reserves) of not less than $12,000,000. This externally imposed capital requirement has been complied with as of the financial year ended September 30, 2015 and September 30, 2016.

Management also reviews financial measures and position of the Group on a regular basis to monitor if the Group fulfils the financial covenants prescribed in its banking facilities. As at September 30, 2016, the Group was in compliance with all externally imposed capital requirements.

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 parties:

	Group	
	2016	**2015**
	$'000	**$'000**
Provision of management and administrative services to a company in which a Director has an interest	–	125
Purchases of plant and equipment – joint venture	162	–
Rental income - joint venture	30	146

5 RELATED PARTY TRANSACTIONS (cont'd)

Compensation of Directors and key management personnel

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

	Group	
	2016	2015
	$'000	$'000
Short term benefits	2,097	1,811
Post-employment benefits	100	84
	2,197	1,895

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 CASH EQUIVALENTS

	Group		Company	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
Cash at banks and in hand	2,681	2,771	325	377
Fixed deposits	6,223	7,130	–	–
Cash and cash equivalents in statements of financial position	8,904	9,901	325	377
Fixed deposits pledged with financial institutions	(6,223)	(7,130)	–	–
Bank overdraft (Note 15)	(975)	(631)	–	–
Cash and cash equivalents in statement of cash flows	1,706	2,140	325	377

Fixed deposits with financial institutions amounting to approximately $6,223,000 (2015: $7,130,000) have been pledged to financial institutions for banking facilities granted to the Group (refer to Note 15).

Fixed deposits interest at an average rate of 0.48% (2015: 0.40%) per annum and for a tenure of approximately 210 days (2015: 225 days).

7 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
		(restated)		
Current				
Trade receivables from outside parties	40,075	37,961	–	–
Deposits and other receivables	2,464	1,754	1	–
Prepayments	218	164	10	9
Tax recoverables	27	60	–	–
Subsidiaries (Note 11)	–	–	2,543	28
Allowance for doubtful receivables				
- Trade	(8)	(3)	–	–
- Non-trade	(1,429)	(1,324)	–	–
	41,347	38,612	2,554	37
Non-current				
Prepayments	740	345	–	–
Total	42,087	38,957	2,554	37

The table below is an analysis of trade receivables as at year ended:

	Group		Company	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
Not past due and not impaired	21,667	1,498	–	–
Past due but not impaired (i)	18,400	36,460	–	–
Sub-total	40,067	37,958	–	–
Impaired receivables - individually assessed				
- Past due more than 12 months with no indication of intention to repay	8	3	–	–
Less: Allowance for impairment	(8)	(3)	–	–
Total trade receivables, net	40,067	37,958	–	–

The average credit period on sales of goods is 60 days (2015: 60 days). No interest is charged on overdue trade receivables.

Included in the Group's trade receivable balance are debtors with a carrying amount of $18,400,000 (2015: $36,460,000) which are past due at the end of the reporting period for which the Group has not provided as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances.

7 TRADE AND OTHER RECEIVABLES (cont'd)

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of the reporting period. Accordingly, management believes that there is no further impairment required in excess of the allowance for doubtful debts.

Non-trade amounts due from subsidiaries are unsecured and interest-free, and are repayable on demand. There are no impairment losses arising from the outstanding balances.

The Group's other receivables are interest-free and repayable on demand. The Group has not recognised any allowance for impairment on other receivables as management is of the view that these receivables are recoverable.

In the prior years, the Group entered into an arrangement with a coal mine operator in Indonesia, where the Group would provide funds for working capital to the operator to supply coal to customers and in return, the Group would earn an income from the provision of working capital. The total amount due from the operator amounted to $2,061,000 and was recorded as other receivables. The operator was slow in its payment of the income related to the arrangement in prior year and the Group assessed the amount to be doubtful of recovery. The Group has obtained a pledge over the equity shares of three companies incorporated in Republic of Indonesia which are owned by the same shareholder of the said coal mine operator as collateral over the receivable of $2,061,000. The Group is uncertain over the legal enforceability of the pledge. In view of the above, the receivable has been fully impaired.

As at 30 September 2016, the amount due from the operator has increased to $1,421,000 (2015: $1,317,000) due to strengthening of Indonesian rupiah against Singapore dollar.

(i) Ageing of trade receivables that are past due but not impaired:

	Group		Company	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
Less than 1 month overdue	8,467	7,755	–	–
1 to 3 months overdue	4,225	27,959	–	–
3 to 6 months overdue	4,395	746	–	–
6 to 12 months overdue	1,313	–	–	–
	18,400	36,460	–	–

Movements in the allowance for doubtful receivables:

	Group	
	2016	2015
	$'000	$'000
Balance at beginning of the year	1,327	1,644
Amounts written off during the year	(56)	(231)
Increase in allowance recognised in profit or loss	62	11
Exchange difference	104	(97)
Balance at end of the year	1,437	1,327

8 INVENTORIES

	Group	
	2016	2015
	$'000	$'000
Raw materials	3,269	2,688
Work-in-progress	111	88
Inventory-in-transit	1,307	–
Finished goods	262	302
	4,949	3,078

The cost of inventories recognised as an expense includes $1,000 (2015: $4,000) in respect of write-downs of inventory to net realisable value.

9 PROPERTY, PLANT AND EQUIPMENT

	Valuation		Cost					
Group	Freehold land and buildings $'000	Leasehold land and buildings $'000	Plant and equipment $'000	Furniture, fittings and office equipment $'000	Renovation and installation $'000	Motor vehicles $'000	Computers $'000	Total $'000
Cost/Valuation								
At October 1, 2014	9,647	4,326	7,789	945	887	96	479	24,169
Acquired on acquisition of a subsidiary (Note 30)	–	4,600	32	202	–	380	–	5,214
Additions	–	–	146	16	13	28	22	225
Disposals	–	(191)	(6)	(6)	(1)	–	(2)	(206)
Written off	–	–	(115)	(56)	(7)	–	(38)	(216)
Revaluation of properties	–	634	–	–	–	–	–	634
Exchange differences	(1,957)	(383)	(1,034)	15	(235)	(46)	(92)	(3,732)
At September 30, 2015	7,690	8,986	6,812	1,116	657	458	369	26,088
Additions	32	–	369	33	7	59	16	516
Disposals	(52)	–	(55)	(1)	(48)	–	(1)	(157)
Written off	–	–	(203)	(151)	(32)	–	(116)	(502)
Revaluation of properties	–	(600)	–	–	–	–	–	(600)
Exchange differences	822	264	543	36	30	20	13	1,728
At September 30, 2016	8,492	8,650	7,466	1,033	614	537	281	27,073

9 PROPERTY, PLANT AND EQUIPMENT (cont'd)

Group	Valuation		Cost					
	Freehold land and buildings $'000	Leasehold land and buildings $'000	Plant and equipment $'000	Furniture, fittings and office equipment $'000	Renovation and installation $'000	Motor vehicles $'000	Computers $'000	Total $'000
Accumulated depreciation:								
At October 1, 2014	–	–	5,055	755	502	82	416	6,810
Depreciation	93	307	441	80	81	51	31	1,084
Disposals	–	(191)	(3)	(4)	(1)	–	(1)	(200)
Written off	–	–	(104)	(55)	(7)	–	(38)	(204)
Eliminated on revaluation	–	(159)	–	–	–	–	–	(159)
Exchange differences	(13)	82	(660)	11	(190)	(45)	(78)	(893)
At September 30, 2015	80	39	4,729	787	385	88	330	6,438
Depreciation	78	890	397	85	68	74	25	1,617
Disposals	(38)	–	(55)	(1)	(48)	–	(1)	(143)
Written off	–	–	(203)	(150)	(32)	–	(116)	(501)
Eliminated on revaluation	–	(563)	–	–	–	–	–	(563)
Exchange differences	612	6	452	29	16	1	10	1,126
At September 30, 2016	732	372	5,320	750	389	163	248	7,974
Impairment:								
At October 1, 2014	494	285	176	20	23	–	3	1,001
Reversal of impairment								
- Profit or loss	–	–	(176)	(20)	(23)	–	(3)	(222)
- Other comprehensive income	(494)	(285)	–	–	–	–	–	(779)
Impairment loss recognised	–	18	–	–	–	–	–	18
At September 30, 2015 and September 30, 2016	–	18	–	–	–	–	–	18
Carrying amount:								
At September 30, 2016	7,760	8,260	2,146	283	225	374	33	19,081
At September 30, 2015	7,610	8,929	2,083	329	272	370	39	19,632

9 PROPERTY, PLANT AND EQUIPMENT (cont'd)

The carrying amount of the Group's plant and equipment includes an amount of $242,000 (2015: $358,000) secured in respect of assets held under finance leases.

As at September 30, 2016, freehold land and building of the Group with an aggregate carrying amount of $6,466,000 (2015: $7,074,000) are pledged as security to secure bank loans (Note 15).

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 measurements of the Group's freehold and leasehold land and buildings as at September 30, 2016 and 2015 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 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 as at September 30, 2016 and 2015 are as follows:

Group	**Level 1 $'000**	**Level 2 $'000**	**Level 3 $'000**	**Fair value as at September 30, 2016 $'000**
Non-financial assets measured at fair value				
Freehold land and buildings	–	7,760	–	7,760
Leasehold land and buildings	–	8,260	–	8,260
	–	16,020	–	16,020

	Level 1 $'000	**Level 2 $'000**	**Level 3 $'000**	**Fair value as at September 30, 2015 $'000**
Non-financial assets measured at fair value				
Freehold land and buildings	–	7,610	–	7,610
Leasehold land and buildings	–	8,929	–	8,929
	–	16,539	–	16,539

9 PROPERTY, PLANT AND EQUIPMENT (cont'd)

As at September 30, 2016, the carrying amount of the Group's freehold and leasehold land and buildings stated at valuation would have been $5,080,000 (2015: $4,750,000) and $4,402,000 (2015: $4,205,000), respectively, had the freehold land and buildings and leasehold land and buildings been carried at cost less accumulated depreciation.

The Group has determined the cash-generating unit (CGU) to be the individual factory since each factory generates independent cash inflows. In 2014, due to losses in certain entities, the Group performed an impairment assessment. As a result, impairment for one Malaysian CGU and another Indonesian CGU were determined and the Group recognised a loss of $1,001,000 on its property, plant and equipment, of which $222,000 and $779,000 have been recognised in profit or loss and other comprehensive income, respectively. The impairment losses were allocated on a pro rata basis to the individual assets of the CGUs.

The recoverable amount of the CGU in Indonesia was determined based on the fair value less costs to sell calculation of the underlying assets of the CGU, which is based on the recent market prices of assets with similar age and obsolescence. The fair value of the property held by the CGU was based on a full valuation carried out by an independent professional, KJPP Renggamis, Hamid & Rekan; while the fair value of the machineries was based on the carrying amount as at September 30, 2015. Costs to sell include estimated stamp duties, lawyer fees, agent fees and capital gain tax.

The recoverable amount of the CGU in Malaysia was determined based on the value-in-use calculation, which was based on the discounted future cash flows generated from the continuing use of the unit and the following key assumptions:

- Cash flows were projected based on the CGUs' business plans in the next three years;

- Annual sales growth rates ranging from nil to 3% from 2015 to 2017 are anticipated, with constant gross profit margin of 38% from 2015 to 2017, in the cash flow projection;

- The CGU is assumed to recover the value of the land and the building at the end of the cash flow period. The residual value is based on valuation carried out by the independent professional as at September 30, 2014, assumed growth rate of 3% per annum till the end of the cash flow period and discounted to present value; and

- Pre-tax discount rate of 8.84% was applied in determining the recoverable amount. The discount rate was estimated based on the cost of capital of the entity to which the CGU belong.

The values assigned to the key assumptions represent management's assessment of future trends in the relevant industry and are based on both external sources and internal sources (historical data).

In 2015, a review was performed on the impairment made in prior years, and in view of the improved financial and operating performance of the Group's entities, the impairment loss prior to 2015 was reversed, of which $222,000 and $779,000 were recognised in profit or loss and other comprehensive income respectively.

In 2015, an impairment loss of $18,000 was determined based on the fair value of the property held by a CGU for which a full valuation was carried out by an independent professional, KJPP Renggamis, Hamid & Rekan.

10 GOODWILL

	Group
	$'000
Cost:	
At September 30, 2015 and September 30, 2016	338
Carrying amount:	
At September 30, 2015 and September 30, 2016	338

Goodwill acquired in the business combination had been allocated, at acquisition, to SMC Industrial Pte Ltd.

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

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, growth rates and expected changes to selling prices and direct costs during the period. Management estimates discount rates using post-tax rates that reflect current market assessments of the time value of money and the risks specific to SMC Industrial Pte Ltd. The growth rates are based on industry growth forecasts. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market.

The Group prepares cash flow forecasts derived from the most recent financial budgets approved by management for the next five years and extrapolates cash flows for the following five years based on an estimated growth rate of 8.5% to 11.6% (2015: 8.0% to 11.0%). This rate does not exceed the average long-term market growth rate.

The rate used to discount the forecast cash flows is approximately 12% (2015: 10%).

As at September 30, 2016 and 2015, any reasonably possible change to the key assumptions applied is not likely to cause the recoverable amounts to be below the carrying amount.

11 SUBSIDIARIES

	Company	
	2016	2015
	$'000	$'000
At cost		
Unquoted equity shares, at cost	24,922	24,922
Loans to a subsidiary	11,392	11,936
	36,314	36,858
Impairment loss	(10,450)	(11,910)
Carrying amount	25,864	24,948

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.

11 SUBSIDIARIES (cont'd)

Movement in the allowance for impairment:

	Company	
	2016	2015
	$'000	$'000
Balance at beginning of year	11,910	10,972
(Reversal of) Impairment recognised in profit or loss	(1,460)	938
Balance at end of year	10,450	11,910

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. The review concluded that a reversal of impairment of $1,460,000 (2015: impairment of $938,000) is required on the carrying amount of the investments due to the improved financial performance of a subsidiary. The recoverable amount is determined based on the estimated fair value less cost to sell 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		Principal activity
		2016	2015	
		%	%	
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
PNE Micron Engineering 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
PNE Resources Pte Ltd (a)	Singapore	100	100	Trading of commodities
PNE-Sino Pte Ltd (a)	Singapore	100	100	Investment holding
SMC Industrial Pte Ltd (a)(e)	Singapore	50	50	Trading of commodities
Held by PNE-Sino Pte Ltd				
PT. PNE Indonesia (c)	Indonesia	100	100	ED coating
PT Le Royaume PNE (d)	Indonesia	100	100	Investment holding

(a) Audited by Deloitte & Touche LLP, Singapore.

(b) Audited by overseas practices of Deloitte Touche Tohmatsu Limited.

11 SUBSIDIARIES (cont'd)

The subsidiaries of the Company are set out below: (cont'd)

(c) Audited by Tjahjadi & Tamara in Indonesia, an independent member firm of Morison International.

(d) Not audited for consolidation purposes as management is of the opinion that the results of the subsidiary for the year is insignificant.

(e) Although the Company has 50% ownership in SMC, management concluded the Group has sufficient dominant voting interest to direct the relevant activities of SMC. All directors of SMC, including one director who owns the 50% non-controlling interest in SMC, are also members of the Group's Board of Directors. Accordingly, the entity is regarded as a subsidiary of the Group.

The following schedule shows the effects of changes in the Group's ownership interest in a subsidiary that did not result in change of control, on the equity attributable to owners of the parent:

	2016 $'000	2015 $'000
Amount paid on changes in ownership interest in subsidiary	–	61
Non-controlling interest acquired	–	(35)
Difference recognised in capital reserves	–	26

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	
		2016	2015
Metal stamping	Singapore, Malaysia	3	3
Investment holding company	Singapore, Indonesia	2	3
Property investment holding	Malaysia	1	1
ED coating	Malaysia, Indonesia	5	5
Trading of commodities	Singapore	1	–
		12	12

The table below shows details of a non-wholly owned subsidiary of the Group that has material non-controlling interests:

Name of subsidiary	Country of incorporation and operation	Proportion of ownership interests and voting rights held by non-controlling interests		(Loss) Profit allocated to non-controlling interests		Accumulated non-controlling interests	
		2016 %	2015 %	2016 $'000	2015 $'000	2016 $'000	2015 $'000
SMC Industrial Pte Ltd	Singapore	50	50	(773)	330	8,675	9,367

SMC is the only non-wholly owned subsidiary of the Group that has material non-controlling interest.

11 SUBSIDIARIES (cont'd)

Summarised financial information in respect of SMC is set out below. The summarised financial information below represents amounts before intragroup eliminations.

	2016 $'000	2015 $'000 (restated)
Current assets	44,046	44,939
Non-current assets	8,667	7,389
Current liabilities	(34,826)	(32,941)
Non-current liabilities	(538)	(653)
Equity attributable to owners of the Company	8,675	9,367
Non-controlling interests	8,675	9,367

	September 30, 2016 $'000	January 1, 2015 to September 30, 2015 $'000
Revenue	130,535	86,139
Expenses	(132,081)	(85,479)
(Loss) Profit for the year/period	(1,546)	660
(Loss) Profit attributable to owners of the Company	(773)	330
(Loss) Profit attributable to non-controlling interests	(773)	330
(Loss) Profit for the year/period	(1,546)	660
Other comprehensive income for the year/period	162	466
Other comprehensive income attributable to owners of the Company	81	233
Other comprehensive income attributable to non-controlling interests	81	233
Other comprehensive income for the year/period	162	466
Total comprehensive (loss) income for the year/period	(1,384)	1,126
Total comprehensive (loss) income attributable to owners of the Company	(692)	563
Total comprehensive (loss) income attributable to non-controlling interests	(692)	563
Total comprehensive (loss) income for the year/period	(1,384)	1,126
Net cash inflow from operating activities	1,280	114
Net cash (outflow) inflow from investing activities	(1,545)	38
Net cash outflow from financing activities	(415)	(342)
Net cash outflow	(680)	(190)

12 JOINT VENTURE

	Group 2016 $'000	Group 2015 $'000
Cost of investment in joint venture	1,175	1,175
Share of post-acquisition losses	(1,175)	(1,175)
	–	–

Details of the joint venture at the end of the reporting period is as follows:

Name of joint venture	Principal activity	Country of incorporation and operation	Proportion of ownership interest and voting rights held by the Group 2016 %	Proportion of ownership interest and voting rights held by the Group 2015 %
PNE Teknicast Sdn. Bhd.	Spray-painting, powder coating, organic coating, metallic-finishing-technology coating and silk-screening	Malaysia	60	60

The investee is accounted for as a joint venture despite the Company's 60% equity interest as the strategic operating and financial decisions require unanimous consent by the Company and the other shareholder. The day-to-day operation is independently managed by the management of the investee, which is appointed by the joint venture's board of directors.

On April 20, 2016, the above joint venture has commenced members' voluntary liquidation and the liquidation exercise is in progress as of this date of financial statements, pending tax clearance from the Inland Revenue Board of Malaysia. The joint venture is accounted for using the equity method in these consolidated financial statements and is audited by an overseas practice of KPMG up till April 20, 2016.

Summarised financial information in respect of the Group's joint venture is set out below. The summarised financial information below represents amounts shown in the joint venture's financial statements prepared in accordance with FRSs.

	2016 $'000	2015 $'000
Current assets	26	377
Current liabilities	(26)	(412)
Net liabilities	–	(35)

12 JOINT VENTURE (cont'd)

	2016 $'000	2015 $'000
Revenue	46	1,221
Loss for the year	(73)	(1,609)
Other comprehensive income for the year	108	–
Total comprehensive income (loss) for the year	35	(1,609)

The above loss for the year include the following:

Depreciation and amortisation	–	133
Interest expense	7	30
Income tax	–	(18)

Reconciliation of the above summarised financial information to the carrying amount of the interest in the joint venture recognised in these consolidated financial statements:

	2016 $'000	2015 $'000
Net assets of the joint venture	–	–
Proportion of the Group's ownership interest in the joint venture	60%	60%
Carrying amount of the Group's interest in the joint venture	–	–

13 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Group	
	2016 $'000	2015 $'000 (restated)
Keyman life insurance policy as available-for-sale at fair value:		
Balance at beginning of year	1,808	–
Acquired on acquisition of a subsidiary (Note 30)	–	1,649
Additions	1,496	–
Increase in fair value recognised in other comprehensive income	192	–
Exchange difference	(180)	159
Balance at end of year	3,316	1,808

The keyman life insurance policies relates to life insurance purchased by one of the subsidiaries - SMC for one of its executive directors – Mr Koh Mia Seng. The total insured amount of the three contracts (2015 : two contracts) are US$10,000,000 ($13,596,000) [(2015 : US$5,000,000 ($7,038,000)]. 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.

13 AVAILABLE-FOR-SALE FINANCIAL ASSETS (cont'd)

At the end of the reporting period, the cash surrender value of keyman life insurance policies is US$2,433,000 ($3,316,000) [(2015 : US$1,285,000 ($1,808,000)]. The difference between the premiums of US$2,898,000 ($3,940,000) paid and initial cash surrender value of US$2,433,000 ($3,316,000) at inception date is recorded as prepayments (Note 7) and amortised over 13 to 19 years.

The fair value of 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 banks to secure banking facilities granted to the Company (Note 15).

14 DEFERRED TAX

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

Group	Accelerated tax depreciation $'000	Revaluation of land and buildings $'000	Others $'000	Total $'000
At October 1, 2014	244	307	(187)	364
Charged to:				
- Profit or loss (Note 27)	186	–	135	321
- Other comprehensive income (Note 27)	–	246	–	246
Acquisition of a subsidiary (Note 30)	38	466	–	504
Exchange differences	(92)	(26)	–	(118)
At September 30, 2015	376	993	(52)	1,317
Charge to:				
- Profit or loss (Note 27)	(3)	(137)	(65)	(205)
- Other comprehensive income (Note 27)	–	(46)	(2)	(48)
Exchange differences	31	31	(5)	57
At September 30, 2016	404	841	(124)	1,121

Certain deferred tax liabilities and assets have been offset in accordance with the Group's accounting policy. The following is the analysis of the deferred tax balances (after offset) for the purpose of presenting on statement of financial position:

	Group	
	2016 $'000	2015 $'000
Deferred tax liabilities	1,147	1,323
Deferred tax assets	(26)	(6)
	1,121	1,317

14 DEFERRED TAX (cont'd)

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 $5,423,000, $3,312,000, $795,000 and $104,000 (2015 : $4,730,000, $3,224,000, $1,267,000 and $104,000) 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.

15 BANK OVERDRAFTS, LOANS AND TRADE BILLS

	Group		Company	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
		(restated)		
Bank overdrafts	975	631	–	–
Loans	5,883	6,701	1,861	2,497
Trade bills	28,637	24,511	–	–
	35,495	31,843	1,861	2,497

Due to the existence of a callable clause in the term loan facility agreement, the non-current portion of the loan was treated as a current liability.

Term loan facilities of $860,000 (2015: $1,497,000) and revolving credit facility of $1,000,000 (2015: $1,000,000) are been secured over certain freehold land and buildings of the Group (Note 9).

Term loan facilities of $1,273,000 (2015: $Nil) are secured on the following:

a. First party legal charge over certain freehold land and buildings of the Group (Note 9);

b. Corporate guarantee given by the Company.

Trade facilities of $1,458,000 (2015: $Nil) are secured on the following:

a. Deposits pledged with a financial institution amounting to $1,005,000 (2015: $Nil) (Note 6);

b. Joint and several guarantees by the Directors; and

c. Corporate guarantee given by the Company.

Revolving credit facilities of $2,070,000 (2015: $2,175,000), trade facilities of $12,171,000 (2015: $9,366,000) and overdraft facility of $492,000 (2015: $135,000) are secured on the following:

a. Mortgages over a leasehold land and building of a subsidiary with carrying value of $4,000,000 (2015: S$4,600,000) (Note 9);

b. Deposits pledged with a financial institution of $2,400,000 (2015: $2,400,000) (Note 6);

c. Guarantees by a Director of the subsidiary; and

d. Assignment of two life insurance policies assured on a Director of the subsidiary (Note 13).

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

Trade facilities of $9,993,000 (2015: $10,108,000) and overdraft facility of $483,000 (2015: $496,000) are secured on the following:

a. Deposits pledged with a financial institution of S$505,000 (2015: $2,362,000) (Note 6);

b. Guarantees by a Director of the subsidiary; and

c. Assignment of one life insurance policy assured on a Director of the subsidiary (Note 13).

Term loans of $680,000 (2015: $707,000) and trade facilities of $5,015,000 (2015: $5,037,000) are secured by deposits pledged with a financial institution of $2,243,000 (2015: $2,334,000) (Note 6).

Term loans of $Nil (2015: $1,322,000) were secured on the following:

a. Joint and several guarantees by the Directors; and

b. An open mortgage over the personal property of a Director.

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.

16 TRADE AND OTHER PAYABLES

	Group		Company	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
Current				
Outside parties, trade	4,397	3,695	–	–
Subsidiaries, non-trade (Note 11)	–	–	2,182	599
Accrued expenses	1,233	1,187	375	305
Other payables	587	576	53	171
	6,217	5,458	2,610	1,075
Non-current				
Other payables	41	–	–	–
Total	6,258	5,458	2,610	1,075

Trade payables principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period on purchase of goods is 30 days (2015: 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.

17 FINANCE LEASES

	Minimum lease payments		Present value of minimum lease payments	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
GROUP				
Amounts payable under finance leases:				
Within one year	118	122	110	112
In the second to fifth years inclusive	152	197	147	188
	270	319	257	300
Less: Future finance charges	(13)	(19)	N/A	N/A
Present value of lease obligations	257	300	257	300
Less: Amount due for settlement within 12 months (shown under current liabilities)			(110)	(112)
Amount due for settlement after 12 months			147	188

It is the Group's policy to lease certain of its plant and equipment under finance leases. The leases bear an average interest rate of 3.7% to 4.7% (2015: 3.7% to 4.9%) per annum and are repayable over an average lease term of 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.

18 CONVERTIBLE NOTES

The convertible notes ("Notes") were issued on October 30, 2015 and January 18, 2016, and will mature on April 30, 2018 and July 18, 2018 respectively. The Notes accrue interest at 8% per annum with interest payable semi-annually until settlement date.

The Notes are convertible at an initial conversion rate of $0.072 per ordinary share. The conversion price may be further adjusted for certain specified dilutive and other events.

The holders of the Notes may tender their Notes for conversion for a period of 2.5 years from the date of issue, for a minimum principal amount of $300,000 in any single transaction (unless consent is received from the Company), without limitation, by giving at least 7 business days' notice in writing to the Company.

The net proceeds received from the issue of the Notes have not been split between the liability element and an equity component, as management has deemed the fair value of the embedded conversion option to be insignificant.

19 SHARE CAPITAL

	Group and Company			
	2016	2015	2016	2015
	Number of ordinary shares		$'000	$'000
	'000	'000		
Issued and paid up:				
At the beginning of year	637,809	554,809	34,366	30,639
Issued during the year	–	83,000	–	3,727
At the end of year	637,809	637,809	34,366	34,366

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.

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 following:

(i) Property 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; and

(ii) Investments revaluation reserve – arises on the revaluation of available-for-sale financial assets. Where a revalued financial asset is sold, the portion of the reserve that relates to that financial asset, and is effectively realised, is recognised in profit or loss. Where a revalued financial asset is impaired, the portion of the reserve that relates to that financial asset is recognised in profit or loss.

Group	Property revaluation reserve $'000	Investment revaluation reserve $'000	Total $'000
At October 1, 2014	4,946	–	4,946
Revaluation increase	1,550	–	1,550
At September 30, 2015	6,496	–	6,496
Revaluation (decrease) increase	(15)	96	81
At September 30, 2016	6,481	96	6,577

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 11).

24 REVENUE

	Group	
	2016 $'000	2015 $'000
Sales of goods	141,409	88,487
Revenue from the provision of electro-deposition coating services	10,785	13,215
Others	30	30
	152,224	101,732

25 OTHER OPERATING INCOME

	Group	
	2016 $'000	2015 $'000
Rental income	30	146
Interest income	23	148
Scrap sales	40	–
Recovery of other receivables previously written off	287	–
Reversal of impairment loss on property, plant and equipment	–	222
Net foreign exchange gains	–	1,339
Management and administrative fees	547	655
Others	90	65
	1,017	2,575

26 FINANCE COSTS

	Group	
	2016 $'000	2015 $'000
Interest expenses on:		
- bank overdraft, loan and trade bills	1,101	681
- banker acceptances	–	3
- obligations under finance leases	10	9
	1,111	693

27 INCOME TAX EXPENSE

	Group 2016 $'000	Group 2015 $'000
Current tax expense		
- Current year	611	680
- Under (Over)provision in prior years	59	(77)
	670	603
Deferred tax expense relating to		
- Origination and reversal of temporary differences	(221)	56
- Underprovision in prior years	16	265
	(205)	321
Income tax expense for the year	465	924

Domestic income tax is calculated at 17% (2015: 17%) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

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

	Group 2016 $'000	Group 2015 $'000
(Loss) Profit before income tax	(1,230)	1,028
Tax at statutory rate at 17%	(209)	175
Effects of different tax rates of subsidiaries reporting in other jurisdictions	168	124
Income exempt from taxation	(187)	(126)
Non-deductible expenses	545	522
Deferred tax assets not recognised	106	138
Utilisation of deferred tax benefits previously not recognised	(33)	(36)
Utilisation of reinvestment allowances	–	(36)
Underprovision of income tax in prior years	75	188
Others	–	(25)
Total income tax expense	465	924

Income tax relating to each component of other comprehensive income

	Group 2016 $'000	Group 2015 $'000
Deferred tax		
Revaluation of land and buildings	(46)	246
Post employment benefits liability	(2)	–

28 (LOSS) PROFIT FOR THE YEAR

(Loss) Profit for the year has been arrived at after charging (crediting):

	Group	
	2016	2015
	$'000	$'000
Depreciation and impairment of property, plant and equipment:		
Depreciation of property, plant and equipment	1,617	1,084
Impairment of property, plant and equipment	–	18
Reversal of impairment of property, plant and equipment	–	(222)
	1,617	880
Employee benefits expense (including Directors' remuneration)		
Directors' remuneration:		
- of the Company	1,291	295
- of subsidiaries	156	756
	1,447	1,051
Directors' fees:		
Directors of the Company	107	102
Staff costs (including Directors' remuneration)	8,332	6,903
Defined contributions plans	450	357
Defined benefits plans	34	–
Total employee benefits expense	8,816	7,260
Others		
Reversal of other receivables previously written off	(287)	–
Net foreign exchange loss (gain)	2,167	(1,339)

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

	Group	
	2016 $'000	2015 $'000
Loss on disposal of property, plant and equipment	4	6
Property, plant and equipment written off	1	12
Inventories written down	1	4
Cost of inventories recognised as expense	140,314	91,640
Audit fees paid to auditors:		
Auditors of the Company	133	128
Other auditors	47	79
	180	207
Non-audit fees paid to auditors of the Company	–	10
Aggregate amount of fees paid to auditors	180	217

29 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:

	2016 '000	2015 '000
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	637,809	592,205
Weighted average number of ordinary shares for the purposes of diluted earnings per share	637,809	592,205

	2016 $'000	2015 $'000
Earnings		
Loss attributable to owners of the Company	(922)	(226)
Basic earnings per share (cents)	(0.14)	(0.04)
Fully diluted earnings per share (cents)	(0.14)	(0.04)

29 EARNINGS PER SHARE (cont'd)

The potential ordinary shares to be converted under the convertible notes are anti-dilutive as the conversion would result in a lower diluted loss per share than the basic loss per share. As at 30 September 2016, the Company has a balance of $1,900,000 convertible notes, which can be converted into 26,388,887 shares, after disregarding fractional entitlements of the holders.

There were no dilution of loss per share for the financial years ended September 30, 2015 and 2016 as there were no potential ordinary shares outstanding.

30 ACQUISITION OF A SUBSIDIARY

On January 8, 2015, the Group acquired 50% of the issued share capital of SMC Industrial Pte Ltd ("SMC"). This transaction has been accounted for by the acquisition method of accounting.

SMC is an entity incorporated in the Republic of Singapore with its principal activity being trading of commodities including copper, stainless steel and other special alloy and to carry on the business of recycling solder waste and manufacturing in solder ingots. The acquisition is in line with the overall strategy of the Group to diversify the business of the Group to include the business relating to the trading of coal, commodities and other related products within the energy, minerals and resource sector.

The consideration transferred at acquisition date comprised the following:

	2015 $'000
Cash paid	5,407
Share consideration	3,735
Consideration transferred at acquisition	9,142

The above share consideration was determined based on the quoted share price at the date of completion of the acquisition.

Acquisition-related costs amounting to $55,000 have been excluded from the consideration transferred and have been recognised as an expense in the period within the 'administrative expenses' line item in the profit or loss. Share issuance expenses of $8,000 had been offset against share capital.

30 ACQUISITION OF A SUBSIDIARY (cont'd)

Fair value of assets acquired and liabilities assumed at the date of acquisition:

	2015 $'000 (restated)
Current assets	
Trade receivables	30,924
Inventories	2,268
Pledged fixed deposits	6,923
Cash and cash equivalents	612
Non-current assets	
Property, plant and equipment	5,214
Available-for-sale financial assets	1,649
Current liabilities	
Trade and other payables	(1,504)
Finance leases	(88)
Term loans and trade bills	(26,927)
Bank overdrafts	(439)
Income tax payable	(280)
Non-current liabilities	
Finance leases	(240)
Deferred tax liability	(504)
Net assets acquired and liabilities assumed	17,608

The non-controlling interest (50%) in SMC recognised at the acquisition date was measured by reference to the fair value of the non-controlling interest and amounted to $8,804,000.

30 ACQUISITION OF A SUBSIDIARY (cont'd)

Goodwill arising on acquisition:

	2015 $'000
SMC Industrial Pte Ltd	
Consideration transferred	9,142
Plus: Non-controlling interest	8,804
Less: Fair value of identifiable net assets acquired	(17,608)
Goodwill arising on acquisition	338

Net cash outflow on acquisition of subsidiaries:

	2015 $'000
Consideration paid in cash	(5,407)
Less: Cash and cash equivalent balances acquired	612
Add: Bank overdrafts	(439)
	(5,234)

Goodwill arose in the acquisition of SMC because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of SMC. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

Included in the profit for the year of 2015 was $927,000 attributable to the additional business generated by SMC. Revenue for the prior period from SMC amounted $86,139,000.

Had the business combination during the year of 2015 been effected at October 1, 2014, the revenue of the Group would have been $133,321,000, and the profit for the year would have been $467,000.

31 COMMITMENTS

(a) Operating lease arrangements

The Group as lessee

	Group	
	2016 $'000	2015 $'000
Minimum lease payments under operating leases included in the profit or loss	175	120

31 COMMITMENTS (cont'd)

(a) Operating lease arrangements (cont'd)

The Group as lessee (cont'd)

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:

	Group		Company	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
Future minimum lease payments payable:				
Within one year	62	155	–	–
In the second to fifth years inclusive	44	378	–	–
After five years	–	174	–	–
Total	106	707	–	–

The Group as lessor

The Group subletted its property in Malaysia to a joint venture.

At the end of the reporting period, the Group has contracted with the tenant for the following future minimum lease payments:

	Group		Company	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
Future minimum lease payments receivable:				
Within one year	–	32	–	–

(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.

31 COMMITMENTS (cont'd)

(b) Financial guarantee contracts (cont'd)

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.

There are no terms and conditions attached to the guarantee contracts that would have a material effect on the amount, timing and uncertainty of the Company's future cash flows.

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 $4,634,000 (2015: $1,009,000) of which $2,723,000 (2015: $Nil) was drawn down as at September 30, 2016. The financial guarantees expire between 1 and 5 years.

32 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, speakers 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 and other special alloy.
- 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.

32 SEGMENT INFORMATION (cont'd)

(a) Reportable segments (cont'd)

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.

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
2016						
Revenue	3,209	11,048	138,300	1,250	(1,583)	152,224
Cost of sales	(2,152)	(7,513)	(131,208)	(141)	700	(140,314)
Segment result	1,057	3,535	7,092	1,109	(883)	11,910
Other operating income						1,017
Distribution costs						(1,124)
Administrative expenses						(8,711)
Other operating expenses						(3,211)
Finance costs						(1,111)
Loss before income tax						(1,230)
Income tax expense						(465)
Loss for the year						(1,695)
Segment assets	6,620	16,402	56,696	36,385	(37,402)	78,701
Segment liabilities	1,574	9,591	39,545	21,188	(26,498)	45,400
Other segment information						
Additions to non-current assets	10	343	162	1	–	516
Depreciation expenses	(32)	(790)	(749)	(46)	–	(1,617)
Revaluation of properties	–	–	(30)	–	–	(30)
Revaluation of available-for-sale financial assets	–	–	192	–	–	192
Exchange differences on translation of foreign operations						517

32 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
2015 (restated)						
Revenue	2,392	13,853	86,139	2,681	(3,333)	101,732
Cost of sales	(1,825)	(9,408)	(81,764)	(262)	1,098	(92,161)
Segment result	567	4,445	4,375	2,419	(2,235)	9,571
Other operating income						2,575
Distribution costs						(939)
Administrative expenses						(7,680)
Other operating expenses						(935)
Share of loss of joint venture		(871)				(871)
Finance costs						(693)
Profit before income tax						1,028
Income tax expense						(924)
Profit for the year						104
Segment assets	5,873	14,309	52,349	33,506	(32,317)	73,720
Segment liabilities	1,293	8,086	33,284	20,210	(23,470)	39,403
Other segment information						
Additions to non-current assets	2	140	7,497	–	(47)	7,592
Depreciation expenses	(36)	(714)	(269)	(65)	–	(1,084)
Impairment of property, plant and equipment recognised in:						
- Profit or loss	–	222	–	–	–	222
- Other comprehensive income	–	779	–	–	–	779
Exchange differences on translation of foreign operations						(4,218)

32 SEGMENT INFORMATION (cont'd)

(b) Geographical information

The Group's revenue from external customers and information about its segment assets (non-current assets excluding investments in joint venture and deferred tax assets) by geographical location are detailed below:

	Revenue		Non-current assets	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
				(restated)
Singapore	5,530	13,374	9,004	7,726
People's Republic of China	47,803	42,141	–	–
Malaysia	8,350	6,553	10,488	10,265
Indonesia	2,565	2,818	3,983	4,132
South Korea	15,654	11,430	–	–
Taiwan	58,045	13,376	–	–
Japan	5,664	2,420	–	–
India	–	1,552	–	–
Others	8,613	8,068	–	–
Total	152,224	101,732	23,475	22,123

Non-current assets presented comprise property, plant and equipment, goodwill, other receivables and available-for-sale financial assets.

(c) Information about major customers

The Group's customer base includes one (2015: one) customer from its commodities segment with whom transactions have exceeded 17.5% (2015: 22.9%) of the Group's revenues. In 2016, revenues generated from this customer amounted to approximately $26,565,000 (2015: $23,285,000). Details of concentration of credit risk arising from this customer are set out in Note 4.

33 DERIVATIVE FINANCIAL INSTRUMENTS

Forward foreign exchange contracts

The Group utilises forward foreign exchange contracts to manage its exposure to significant foreign exchange transactions on its future transactions and cash flows. The Group is party to a variety of forward foreign exchange contracts in the management of its exchange rate exposures. The instruments purchased are primarily denominated in the currencies of the Group's principal markets.

33 DERIVATIVE FINANCIAL INSTRUMENTS (cont'd)

Forward foreign exchange contracts (cont'd)

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:

	Group		Company	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
Forward foreign exchange contracts				
- Buy Singapore dollar sell United States dollar	948	851	–	–

The average maturity period for forward foreign exchange contracts is 3 months (2015: 3 months).

Forward commodity contracts

The Group utilises forward commodity contracts to manage the fluctuations in world nickel and copper 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:

	Group		Company	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
Purchase forward commodity contracts				
- Copper	240	1,018	–	–

The average maturity period for forward commodity contracts is 3 months (2015: 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.

34 RECLASSIFICATIONS AND COMPARATIVE FIGURES

In the prior year, the available-for-sale financial assets relating to the keyman insurance contract were purchased using the bank loan (Note 15) provided to secure trade facilities and has been offset instead of presenting on gross basis. Accordingly, the comparative figures for available-for sale and loans have been reclassified to present them on gross basis.

34 RECLASSIFICATIONS AND COMPARATIVE FIGURES (cont'd)

The effects of the reclassification and comparative figures on the prior years' financial statements are as follows:

2015	As previously reported $'000	Adjustments $'000	As restated $'000
Impact on statement of financial position			
GROUP			
Current assets			
Trade and other receivables	38,590	22	38,612
Non-current assets			
Other receivables	–	345	345
Available-for-sale financial assets	–	1,808	1,808
Current liabilities			
Bank overdrafts and loans	29,668	2,175	31,843

35 EVENTS AFTER REPORTING PERIOD

(i) On May 11, 2016, the Company announced the proposed acquisition of balance 50% shareholding interest in SMC Industrial Pte Ltd ("SMC") for an aggregate consideration of $8.9 million.

$7.7 million of the aggregate purchase consideration will be satisfied through the allotment and issuance of 226,470,588 consideration shares plus cash consideration of $1.2 million. The payment of cash consideration will be financed through a drawdown of the Company's banking facilities and internal resources.

(ii) On November 1, 2016, the Company announced the proposed diversification of SMC's core business into the waste management business, including the provision of waste management solutions, the collection, transport, handling, treatment, management and disposal of commercial, hazardous, electronic and industrial waste and metal scraps, the recycling and trading of metal scraps and electronic waste, and materials recovery. SMC will be expanding its existing business by setting up a battery recycling system line for a total cost of approximately $1 million.

Independent Shareholders' approval has been obtained at an Extraordinary General Meeting held on December 22, 2016 on the acquisition of the balance 50% interest of SMC and the proposed diversification.

Supplementary Information

1. Group properties

Details of the development properties of the Group are set out below:

Location	Description	Existing use	Tenure	Gross floor area (sq ft)
No. 16 Jalan Mahir 5 Taman Perindustrian Cemerlang 81800 Ulu Tiram Johor Darul Takzim Malaysia	3 storey office and factory building	Office/factory	Freehold	46,827
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
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
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
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
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
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	25,373

1. Group properties (cont'd)

Details of the development properties of the Group are set out below:

Location	Description	Existing use	Tenure	Gross floor area (sq ft)
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
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	19,648
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	25,669
Lot 19 Jalan Jayasetia 26/3, Section 26 Hicom Industrial Estate 40400 Shah Alam Selengor Darul Ehsan Malaysia	2 storey office and factory building	Office/factory	Freehold	43,897
HGB No 10344/ Cibatu Alam Permai Complex Jalan Alam Permai I 33 Cibatu Cikarang Selatan 17550 Bekasi Indonesia	2 storey building	Hostel	Freehold	2,583
GB No 2154/ Pasirsari Kawasan Industri Karyadeka Pancamurni Block B Kav. 1 Pasirsari 17550 Cikarang Bekasi Indonesia	2 storey office and factory building	Office/factory	Leasehold 25 years from 08/08/2001 to 24/09/2026	91,795
16 Tuas Ave 20 Singapore 638827	2 storey office and factory building	Office/factory	Leasehold 30 years from 16/12/1993 to 15/12/2023	56,833

Supplementary Information

2. **Material contracts**

The Company had entered into a sale and purchase agreement dated 11 May 2016 for the acquisition of the balance 50% shareholding interest in SMC Industrial Pte Ltd, the Company's 50%-owned subsidiary, from the Executive Chairman, at the consideration of S$8.9 million on the terms and conditions set out therein. Please refer to the circular to Shareholders dated 7 December 2016 for further information about the above interested person transaction.

Independent shareholders of the Company have approved the acquisition of the balance 50% interest of SMC Industrial Pte Ltd at an Extraordinary General Meeting held on 22 December 2016. Please refer to announcements on SGXNET for more information.

Save as disclosed above, there were no material contracts entered into by the Company and its subsidiaries involving the interests of the Executive Chairman, Chief Executive Officer, Chief Financial Officer, and each director or controlling shareholders of the Company during the financial year.

Statistics of Shareholdings

As at 08 December 2016

Share Capital

Issued and Fully Paid-up Capital	:	S$ 34,366,000
Number of shares	:	637,809,450
Treasury Shares	:	Nil
Number of Shareholders	:	671
Class of Equity Security	:	Ordinary Shares
Voting Rights of Ordinary Shareholders	:	One vote for each ordinary share

Shareholding Held in Hands of Public

Based on information available to the Company as at 08 December 2016, approximately 50.65% 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.

RANGE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1-99	15	2.24	104	0.00
100 – 1,000	28	4.17	24,348	0.00
1,001 – 10,000	166	24.74	859,000	0.14
10,001 – 1,000,000	414	61.70	66,793,530	10.47
1,000,001 AND ABOVE	48	7.15	570,132,468	89.39
	671	100.00	637,809,450	100.00

MAJOR SHAREHOLDERS LIST – TOP 20

NO.	NAME	NO. OF SHARES HELD	%
1	KOH MIA SENG	142,638,458	22.36
2	DI LINGBIN	100,000,000	15.68
3	LIEW NYOK WAH	62,000,000	9.72
4	CITIBANK NOMINEES SINGAPORE PTE LTD	21,865,800	3.43
5	TAN PAI LI	20,000,000	3.14
6	CHEW CHOO LING	17,612,400	2.76
7	OCBC SECURITIES PRIVATE LTD	13,321,700	2.09
8	GAN KIM KUAN SERENE	13,270,000	2.08
9	PHILLIP SECURITIES PTE LTD	12,803,100	2.01
10	TAN KONG SIN	11,707,800	1.84
11	TAN KIM KIM	11,621,000	1.82
12	CHEW SEOK HWEE	10,958,000	1.72
13	SING KHANG MIANT	10,441,000	1.64
14	DBS NOMINEES PTE LTD	10,203,910	1.60
15	PEH SENG THONG	6,783,000	1.06
16	TAY MEI LING SERENE	6,459,000	1.01
17	ANG KIM LYE	6,438,500	1.01
18	YU LIHONG	6,000,000	0.94
19	TAN BEE FOON	5,844,000	0.92
20	TAN WEI KEONG	4,944,000	0.77
		494,911,668	77.60

Statistics of Shareholdings

As at 08 December 2016

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	142,638,458	22.36	–	–
2	DI LINGBIN	100,000,000	15.68	–	–
3	LIEW NYOK WAH	62,000,000	9.72	–	–

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Sen Yue Holdings Limited (the "**Company**") will be held at 16 Tuas Avenue 20, Singapore 638827 on Monday, 23 January 2017 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 2016 together with the 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 Kevin Norbert Scully; and **Resolution 2**

   (b) Mdm Yu Lihong **Resolution 3**

   [See Explanatory Note (i)]

4. To approve the payment of Directors' fees of S$107,440 for the financial year ended 30 September 2016. (FY2015: S$102,316) **Resolution 4**

5. To re-appoint Messrs Deloitte & Touche LLP as the Auditors of the Company and authorise the Directors of the Company to fix their remuneration. **Resolution 5**

6. To transact any other ordinary business which may properly be transacted at an Annual General Meeting.

AS SPECIAL BUSINESS

To consider and, if thought fit, to pass the following Resolutions as Ordinary Resolutions, with or without any amendments:

7. **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) save as provided in sub-paragraph (2) below, 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 (as calculated in accordance with sub-paragraph (3) below) or any such other limit as may be prescribed by the Catalist Rules as at the date this Resolution is passed;

(2) 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 this Resolution) shall not exceed 50 percent of the total number of issued Shares, excluding treasury shares (as calculated in accordance with the sub-paragraph (3) below) or any such other limits as may be prescribed by the Catalist Rules as at the date this Resolution is passed;

(3) (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) and (2) above, the total number of issued Shares excluding treasury shares at the time this Resolution is passed, after adjusting for:

    (a) new Shares arising from the conversion or exercise of convertible securities;

    (b) new Shares arising from exercising share options or vesting of share awards which are outstanding or subsisting at the time this Resolution is passed, provided that the share options or share awards (as the case may be) were granted in compliance with Part VIII of Chapter 8 of the Catalist Rules; and

    (c) any subsequent bonus issue, consolidation or subdivision of Shares;

(4) in exercising the authority conferred by this Resolution, the Company shall comply with the provision 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, Chapter 50, and otherwise, and the Company's Constitution for the time being; and

(5) 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 annual general meeting of the Company or the date by which the next annual general meeting of the Company is required by law to be held, whichever is earlier.

[See Explanatory Note (ii)]

By Order of the Board

Chai Lee Shun
Wee Woon Hong
Company Secretaries

Singapore,
6 January 2017

Explanatory Notes:

(i) Mr Kevin Norbert Scully will, upon re-election as a Director of the Company, remain as Chairman of the Audit Committee and member of the Nominating and Remuneration Committees. The Board considers Mr Kevin Norbert Scully to be independent for the purpose of Rule 704(7) of the Catalist Rules of the SGX-ST.

Mdm Yu Lihong will, upon re-election as a Director of the Company, remain as Chairman of the Remuneration Committee and member of the Audit and Nominating Committees. The Board considers Mdm Yu Lihong to be independent for the purpose of Rule 704(7) of the Catalist Rules of the 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 annual general meeting of the Company, or the date by which the next annual general meeting of the Company is required by law to be held 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. 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 at the time this resolution is passed.

Notes:-

(1) A shareholder of the Company entitled to attend and vote at the AGM may appoint not more than two proxies to attend and vote in his/her stead. A proxy need not be a shareholder of the Company.

(2) Intermediaries such as banks and capital markets services licence holders which provide custodial services and are members of the Company may appoint more than two proxies provided that each proxy is appointed to exercise the rights attached to different shares held by the member.

(3) The instrument appointing a proxy, duly executed, must be deposited at the Company's Share Registrar, M & C Services Private Limited, at 112 Robinson Road, #05-01, Singapore 068902 not less than 48 hours before the time appointed for holding the AGM.

(4) The instrument appointing a proxy must be signed by the appointor or his attorney duly authorised in writing. Where the instrument appointing a proxy is executed by a corporation, it must be executed either under its common seal or under the hand of any officer or attorney duly authorised.

(5) A Depositor's name must appear on the Depository Register maintained by The Central Depository (Pte) Limited as at 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

Where a member of the Company submits an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the AGM and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, proxy lists, minutes and other documents relating to the AGM (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 (collectively, the "**Purposes**"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

SEN YUE HOLDINGS LIMITED
(Formerly known as PNE MICRON HOLDINGS LTD)
(Company Registration No.: 200105909M)
(Incorporated in the Republic of Singapore)

IMPORTANT:

1. An Investor who holds shares under the Central Provident Fund Investment Scheme ("**CPF Investor**") and/or the Supplementary Retirement Scheme ("**SRS Investors**") (as may be applicable) may attend and cast his vote(s) at the AGM in person. CPF and SRS Investors who are unable to attend the AGM but would like to vote, may inform their CPF and/or SPS Approved Nominees to appoint the Chairman of the AGM to act as their proxy. In which case, the CPF and SRS Investors shall be precluded from attending the AGM.
2. This proxy form is not valid for use by CPF and SRS investors and shall be ineffective for all intents and purported to be used by them.

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:

Name	**NRIC/Passport No.**	**Proportion of Shareholdings**	
		No. of Shares	**%**
Address			

*and/or (delete as appropriate)

Name	**NRIC/Passport No.**	**Proportion of Shareholdings**	
		No. of Shares	**%**
Address			

as my/our proxy/proxies to vote for me/us on my/our behalf at the Annual General Meeting (the "**AGM**") of the Company to be held at 16 Tuas Avenue 20, Singapore 638827 on Monday, 23 January 2017 at 10.30 a.m. and at any adjournment thereof. If no specific direction as to voting is given or in the event of any other matter arising at the AGM and at any adjournment thereof, the proxy/proxies will vote or abstain from voting at his/her discretion.

	Please tick here if more than two proxies will be appointed (Please refer to note 3). This is only applicable for intermediaries such as banks and capital markets services licence holders which provide custodial services.

All resolutions put to the vote at the AGM shall be decided by way of poll

No.	**Resolutions**	**For**	**Against**
	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 2016 together with the Auditors' Report thereon		
2.	Re-election of Mr Kevin Norbert Scully as a Director		
3.	Re-election of Mdm Yu Lihong as a Director		
4.	Approval of payment of Directors' Fees of S$107,440 for the financial year ended 30 September 2016		
5.	Re-appointment of Messrs Deloitte & Touche LLP as the Auditors and authorise the Directors to fix their remuneration		
	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" with a tick [√] within the box provided. Alternatively, please indicate the number of votes as appropriate)

Dated this __________ day of ____________________ , 2017

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 not more than two proxies to attend and vote in his/her stead. A proxy need not be a shareholder of the Company.

3. Intermediaries such as banks and capital markets services licence holders which provide custodial services and are members of the Company may appoint more than two proxies provided that each proxy is appointed to exercise the rights attached to different shares held by the member. In such event, the relevant intermediary shall submit a list of its proxies together with the information required in this proxy form to the Company.

4. The instrument appointing a proxy or proxies must be deposited at the Company's Share Registrar, M & C Services Private Limited, at 112 Robinson Road, #05-01, Singapore 068902 not less than 48 hours before the time appointed for the AGM.

5. Where a shareholder of the Company appoints more than one proxy, he/she shall specify the number of shares to be represented by each proxy, failing which, the appointment shall be deemed to be in the alternative.

6. 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.

7. 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.

8. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the AGM, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore.

9. 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 72 hours before the time appointed for holding the AGM, as certified by The Central Depository (Pte) Limited to the Company.

PERSONAL DATA PRIVACY:

Where a member of the Company submits an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the AGM and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, proxy lists, minutes and other documents relating to the AGM (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 (collectively, the "**Purposes**"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

16 Tuas Avenue 20
Singapore 638827
Tel: (65) 6268 9593
Fax: (65) 6264 0508
Company registration number: 200105909M