Report on the Audit of the Financial Statements

Disclaimer of Opinion

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

We do not express an opinion on the accompanying consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company. Because of the significance of the matters described in the *Basis for disclaimer of opinion* section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for disclaimer of opinion

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

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

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

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

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

Basis for disclaimer of opinion (cont'd)

(b) Revenue recognition and payment received

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

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

(c) Ongoing investigations

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

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

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

(d) Joint Venture arrangement

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

Basis for disclaimer of opinion (cont'd)

(d) Joint Venture arrangement (cont'd)

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

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

(e) Going concern assumption

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

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

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

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

Basis for disclaimer of opinion (cont'd)

(e) Going concern assumption (cont'd)

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

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

Responsibilities of Management and Directors for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority ("ACRA") *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code.

Report on Other Legal and Regulatory Requirements

In our opinion, in view of the significance of the matters referred to in the Basis for Disclaimer of Opinion section of our report, we do not express an opinion on whether the accounting and other records required by the Act to be kept by the Company and by those subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Mr. Kee Cheng Kong, Michael.

Deloitte & Touche LLP
Public Accountants and
Chartered Accountants
Singapore

April 15, 2021

1 GENERAL

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

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

(c) Going concern assumption

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

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

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

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

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

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

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

1 GENERAL (cont'd)

(c) Going concern assumption (cont'd)

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability which market participants would take into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of SFRS(I) 2 *Share-based Payment*, leasing transactions that are within the scope of SFRS(I) 16 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in SFRS(I) 1-2 *Inventories* or value in use in SFRS(I) 1-36 *Impairment of Assets.*

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

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

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

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

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

GOVERNMENT GRANTS - Government grants are not recognised until there is reasonable assurance that the Company will comply with the conditions attaching to them and the grants will be received. The benefit of a government loan at a below-market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates. Government grants whose primary condition is that the Company should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Sale of goods

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

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

Revenue from the provision of electro-deposition coating services

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

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

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

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

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

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

6 CASH AND BANK BALANCES (cont'd)

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

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

7 TRADE AND OTHER RECEIVABLES

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

Trade receivables

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

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

Loss allowance for trade receivables has always been measured at an amount equal to lifetime expected credit losses (ECL). The ECL on trade receivables are estimated by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

7 TRADE AND OTHER RECEIVABLES (cont'd)

Trade receivables (cont'd)

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

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

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

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

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

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

Other receivables

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

7 TRADE AND OTHER RECEIVABLES (cont'd)

Other receivables (cont'd)

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

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

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

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

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

8 INVENTORIES

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

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

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

11 GOODWILL

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

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

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

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

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

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

12 SUBSIDIARIES

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

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

12 SUBSIDIARIES (cont'd)

Movement in the allowance for impairment:

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

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

The subsidiaries of the Company are set out below:

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

12 SUBSIDIARIES (cont'd)

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

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

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

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

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

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

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

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

33 STANDARDS ISSUED BUT NOT EFFECTIVE (cont'd)

Effective for annual periods beginning on or after October 1, 2022

- Amendments to SFRS(I) 1-16: *Property, Plant and Equipment—Proceeds before Intended Use*
- Amendments to SFRS(I) 1-37: *Onerous Contracts—Cost of Fulfilling a Contract*
- Annual Improvements to SFRS(I)s 2018-2020

Effective for annual periods beginning on or after October 1, 2023

- Amendments to SFRS(I) 1-1: *Classification of Liabilities as Current or Non-current*
- Amendments to SFRS(I) 17

Effective date is deferred indefinitely

- Amendments to SFRS(I) 10 *Consolidated Financial Statements* and SFRS(I) 1-28 *Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The management anticipates that the adoption of the above SFRS(I) and amendments to SFRS(I) in future periods will not have a material impact on the financial statements of the Group and of the Company in the period of their initial adoption.

The Group has floating rate debt linked to SGD Swap Offered Rate and will be able to apply the practical expedient available under the Interest Rate Benchmark Reform – Phase 2 amendments to allow for modifications required by the reform as a direct consequence and made on an economically equivalent basis to be accounted for by updating the effective interest rate prospectively.

34 EVENTS DURING THE FINANCIAL YEAR AND AFTER THE REPORTING PERIOD

(a) Letter of demand and appointment of interim judicial managers

A subsidiary, SMCI had received letters of demand from two banks, namely DBS and HSBC (Note 14), total amounts owing and outstanding approximately $23,680,000. As guarantors, the Company had also received a letter of demand from one of the banks (Note 30(b)).

SMCI and SMCIR had received several letters of demand from the creditors. The total amounts owing are approximately $9,147,000 (Note 15).

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

On April 1, 2021, the court has granted the IJM Applications to place the Company and SMCI under interim judicial management. As such, Mr Chee Yoh Chuang and Mr Lin Yueh Hung have been appointed as the joint and several interim judicial managers of the Company and SMCI with immediate effect.

34 EVENTS DURING THE FINANCIAL YEAR AND AFTER THE REPORTING PERIOD (cont'd)

(b) Temporary suspension of operations in Johor Bahru, Malaysia due to COVID-19 outbreak on premises

The Ministry of Health of Malaysia has respectively on March 17, 2021 and March 19, 2021 ordered a shutdown of the premises of two of the Company's subsidiaries in Johor Bahru, Malaysia, being CED System Sdn. Bhd. ("CED") and PNE Micron Engineering Sdn. Bhd. ("PNE JB"), due to multiple COVID-19 cases detected on the Group's premises. The shut down of CED and PNE JB was to last for 13 days and 11 days respectively and the shut downs were lifted on March 30, 2021. At this juncture, the Group is unable to quantify the extent of the financial impact of the temporary shutdown of both premises.

35 INVESTIGATION ON SUSPECTED INTERESTED PARTY TRANSACTIONS

(a) During the financial year, the Company has engaged Foo Kon Tan Advisory Services Pte Ltd ("FKT") to conduct an independent review in relation to the concerns raised in respect of potential relationships that the former Executive Chairman of the Company, Mr Koh Mia Seng ("Mr Koh"), may have with certain companies that have dealings with the Group. FKT was engaged to (i) undertake independent background searches and conducted certain data analytics work under the Independent Review; and (ii) review the reasonableness of the 180 days credit terms that have been extended by SMCI to certain customers. Subsequently, FKT was engaged to perform an expanded scope of the Independent Review following receipt of Mr Koh's responses to the FKT Report (the "Expanded Scope") to ascertain whether certain customers/suppliers that its wholly-owned subsidiary, SMCI, had business transactions with were related to the former Executive Chairman of the Company and whether the transactions between SMCI and those customers/suppliers were arm's length transactions.

(b) FKT is of the view that the following seven identified companies ("Identified Entities") are indirectly controlled by Mr Koh and the transactions between SMCI and these seven companies are interested person transactions ("IPTs") and had therefore breached Catalist Rules 905, 906 and 907:

i. SMC Technology Sdn Bhd ("SMCT")

ii. Matrade Co. Ltd ("Matrade")

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

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

v. Mild On International Limited ("MOI")

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

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

FKT noted that the breaches of the relevant Catalist Rules did not arise from a breach of the Company's internal controls relating to IPT. Instead, the breaches arose due to non-disclosure by Mr Koh of his relationships with the 7 Identified Entities to the Company.

35 INVESTIGATION ON SUSPECTED INTERESTED PARTY TRANSACTIONS (cont'd)

(b) FKT is of the view that the following seven identified companies ("Identified Entities") are indirectly controlled by Mr Koh and the transactions between SMCI and these seven companies are interested person transactions ("IPTs") and had therefore breached Catalist Rules 905, 906 and 907 (cont'd):

As reported by FKT, total amount of transactions (both sales and purchases) between seven identified entities and SMCI are as follow:

Financial year	2020 (S$'000)	2019 (S$'000)	2018 (S$'000)	2017 (S$'000)	2016 (S$'000)	2015 (S$'000)
Total	51,404	70,978	85,587	95,692	59,580	57,815

FKT disclosed in its report the high risk that some of the transactions between SMCI and the seven Identified Entities are not conducted on an arms' length basis and/or may not be bona fide. As such, FKT recommended that the Company lodge a report with the appropriate authorities and request the appropriate authorities to carry out a full investigation in light that (i) there are reasons to believe that there are certain fraudulent and/or fictitious transactions (ii) there is a high risk that some of the transactions between SMCI and certain companies may be fraudulent and/or fictitious transactions and (iii) there is evidence that criminal offences may have been committed.

In view of FKT's report, the Group and the Company are unable to determine whether any adjustments to these financial statements might be necessary in respect on the abovementioned transactions.

(c) As disclosed in the Company's announcement on January 13, 2021, following the Board's review of the report by FKT and taking into account the Notice of Compliance issued by the SGX RegCo on June 18, 2020, the Nominating Committee has recommended the suspension of Mr Koh's duties as Executive Director of the Company and its subsidiaries with effect from January 8, 2021. Mr Koh has been placed on gardening leave, re-designated to Non-Executive Chairman and his duties and responsibilities in the Group has since been assumed by Mr Neo Gim Kiong (Executive Director and CEO).

(d) In view of FKT's recommendation, the Company filed a report with the Commercial Affairs Department ("CAD") on January 5, 2021 in relation to the matters highlighted by FKT.

CAD has on January 27, 2021 issued an order to the Company pursuant to Section 20 of the Criminal Procedure Code (Chapter 68, 2012 Revised Edition) to produce certain documents and information in relation to offences under the Penal Code (Cap.224) and the Securities and Futures Act (Cap.289) pursuant to the Criminal Procedure Code for financial years ended September 30, 2015 to 2020. Mr Koh and certain staff of SMCI had been interviewed by the CAD officers. On February 1, 2021, the passport of Mr Koh has been impounded.

As at the date of approval of these financial statements, the investigation of CAD is still in progress.