



SHEN YAO HOLDINGS LIMITED
(Company Registration No. 202042117W)
(Registered in Singapore)

**DISCLAIMER OF OPINION BY AUDITORS ON THE AUDITED FINANCIAL STATEMENTS FOR
THE FINANCIAL YEAR ENDED 30 JUNE 2022**

Pursuant to Rule 704(4) of the Listing Manual Section B: Rules of Catalist (the "**Catalist Rules**") of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**"), the Board of Directors (the "**Board**") of Shen Yao Holdings Limited (the "**Company**", and together with its subsidiaries, the "**Group**") wishes to announce that the Company's Independent Auditors, Baker Tilly TFW LLP, have included a disclaimer of opinion (the "**Disclaimer of Opinion**") in their Independent Auditors' Report dated 13 October 2022 (the "**Independent Auditors' Report**") in relation to the consolidated financial statements of the Group and the Company for the financial year ended 30 June 2022 ("**FY2022**") (the "**Financial Statements**").

The basis for the Disclaimer of Opinion is contained in the Independent Auditor's Report, a copy of which together with the relevant extract of Note 3 to the Financial Statements pertaining to the Group's and the Company's going concern assumption are attached to this announcement for information.

Shareholders of the Company are advised to read this announcement in conjunction with the Independent Auditors' Report, the Financial Statements and the Company's Annual Report for FY2022 in their entirety and to exercise caution when dealing in the shares of the Company.

BY ORDER OF THE BOARD

Yao Liang
Executive Director
13 October 2022

*This announcement has been prepared by the Company and its contents have been reviewed by the Company's sponsor, W Capital Markets Pte. Ltd. (the "**Sponsor**").*

*This announcement has not been examined or approved by the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") and the SGX-ST assumes no responsibility for the contents of this announcement, including the correctness of any of the statements or opinions made or reports contained in this announcement.*

The contact person for the Sponsor is Ms Sheila Ong, Registered Professional, W Capital Markets Pte. Ltd., 65 Chulia Street, #43-01 OCBC Centre, Singapore 049513, Telephone (65) 6513 3543.

Report on the Audit of the Financial Statements

Disclaimer of Opinion

We were engaged to audit the financial statements of Shen Yao Holdings Limited (the “**Company**”) and its subsidiaries (collectively, the “**Group**”) as set out on pages 47 to 115, which comprise the statements of financial position of the Group and of the Company as at 30 June 2022, and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies.

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

Basis for Disclaimer of Opinion

Opening balances

The independent auditor's report on the consolidated financial statements of the Group and the statement of financial position of the Company for the financial year ended 30 June 2021 expressed a disclaimer of opinion. The extract of the basis for disclaimer of opinion is disclosed in Note 39 to the financial statements.

In view of the matters described in the *Basis for Disclaimer of Opinion* on the financial statements for the financial year ended 30 June 2021, we are unable to determine whether the opening balances as at 1 July 2021 are fairly stated. Since the opening balances as at 1 July 2021 enter into the determination of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the financial year ended 30 June 2022, we are unable to determine whether any adjustments might have been found necessary in respect of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the financial year ended 30 June 2022.

In addition, as disclosed in Note 14 to the financial statements, the net carrying amount of the Group's mining properties amounted to \$15,927,000 as at 30 June 2022. In view of the matters described in the *Basis for Disclaimer of Opinion* on the financial statements for the financial year 30 June 2021, we are also unable to obtain sufficient appropriate audit evidence to assess the appropriateness of the carrying amount of the mining properties reflected in the consolidated statement of financial position as at 30 June 2022; and the consequential effect on mining costs and other related expenses recorded in the consolidated statement of profit or loss for the financial year ended 30 June 2022.

Our opinion on the current financial year's consolidated financial statements of the Group is also modified because of the possible effect of these matters on the comparability of the current year's figures and the corresponding figures.

44 Independent Auditor's Report

To The Members of Shen Yao Holdings Limited

Report on the Audit of the Financial Statements (cont'd)

Basis for Disclaimer of Opinion (cont'd)

Going concern assumption

As disclosed in Note 3 to the financial statements, as at 30 June 2022, the current liabilities of the Group and the Company exceeded their current assets by \$19,229,000 and \$41,270,000 respectively. As further disclosed in Note 26 to the financial statements, the borrowing of the Group of \$2,130,000 is due for repayment in November 2022.

These factors indicate the existence of material uncertainties that may cast significant doubt on the Group's and the Company's ability to continue as going concerns.

In the preparation of the financial statements, the Board of Directors of the Company believes that the use of going concern assumption is appropriate after taking into consideration of the factors as disclosed in Note 3 to the financial statements. The ability of the Group and the Company to remain as going concerns are therefore dependent on certain assumptions, which are premised on future events and market conditions, the outcome of which are inherently uncertain.

The financial statements did not include any adjustments that may result in the event that the Group and the Company are unable to continue as going concerns. In the event that the Group and the Company are unable to continue in operational existence for the foreseeable future, the Group and the Company may be unable to discharge their liabilities in the ordinary course of business and adjustments may have to be made to reflect the situation that assets may need to be realised other than in the ordinary course of business and at amounts which could differ significantly from the amounts at which they are currently recorded in the statements of financial position. In addition, the Group and the Company may have to provide for further liabilities that may arise, and to reclassify non-current assets as current assets and non-current liabilities as current liabilities respectively. No such adjustments have been made to the financial statements.

We are unable to obtain sufficient appropriate audit evidence to conclude as to the appropriateness of the use of the going concern assumption in the preparation of these financial statements.

In addition, as disclosed in Notes 12, 13 and 14 to the financial statements, the carrying amounts of the Group's property, plant and equipment, exploration and evaluation expenditure and mining properties ("**non-current assets**") as at 30 June 2022 amounted to \$29,865,000, \$14,897,000 and \$15,927,000 respectively. These non-current assets are mainly attributable to the Group's mining operations. Management has determined that there are no indicators of impairment for these non-current assets as at 30 June 2022. As we are unable to obtain sufficient appropriate audit evidence to conclude as to the appropriateness of the use of the going concern assumption in the preparation of these financial statements, we are also unable to determine the impact of the material uncertainties over the going concern of the Group on the recoverable amounts of these non-current assets as at 30 June 2022.

Consequently, we are unable to determine whether any adjustments might be necessary in respect of these financial statements for the financial year ended 30 June 2022.

Report on the Audit of the Financial Statements (cont'd)

Basis for Disclaimer of Opinion (cont'd)

Investment in subsidiaries (Company level)

As disclosed in Note 16 to the financial statements, the net carrying amount of the Company's investment in subsidiaries, net of impairment loss of \$82,452,000, amounted to \$67,791,000 as at 30 June 2022. Management is of the view that no adjustment on impairment losses was considered necessary for the Company's investment in subsidiaries for the financial year ended 30 June 2022.

Based on the information available to us, we are unable to obtain sufficient appropriate audit evidence to satisfy ourselves on the recoverable amount of the Company's investment in the relevant subsidiary. Consequently, we are unable to determine whether any further impairment, or write-back of impairment, if any, is necessary.

Other Matter

The consolidated financial statements of the Group and the statement of financial position of the Company for the financial year ended 30 June 2021 were audited by another auditor whose report dated 15 November 2021 expressed a disclaimer of opinion on the financial statements as disclosed in Note 39 to the financial statements.

Responsibilities of Management and Directors for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Companies Act 1967 (the "Act") and Singapore Financial Reporting Standards (International), 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 financial statements 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.

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To The Members of Shen Yao Holdings Limited

Report on Other Legal and Regulatory Requirements

In our opinion, in view of the significance of the matters described 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 provision of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Mr Ng Wei Lun.

Baker Tilly TFW LLP
Public Accountants and
Chartered Accountants
Singapore

13 October 2022

72 Notes to the Financial Statements

For the financial year from 1 July 2021 to 30 June 2022

3 Critical accounting judgements and key sources of estimation uncertainty

Critical judgement made on applying accounting policies

In the process of applying the Group's accounting policies, which are described in Note 2, management has made the following judgements that have the most significant effect on the amounts recognised in the financial statements (apart from those involving estimations described below).

Going concern assumptions

The financial statements of the Group and the Company have been prepared on a going concern basis.

As at 30 June 2022, the current liabilities of the Group and the Company exceeded their current assets by \$19,229,000 (2021: \$7,432,000) and \$41,270,000 (2021: \$47,649,000) respectively. As further disclosed in Note 26, the borrowing of the Group of \$2,130,000 is due for repayment in November 2022.

The abovementioned factors indicate the existence of material uncertainties which may cast significant doubt about the ability of the Group and the Company to continue as going concerns.

The Board is of the view that the use of the going concern assumption in the preparation of the financial statements is appropriate after taking into consideration the following:

- (i) applications have been submitted to the relevant authorities for expansion of the capacity of the current tailings storage facilities as well as for the development of alternative storage facilities. In-principle approval has been received in the form of a limited use of the dry stack. Whilst the formal approval for the use of the dry stack, which has a two-year capacity, is still pending, the in-principle approval provides a certain degree of validation as to the Group's plans in this aspect and that the Group should be able to meet the requirements for the formal approval. Meanwhile, processes are underway for the construction of new tailings storage facilities to cater to the operational needs of the Group for another 9 years;
- (ii) based on the cash flow forecast, the Group is able to generate positive cash flows from the mining operations;
- (iii) the Group is in the process of sourcing alternative sources of funding; and
- (iv) management's plans to undertake periodic assessments in relation to the Group's operations and financial positions and where appropriate seek improvements in cash flow management, productivity and manage cost efficiency of the Group's operations.

In addition, the Company and one of its subsidiaries were served notices by the Commercial Affairs Department ("CAD") of the Singapore Police Force in April 2014 in relation to an investigation into an offence under the Securities and Futures Act, Chapter 289. As the CAD has not provided details of its investigation, management was and still is unable to ascertain (i) whether the investigation would have an impact on the Group's and the Company's ongoing business operations; and (ii) the impact of adjustments that may arise from the investigation, if any, on the financial statements.

After considering the measures and mitigating actions described above, the directors of the Company believe that the Group and the Company will be able to generate sufficient positive cash flows and raise the necessary funds from the debt and capital markets to meet the operating requirements of the Group's operations and to pay their debts as and when they fall due. As such, the Directors have determined that it is appropriate for the Group and the Company to adopt the going concern assumption in preparing the financial statements.

If the Group and the Company are unable to continue in operational existence for the foreseeable future, the Group and the Company may be unable to discharge their liabilities or realise their assets in the normal course of business. Adjustments may have to be made to reflect the situation that assets may need to be realised at amounts which could differ from the amounts at which they are currently recorded in the statement of financial position. 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 respectively. No such adjustments have been made in the financial statements.