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16 December 2020

Sen Yue Holdings Limited
3 Jalan Pesawat
Singapore 619361

Attention: The Audit Committee

Dear Sirs

PROFESSIONAL SERVICES TO SEN YUE HOLDINGS LIMITED (the "Company")

INTRODUCTION

1. Foo Kon Tan Advisory Services Pte Ltd ("**FKT**") was engaged by the Company to ascertain whether ten customers/suppliers that its wholly-owned subsidiary SMC Industries Pte Ltd ("**SMCI**") had business transactions with were related to Mr Koh Mia Seng ("**KMS**"), the Executive Chairman of the Company and Managing Director of SMCI and whether the transactions between SMCI and the ten customers/suppliers were arm's length transactions.

2. We produced our first report on 17 June 2020 (the "**1st FKT Report**"). The report was circulated to the Board of the Company. Subsequently, KMS engaged Strix Strategies Pte Ltd ("**Strix**") to prepare a report dated 14 September 2020 (the "**Strix Report**") in response to the 1st FKT Report. KMS also engaged M/s Drew & Napier as his lawyers and they provided his response in a letter dated 15 September 2020 to Singapore Exchange Regulation Pte Ltd (the "**15 September 2020 Letter**"). Subsequently, we reviewed the Strix Report, the 15 September 2020 Letter and further explanations provided by KMS to our queries and set out our findings and conclusions in a draft report (the "**Draft 2nd FKT Report**") on 6 November 2020. KMS again engaged Strix to prepare another report dated 24 November 2020 (the "**Strix Response Report**") in response to the Draft 2nd FKT Report. We have considered the Strix Response Report and finalised our report dated 16 December 2020 (the "**2nd FKT Report**") which is enclosed.

3. We set out below an executive summary of our findings and conclusions as set out in the 1st FKT Report and the 2nd FKT Report.

EXECUTIVE SUMMARY

Companies indirectly controlled by KMS

4. The Company had identified the following ten customers/suppliers:
   (a) SMC Technology Sdn Bhd ("**SMCT**")
   (b) SK Vision Global Trading ("**SKV**")
   (c) Matrade Co. Ltd ("**Matrade**")
   (d) Thai DD Recycle Co. Ltd ("**TDD**")
   (e) Fung Jet Logistics Trading Limited ("**FJL**")
   (f) Mild On International Limited ("**MOI**")
   (g) Foshan City Nanhai District Sea Sheng Waste Materials Recycling Co. Ltd ("**FSS**")
   (h) Foshan Xiangao Waste Hardware Processing Co. Ltd ("**FSX**")
   (i) Tai Zhou Yi Ze Metal Co. Ltd ("**TZY**")
   (j) Jingtong Metal Resources Recycling Co. Ltd ("**JTM**")

5. We have not found evidence to show that SKV, FSX and JTM are related to KMS.

6. Having considered all the evidence available to us, we are of the view that KMS indirectly controls SMCT, Matrade, TDD, FJL, MOI, FSS and TZY.

7. In relation to SMCT, although KMS asserts that he had sold his shares in SMCT to certain employees of SMCT and/or SMCI, we are of the view that there are reasons to believe that the sale is not a bona fide transaction and KMS indirectly controls SMCT through certain SMCT employees namely Yeo Hwee Hwee, Lim Kui Bee ("**Ivy**") and Lee Sok Leng.

8. We are of the view that there is sufficient evidence to show that KMS indirectly controls Matrade and TDD through Ivy. Further, we are of the view that there are reasons to believe that KMS's alleged disposal of his shares in Matrade on 12 December 2017 to its current shareholders is not a bona fide transaction.

9. Shen Tu Hong ("**Shen**"), an employee of SMCI who reports directly to KMS, has a 44% shareholding in FSS. We are of the view that there is sufficient evidence to show that Shen is a nominee of KMS and that FSS is indirectly controlled by KMS through Shen. In addition, we are also of the view that there is sufficient evidence to show that FJL and MOI are indirectly controlled by KMS through Shen.

10. KMS asserts that he had sold his shares in TZY (held through his company SMC Holdings Pte Ltd) to his cousin, one Sing Khang Miant ("**Sing**") on 14 November 2018. However, based on our findings, we are of the view that there are reasons to believe that the alleged sale of KMS's shares to Sing is not bona fide and that KMS remains the beneficial owner of TZY.

11. Given our views that these seven companies are indirectly controlled by KMS, we are of the view that transactions between SMCI and these seven companies are interested person transactions ("**IPTs**"). Accordingly, we have also assessed whether there have been breaches of the Catalist Rules in relation to the non-disclosure of these IPTs.

12. We have collated the transactions between SMCI and the seven companies for each financial year in Table 1.

Table 1 – Transactions (both sales and purchases) with SMCI

Interested Person	FY2015 (S$'000)	FY2016 (S$'000)	FY2017 (S$'000)	FY2018 (S$'000)	FY2019 (S$'000)	FY2020 (S$'000)	Total (S$'000)
SMCT	730	0	0	3,447	11,583	12,169	27,929
Matrade	0	0	0	15,627	15,499	5,005	36,081
TDD	16,167	35,403	39,874	21,424	5,849	1,945	120,662
FJL	34,132	19,018	42,790	11,785	975	0	108,700
MOI	0	321	2,725	9,148	501	4,682	17,377
FSS	6,786	4,838	10,303	24,156	32,343	13,845	92,271
TZY	0	0	0	0	4,228	13,758	17,986
Total	**57,815**	**59,580**	**95,692**	**85,587**	**70,978**	**51,404**	

Notes:
1. Sales are extracted from SMCI sales ledgers. Purchases are extracted from accounts payables ledgers.
2. The transactions for FSS includes sales recorded under Hai Sheng Recycling Pte Ltd for FY2015 to FY2017 and partially for FY2018 when SMCI's staff used this name for FSS.

13. We have also considered whether Catalist Rules 905, 906 and 907 have been breached. In our assessment of whether Catalist Rules 905 and 906 have been breached, we have aggregated the value of the transactions for each financial year for the seven entities (as set out in Table 1 above) as all seven entities in our view are indirectly controlled by KMS. We set out below in Table 2 the results of our assessment:

Table 2 – Assessment of whether Catalist Rules 905 and 906 have been breached

FY	Aggregate transaction value (S$'000)[1]	Group's audited NTA at start of FY (S$'000)[2]	Transaction value as % of NTA (%)	Breach of Catalist Rule 905	Breach of Catalist Rule 906
2015	57,815	24,176	239.1	Yes	Yes
2016	59,580	34,317	173.6	Yes	Yes
2017	95,692	33,301	287.4	Yes	Yes
2018	85,587	38,672	221.3	Yes	Yes
2019	70,978	41,148	172.5	Yes	Yes
2020	51,404	43,802	117.4	Yes	Yes

Possible fraudulent and/or fictitious transactions

14. In our check on SKV, we found out that its business registration in Malaysia had expired on 26 August 2018 while SMCI registered its first sale to SKV on 3 September 2019. SMCI's two other sales to SKV was on 17 September 2019 and 1 October 2019. Further, SKV did not make payment for the purchase in cash (save for a sum of S$10,000). Instead, SKV had on 8 May 2020, allegedly sold copper scrap to SMCI who in turn sold the same to FSS. From our review, we note that the purchase price paid by SMCI to SKV for the copper scrap was more than 38% higher than the LME copper spot rate and is inconsistent with the transaction prices for other purchases and sales of copper scrap around the same period of time. As for the cash of S$10,000 recorded as having been received from SKV, there is no evidence to show that the amount was actually paid by SKV. In our view, there are reasons to believe that these transactions with SKV are not at arms' length and may even be fictitious.

[1] Aggregate transaction value is extracted from Table 1.
[2] Group's audited NTA is extracted from annual reports of Sen Yue Holdings Limited.

15. In relation to FSS, we note that based on publicly available information, the total liabilities of FSS as at 31 December 2019 is stated to be RMB2,066,000 (equivalent to approximately S$413,200). However, according to SMCI's accounting records, the amount due from FSS as at 31 December 2019 is S$21,275,116. Such a huge difference between the financial information of FSS and SMCI's accounting records is alarming and suggests that the bulk of the amount due from FSS as per SMCI's accounting records is not recognised by FSS in its accounts. This leads to serious doubts about the authenticity of all the transactions between SMCI and FSS and in turn the collectability of the amount due from FSS as per SMCI's accounting records. In addition, we note that many of the payments recorded as being received from FSS in settlement of the amount due from it did not come from FSS but were payments made by other entities.

16. In addition, given the large aggregate value of the transactions between SMCI and the seven companies for each financial year and the low or negative margins for some of the transactions, there is a high risk that some of these transactions are not at arm's length and/or may not be bona fide.

Possible criminal offences

17. While carrying out our work, we sighted two emails from Ivy to Saw Li Huah (the former Financial Controller of the Company) ("**Saw**") forwarding remittance advices allegedly issued by DBS to KMS. When asked, KMS had initially claimed that these remittance advices were payments by Sing to him for the purchase of the TZY shares. When it was pointed out to him subsequently that the remittance advices may be forgery, he denied any involvement and stated that he had not received any payment from Sing for the purchase of the TZY shares. We are of the view that it is very likely that one of the bank remittance advices (if not both) is a forgery and was created most likely for an improper purpose and that a criminal offence may have been committed.

18. We note that at the request of the auditors of SMC Holdings Pte Ltd, Saw had provided them with a sale and purchase agreement (the "**TZY SPA**") as evidence of the sale of the shares in TZY. The TZY SPA was signed by both KMS (on behalf of SMC Holdings Pte Ltd) and Sing and stated that the shares were sold for USD 6,000,000. Given that KMS is now stating that he transferred his shares in TZY to Sing for no payment, we are of the view that the sale and purchase agreement relating to the sale of his shares in TZY to Sing may have been created for an improper purpose and that a criminal offence may have been committed.

19. In relation to KMS's alleged sale of his shares in SMCT and Matrade for which he has confirmed that he had not received any payment, we are of the view that the sales are not bona fide. As such, we believe that there are reasons to believe that the sale and purchase agreement relating to the sale of KMS's shares in SMCT (the "**SMCT SPA**") and the transfer forms relating to Matrade are false documents created for improper purposes and criminal offences may have been committed.

Conclusion

20. We are of the view that there have been breaches of Catalist Rules 905, 906 and 907 in relation to transactions between SMCI and the seven companies indirectly controlled by KMS.

21. In our view, there are reasons to believe that there are fraudulent and/or fictitious transactions involving SKV and FSS. In addition, there is a high risk that some of the transactions between SMCI and the other six companies (SMCT, Matrade, TDD, FJL, MOI and TZY) may be fraudulent and/or fictitious transactions. Further, there are also evidence that criminal offences may have been committed. As such, we recommend that the Company lodge a report with the appropriate authorities and request them to carry out a full investigation.

Yours faithfully



Aw Eng Hai
Director
Foo Kon Tan Advisory Services Pte Ltd