INDEPENDENT AUDITOR'S REPORT

to the members of Sen Yue Holdings Limited

Report on the Audit of the Financial Statements

Disclaimer Opinion

We were engaged to audit the financial statements of Sen Yue Holdings Limited (the Company) and its subsidiaries (the Group) set out on pages 63 to 142, which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 30 September 2021, 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 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 of the Group and the statement of financial position and the 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

1. Opening balances – Sales/purchases transactions with certain customers/suppliers

As disclosed in the Group's financial statements for the financial year ended 30 September 2020 ("FY2020"), Foo Kon Tan Advisory Services Pte Ltd ("FKT") issued two review findings reports dated 17 June 2020 and 16 December 2020 (collectively the "IR Reports") in relation to the concerns raised in respect of potential relationships that its former executive chairman, Mr Koh Mia Seng (also a director of the Company) ("Mr Koh"), may have with certain parties or entities that had dealings with one of the subsidiaries of the Company, namely SMC Industrial Pte Ltd ("SMCI").

The IR Reports issued by FKT identified 7 customers/suppliers ("Identified Entities") (also as disclosed in Note 32 to the financial statements), which were allegedly controlled by Mr. Koh, and that some of these transactions between SMCI and these Identified Entities may not be on arm's length and/or bona fide and they may be fraudulent and/or fictitious.

In addition, and as part of our audit procedures on opening balances in one of the material subsidiaries of the Company, namely SYH Resources Pte Ltd ("SYHR"), we have identified that sales transactions totaling S$1,270,000 recorded by SYHR in FY2020 were attributable to customers that appear to bear the same business registration names as 2 of the 7 Identified Entities. The resulting trade receivable balance from these sales transactions was S$91,000 as at 30 September 2020, for which full impairment has been made by SYHR for the financial year ended 30 September 2020.

We were not granted access to audit work papers by the preceding auditors and given the change in management and finance personnel of the Company and certain subsidiaries of the Group, we were also unable to have access to the complete accounting records and source documents and obtain satisfactory explanations from the incumbent management. Consequently, we were unable to carry out alternative audit procedures to determine the appropriateness of these recorded sales transactions in FY2020 and we were therefore unable to satisfy ourselves regarding the occurrence, nature and the appropriateness of accounting treatment for these transactions, and relevant disclosures in so far as the comparative figures and opening balances in the accompanying financial statements are concerned. In addition, we were unable to ascertain whether there were any breach of applicable laws and regulations in respect of this matter.

Basis for Disclaimer of Opinion (Continued)

2. Revenue and Cost of Sales

(a) Revenue recognition and payments received

During the current financial year, both SMCI and SYHR recorded sales to external customers of S$17,007,000 and S$23,209,000 respectively, which in aggregate contributed to approximately 72% of the Group's revenue in financial year ended 30 September 2021 ("FY2021").

As disclosed in Note 32 to the financial statements, in FY2021, SMCI continued to record sales transactions with one of the Identified Entities, i.e. Tai Zhou Yi Ze Metal Co. Ltd ("TZY") for an aggregate amount of S$925,000, of which SMCI has fully impaired in the same financial year.

On the other hand, SYHR recorded revenue of S$6,166,000 from export sales to 2 new overseas customers; and S$6,666,000 from sales of goods to 2 new local customers in current financial year, which in aggregate contributed to 23% of revenue recorded by the Group. In the course of audit, we noted that there are potential connections between these 2 groups of customers via common shareholders, legal representative or agency relationship, and that one of them is substantially owned by a former key management personnel of the Group.

We further performed substantive test of details, such as review of sale contracts, invoices, shipping documents and subsequent receipts to verify sales transactions recorded by SMCI and SYHR in current financial year and noted lapses in the form of inconsistencies and/or incomplete supporting source documents relating to sales transactions. There were also instances, whereby goods were arranged for delivery to other parties or destinations which were inconsistent with the details stated in the corresponding sales contracts, invoices and shipping documents. As a result, we were unable to positively identify these sales transactions with the parties of the sale contracts to relevant shipping documents to signify customers' acceptance of goods delivered. We also noted in several occasions that payments for certain sales (including those pertaining to overseas customers) were made by way of cash deposits or by other parties or via offsetting arrangements with certain suppliers of SMCI and SYHR and these parties do not have any apparent relationships with the relevant customers.

As disclosed in the Group's accounting policy, the Group recognises the revenue from sales of goods at the point in time upon transferring the control of goods to a customer. Given the pervasiveness of lapses as mentioned above, the involvement of parties who do not appear to be directly related to the contractual arrangements with the Group and the potential connections between major customers as highlighted in preceding paragraph, we were unable to obtain sufficient appropriate audit evidence nor carry out alternative audit procedures to satisfy ourselves with regards to the occurrence, completeness, bona fides and commercial substance of sales transactions recorded by both SMCI and SYHR. Accordingly, we were unable to determine the appropriateness of the accounting treatment and whether further adjustments to the accompanying financial statements might be necessary in addressing the matter.

(c) Cost of sales

During the current financial year ended 30 September 2021, SMCI and SYHR recorded total cost of sales of S$34,904,000, which accounted for approximately 79% of the cost of sales of the Group.

Basis for Disclaimer of Opinion (Continued)

2. Revenue and Cost of Sales (Continued)

(b) Cost of sales (Continued)

In the course of audit, we have performed substantive test of details, such as review of supplier's contracts, invoices and shipping documents to verify purchases of e-waste materials recorded by the Group. Due to incomplete supporting source documents such as delivery orders, goods received notes, suppliers' invoices and shipping documents pertaining to the purchase transactions selected for our verification, we were unable to obtain sufficient appropriate audit evidence nor carry out alternative audit procedures to satisfy ourselves on the occurrence, completeness and accuracy of certain purchases recorded as cost of sales in the financial statements for FY2021. Accordingly, we were unable to determine the appropriateness of the accounting treatment and whether adjustments to the cost of sales in the Group's financial statements might be necessary in addressing the matter.

3. Ongoing criminal investigation

Arising from the IR Reports referred to above and as disclosed in Note 32 to the financial statements, following the lodgment of report by the Company, the Commercial Affairs Department ("CAD") had on 27 January 2021 issued an order to the Company pursuant to Section 20 of the Criminal Procedure Code (Chapter 68), to procure certain documents and information for the financial years ended 30 September 2015 to 2020 in relation to the offences under Penal Code (Cap. 224) and the Securities and Futures Act (Cap.289) of Singapore.

As of the date of this report, the investigation of the CAD is still ongoing. We were unable to determine if any adjustments to and/or additional disclosures in the Group's financial statements might be necessary arising from the outcome of the investigation.

4. Joint venture arrangement

As disclosed in Note 8(b) of the financial statements, two subsidiaries of the Group, SMCI and SMCI Refinery Pte Ltd, had in the previous financial year entered into a joint venture ("JV") Agreement with Electroloy Metal Pte Ltd ("Electroloy") and Mr Wang Chun Jian (collectively, the "JV Partners") to build a smelting facility ("Smelter") in Singapore at an estimated aggregate cost of S$4,000,000, to extract and recover non-ferrous metals from e-waste materials and metal scraps.

As disclosed in FY2020 preceding auditor's report, 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 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 27 April 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. The former Executive Chairman had informed that the JV partners requested to revise the terms of the JV Agreement and the Group announced on 22 May 2020 that it would seek legal advice to clarify the terms of the JV Agreement.

As of the date of this report, the total cumulative construction costs incurred by the Group for the Smelter under this JV arrangement was S$2,053,000, of which S$666,000 was incurred in FY2020 and S$1,387,000 in FY2021. All such construction costs were respectively expensed off to profit or loss in FY2020 and FY2021.

Basis for Disclaimer of Opinion (Continued)

4. Joint venture arrangement (Continued)

As the Company and SMCI were placed under judicial management from 1 April 2021 to 17 August 2022, there has been no progress on the re-negotiation of JV Agreement between the Group and the JV Partners in current financial year nor has the Group sought legal advice regarding the enforceability of the existing terms and conditions under the JV Agreement. With a lack of clarity on the terms of JV Agreement, we were unable to obtain sufficient appropriate audit evidence to assess the rights and obligations of the Group and JV Partners under the JV Agreement as well as the appropriateness of the extant accounting treatment for the cumulative construction costs incurred. Consequently, we were unable to determine whether any adjustment to the accompanying financial statements might be necessary.

As this matter remains unresolved since prior financial year, we were also unable to ascertain whether any adjustment to the opening balance of accumulated losses is required which would have a consequential impact to the assets of the Group, should the cumulative construction costs incurred by the Group be capitalised, arising from this joint venture arrangement.

5. Existence, valuation and completeness of inventories

As at 30 September 2021, the Group recorded inventory balance at S$1,840,000, with more than 50% of the inventory balance carried by SMCI. There was no physical stock counting exercise conducted as at 30 September 2021 while the Company and SMCI were under judicial management from 1 April 2021 to 17 August 2022.

Due to the incomplete documentary trail mentioned in preceding paragraphs, we were also unable to perform alternative audit procedures that we considered necessary to validate the physical quantities and purity of content of the e-waste inventories held by the Group as at 30 September 2021. Consequently, we were unable to satisfy ourselves on the existence, completeness and valuation of the Group's e-waste inventories as at 30 September 2021. In addition, as management did not furnish us with the calculation of inventory overhead costs allocation, we were therefore unable to obtain sufficient appropriate audit evidence to conclude whether the carrying amount of SMCI's inventories were carried at the lower of cost and net realisable value, and on the appropriateness of reversal of allowance for inventory obsolescence amounting to S$1,732,000 in current financial year, as disclosed in Note 12 to the financial statements.

6. Valuation and impairment assessment of Non-Financial Assets

(a) Valuation of leasehold factory building ("Leasehold Factory")

As at 30 September 2021, the Group recorded leasehold land and buildings at net carrying amount of S$9,940,000 of which S$5,600,000 was attributable to the Leasehold Factory located at Jalan Pesawat, Singapore, currently occupied by SMCI for e-wastes processing operations. The fair value of Leasehold Factory as of 30 September 2021 was estimated at S$5,600,000 based on the Income Capitalisation Method by an independent valuer; while it was disclosed in the FY2020 financial statements that the Leasehold Factory was recorded at revalued amount (fair value) of S$12,300,000, which was estimated using the Direct Comparison Method and Investment Method of Valuation by another independent valuer.

We were not granted access to audit workpapers by the preceding auditors and we were unable to obtain satisfactory explanations (including the reasons thereof) from management or independent valuers on the substantial decrease in the fair value of the Leasehold Factory from S$12,300,000 as at 30 September 2020 to S$5,600,000 as at 30 September 2021. Consequently, we were unable to satisfy ourselves regarding the appropriateness of valuation of the leasehold land and building of the Group as at 30 September 2021 and the other comprehensive loss in FY2021 including the corresponding tax effect.

Basis for Disclaimer of Opinion (Continued)

6. Valuation and impairment assessment of Non-Financial Assets (Continued)

(a) Valuation of leasehold factory building ("Leasehold Factory") (Continued)

Similarly, we were also unable to satisfy ourselves with regard to the valuation of leasehold land and building in the Group's financial statements as at 1 October 2020 with relevant disclosure notes as far as the comparative figures and opening balances in the accompanying financial statements are concerned.

(b) Impairment Assessment of Property, Plant and Equipment ("PPE") and Right-Of-Use Assets ("ROU Assets")

As at 30 September 2021, the Group has PPE and ROU Assets at net carrying amounts of S$22,043,000 and S$1,776,000 respectively. Of these balances, PPE and ROU Assets amounting S$6,728,000 and S$1,667,000 respectively were attributable to SMCI as a single cash-generating unit ("CGU").

As SMCI recorded substantial operating losses in both the current and previous financial years, we have requested management to perform impairment test as at 30 September 2021. However, management did not perform impairment assessment to estimate the recoverable amount of SMCI as one CGU as at 30 September 2021 in accordance with the requirements of *SFRS(I) 1-36 Impairment of Assets*. In the absence of this, we were consequently unable to obtain sufficient appropriate audit evidence to determine the recoverable amount of SMCI, and on the respective amounts of impairment losses that may be necessary for its PPE and ROU Assets for financial year ended 30 September 2021.

We were also unable to carry out alternative audit procedures nor were we able to obtain satisfactory explanations from the incumbent management in determining the appropriateness of the basis and timing of recognition of impairment losses for PPE and ROU Assets of S$621,000 and S$918,000 respectively in FY2020. Accordingly, we were unable to satisfy ourselves regarding the carrying amount of SMCI's PPE and ROU Assets, and relevant disclosures as far as the comparative figures and opening balances in the accompanying financial statements are concerned.

(c) Impairment Assessment of Investment in Subsidiaries

As at 30 September 2021, the carrying amount of the Company's investment in subsidiaries was S$8,887,000, net of impairment allowance of S$22,999,000 as disclosed in Note 8 to the financial statements. During the financial year, the management carried out a review of recoverable amounts of the Company's investment in subsidiaries as there were indications that these investments may be impaired as a result of past operating losses sustained in certain subsidiaries. Based on their review, management has determined the recoverable amounts and impairment losses based on net asset values of these individual subsidiaries and on this premise, an impairment loss of S$3,354,000 was recognised in current financial year in respect of the Company's investment in three of the subsidiaries, as disclosed in Note 8 to the financial statements.

Management did not furnish us with a complete assessment of the recoverable amounts as at 30 September 2021 in accordance with the requirements of *SFRS(I) 1-36 Impairment of Assets*. Without relevant discounted cash flow projections of these material subsidiaries, we were unable to obtain sufficient appropriate audit evidence to determine their recoverable amounts and whether the impairment loss totaling S$3,354,000 made by management for financial year ended 30 September 2021 was appropriate. Accordingly, we were unable to ascertain whether any adjustment to the carrying amounts as at 30 September 2021 would be required with a corresponding effect on the loss for the current financial year.

Basis for Disclaimer of Opinion (Continued)

6. Valuation and impairment assessment of Non-Financial Assets (Continued)

(d) Impairment Assessment of Investment in Subsidiaries (Continued)

Similarly, we were also unable to carry out alternative procedures nor were we able to obtain satisfactory explanations from the incumbent management in order to determine the appropriateness of the basis and timing of the impairment allowance of S$19,645,000 previously provided by the Company in respect of its investment in subsidiaries. Accordingly, we were unable to satisfy ourselves regarding the carrying amount of investment in subsidiaries as of 1 October 2020 and relevant disclosures and comparatives in the accompanying financial statements.

7. Going concern assumption

As disclosed in Note 2 to the financial statements, the Group reported a net loss of S$5,529,000 for the financial year ended 30 September 2021. In addition, as at 30 September 2021, the Group's current liabilities exceeded the current assets by S$21,926,000; while the Company's current liabilities exceeded its current assets by S$10,776,000. During the financial year, the Company and its subsidiary, SMCI, were placed under judicial management. Subsequently, a scheme of arrangement for each of the Company and SMCI (" the Schemes") was proposed by the joint and several judicial managers and approved by the scheme creditors, and finally sanctioned by the High Court of Singapore in July 2022. The implementation of the Schemes is ongoing. Thereupon, the judicial managers were discharged in August 2022.

The above events or conditions indicate the existence of material uncertainties which may cast significant doubt on the ability of the Group and of the Company to continue as going concerns. Nevertheless, the financial statements of the Group and of the Company for the financial year ended 30 September 2021 have been prepared on a going concern basis by management and directors of the Company on the assumptions and/or representations they set out in Note 2 to the financial statements and the Directors' Statement. Be that as it may, in our view, the validity of the going concern basis of preparation of financial statements is principally dependent on:

(i) the ultimate successful implementation of Schemes which is in turn subject to, among others, the resumption of trading of the Company's securities on the Singapore Exchange ("SGX");

(ii) the ability of the Group to generate sufficient and sustainable operating profits and cash flows over the next 12 months from the date of these financial statements to meet its operating and financial obligations as and when they fall due; and

(iii) the ability of the Group to procure additional financing and to garner the continuous support of its existing financiers.

Basis for Disclaimer of Opinion (Continued)

7. Going concern assumption (Continued)

In relation to (i), while the implementation of the Schemes is ongoing and that it is the Company's intention to submit its application for trading resumption in due course, there is no certainty that its application will eventually be granted by the SGX. With regard to (ii), it is unclear whether the Group is able to generate sufficient and sustainable operating profits and cash flows to meet its obligations as and when they fall due since management has merely represented that there was no material factors or circumstances that exists which indicates the Group is unable to preserve and maintain its revenue streams from its business operations over the next 12 months; but has been silent on the sufficiency and sustainability of its profits and cash flows. Additionally, we were not provided with sufficient information to evaluate the management's representation on the preservation and maintenance of the Group's future revenue streams. For (iii), the management's representation of its ability to "explore further other available equity or debt securities to meet its funding requirements, if necessary" is not necessarily tantamount to its ability to procure or secure such financing (including the desired level thereof) when required or as it so wishes.

In view of the above, coupled with a lack of justifications and mitigating factors in substantiating the bases of management's assumptions, representations and disclosures, we were therefore not able to obtain sufficient appropriate audit evidence to satisfy ourselves on the appropriateness of the use of the going concern assumption adopted by management in the preparation of these financial statements.

Other Matter

The financial statements for the financial year ended 30 September 2020 were audited by another auditor whose report dated 15 April 2021 expressed a disclaimer of opinion in light of the following matters:

(a) Sale/purchase transactions with certain customers/ suppliers
(b) Revenue recognition and payments received
(c) Ongoing investigations
(d) Joint venture arrangements
(e) Going concern assumption

These matters (save for item (e)) have material and consequential impact on certain opening balances as at 1 October 2020 and the comparative figures to the accompanying financial statements for the current financial year ended 30 September 2021, which are more fully described in the Basis for Disclaimer of Opinion section above.

INDEPENDENT AUDITOR'S REPORT

to the members of Sen Yue Holdings Limited

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 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 Company 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, because 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 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 Teo Yen Lin.

Crowe Horwath First Trust LLP
Public Accountants and
Chartered Accountants
Singapore

28 December 2022