NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 September 2021

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

1. GENERAL INFORMATION

Sen Yue Holdings Limited (the "Company") is a company incorporated in Singapore. The address of the Company's registered office is 3 Jalan Pesawat, Singapore 619361. The Company is listed on the Catalist Board of the Singapore Exchange Securities Trading Limited.

The principal activity of the Company is that of investment holding. The principal activities of the subsidiaries are disclosed in Note 8.

The consolidated financial statements of the Group as at and for the year ended 30 September 2021 comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities").

The financial statements for the financial year ended 30 September 2021 were authorised for issue in accordance with a resolution of the directors on the date of the Directors' Statement.

2. FUNDAMENTAL ACCOUNTING CONCEPT

Going concern assumption

The Group reported net loss of S$5,529,000 (2020: net loss of S$44,079,000) 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 (2020: S$22,067,000) and the Company's current liabilities exceeded its current assets by S$10,776,000 (2020: S$5,838,000).

A critical milestone to enable the Group and the Company to continue as going concern would be the successful implementation of the scheme of arrangement of the Company and its subsidiary, SMC Industrial Pte. Ltd. ("SMCI"), (the "Leave Applications") pursuant to Section 210 of the Companies Act 1967 read with Section 117 of the Insolvency, Restructuring and Dissolution Act 2018 ("IRDA") (the "Schemes", and the "Scheme of Meetings") and the securement of white knight investors. As at the date of this report, status of the Schemes and securement of white knight investors are as follows:

(i) the Schemes, where (a) the unsecured creditors without guarantee claim to receive 50% of the total approved claims and (b) the unsecured creditors with guarantee claim to receive 75% of the total approved claims in aggregate, have been unanimously approved by the Creditors on 15 July 2022 and were sanctioned by the Singapore High Court ("the Court") on 28 July 2022, subsequently came into effect on 2 August 2022 upon the filing of the Orders of Court sanctioning the Schemes with the Accounting and Corporate Regulatory Authority of Singapore ("ACRA"). The Judicial Managers ("JMs") shall administer the Schemes of the Company and SMCI in accordance with the Schemes as approved by the creditors and the Court.

(ii) the JMs had on 1 April 2022 on behalf of the Group, entered into three separate definitive subscription agreements with Electroloy Metal Pte. Ltd. ("Electroloy"), Jiangmenshi Changxin Technology Limited ("Jiangmenshi") and Di Lingbin ("Mr. Di") (collectively the "Investors") for an aggregated cash consideration of S$9,015,000, comprising (individually a "Proposed Subscription" and collectively "Proposed Subscriptions"). The share subscriptions comprising 2,253,750,000 Subscription Shares at an issue price of S$0.004 per Subscription Share have been completed on 23 November 2022.

(iii) as of the date of the financial statements, the Group has utilised the proceeds from the placement exercise with Proposed Subscriptions, as well as its internally generated funds to fulfill its obligation to repay 50% of its debts pursuant to the Scheme. The Group may explore available equity or debt securities to meet its funding requirements.

2. FUNDAMENTAL ACCOUNTING CONCEPT (Continued)

Going concern assumption (Continued)

As at the date of this report, the use of the proceeds from issuance of ordinary shares is presented in below table:

Use of proceeds	Allocation of the Subscription Proceeds	Amount utilised as at the date of the date of this report	Balance
	S$'000	S$'000	S$'000
Repayment of debts	6,993	5,640	1,353
Working capital purpose	2,022	2,022	-
Total	9,015	7,662	1,353

(iv) as the Company making its progress to normalcy under the helm of new management and new constitution of the Board, the judicial management orders placed on SMCI and the Company have been discharged on 17 August 2022.

In light of the abovementioned developments, the Board believes that the use of the going concern assumption in the preparation for financial statements for 2021 is appropriate on following grounds:

1. the Company and SMCI have achieved the critical milestone to restructure its debts through the Schemes which came into effect on 2 August 2022. Pursuant to the Schemes, the unsecured creditors without guarantee claim and unsecured creditors with guarantee claim shall accept 50% reduction and 25% reduction respectively from the total approved claims;

2. the Group has secured white knight investors and raised capital for an aggregate cash consideration of S$9,015,000 in the financial year 2022;

3. as of the date of this statement, the Group has a strong and healthy cash position (after full settlement of an amount approximating S$7.5million due to excluded creditors pursuant to the Schemes);

4. as of the date of this statement, no material factors or circumstances exist which indicate the Group is unable to preserve and maintain its revenue streams from its business operations over the next 12 months; and

5. the Group and the Company are able to explore further other available equity or debt securities to meet its funding requirements, if necessary.

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.