

Issuer: Sen Yue Holdings Limited

Security: Sen Yue Holdings Limited

Meeting details:

Date: 23 January 2017

Time: 10:30H

Venue: 16 Tuas Avenue 20, Singapore 638827

Company Description

Sen Yue Holdings Limited, an investment holding company, manufactures and sells perforated materials, speaker nets, tools, and die and other metal components. The company operates through Metal Components and Tool and Die; ED Coating; and Commodities segments. It trades in moulds used in the manufacture of speaker nets and frames, and other metal components; and provides electro-deposition coating, organic coating, powder coating, spray-painting, and silk-screening services to the manufacturers for automobiles, consumer electronics, motorcycles, bicycle components, and iron metal gates. The company also engages in trading commodities, which include copper, stainless steel, and other special alloys; and sub-assembly of micro-motors on a contract manufacturing basis, as well as rents industrial properties. It operates in Singapore, the People's Republic of China, Malaysia, Indonesia, South Korea, Taiwan, Japan, India, and internationally. The company was formerly known as PNE Micron Holdings Ltd and changed its name to Sen Yue Holdings Limited in January 2016. Sen Yue Holdings Limited was founded in 1976 and is based in Singapore.

(Source: http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=5BS)

Q1. In the Business Operations & Financial Review (page 3), it was stated that “the Group registered a loss before tax of S\$1.2 million in FY2016 from a profit before tax of S\$1.0 million in FY2015, mainly due to the foreign currency translation loss of S\$2.1 million from the trading of commodities segment arising from the devaluation of Chinese Yuan and US Dollar against Singapore Dollar.

As shareholders have approved the acquisition of the balance 50% interest of SMC Industrial Pte Ltd in a general meeting on 22 December 2016, the full impact of any foreign currency translation losses will be borne by shareholders upon completion of the transaction.

- a) **Has the company/board re-evaluated its foreign currency exposure and the impact on the group’s financial position?**
- b) **It was disclosed that the group uses forward foreign exchange contracts to hedge certain of its foreign currency denominated trade receivables exposure (Note 33 – page 112). To what extent are the receivables hedged?**
- c) **Given the larger currency fluctuations in recent quarters, would the board/company consider hedging the currency exposure in the foreign subsidiaries whose net assets are exposed to currency translation risk?**
- d) **With the benefit of hindsight, what could the group have done to reduce/minimize the foreign currency translation loss of S\$2.1 million?**

Q2. The two original business segments of “Metal components and tool and die” and “Electro-deposition (ED) coating” produced good segment profits and are generating high returns on assets and returns on equity.

- a) **Can management help shareholders understand the key drivers to the good performance of the two segments?**
- b) **What are the prospects of these two segments?**
- c) **Are sufficient resources and management time dedicated to grow these two business segments?**

Q3. On 29 December 2016, pursuant to Rule 704(5) of the Listing Manual Section B: Rules of Catalyst of the Singapore Exchange Securities Trading Limited, the company announced that there were “Material variances between the audited financial statements and the unaudited financial results”.

As detailed in the announcement, variances were found in the “Consolidated Statement of Profit or Loss and Other Comprehensive Income for FY2016” and in the “Consolidated Statement of Cash Flows for FY2016”, for amounts as large as \$1.496 million.

Reasons for the material variances (FY2016) included:

- Exchange gain on translation of foreign operations
- Reclassification of available-for-sale financial assets from operating activities to investing activities
- Reclassification of fixed deposits from investing activities to financing activities
- Translation differences for foreign currencies cash balances held in foreign banks

On 6 January 2016, the company had also made a similar announcement pursuant to the same Catalist rule (704(5)), announcing material variances in the “Consolidated Statement of Profit or Loss and Other Comprehensive Income for FY2015”, “Consolidated Statement of Cash Flows for FY2015” and “Consolidated Statement of Financial Position for FY2015”. For FY2015, the variances were as large as \$29.0 million.

Reasons for the material variances (FY2016) included:

- Accounting for share of post-acquisition tax effect on depreciation expenses
- Restating revaluation reserve using year end exchange rate
- Reclassification between receivables and payables
- Adjustment to reflect the gross cash borrowed from financial institutions
- Reclassification from interest-bearing term loan to bank overdraft and loans
- Reclassification from loan from director to trade and other payables

- a) **Can the board/company confirm that the finance and accounting department in the group has the capability to provide financial statements that give a true and fair view of the company’s operations and finances and that these financial statements comply with the current audit and statutory requirements?**

The Code of Corporate Governance 2012 issued by the Singapore Council on Corporate Disclosure and Governance, under guideline 12.4, requires the audit committee to review “the significant financial reporting issues and judgements so as to ensure the integrity of the financial statements of the company and any announcements relating to the company’s financial performance”.

- b) **Can the Chairman and members of the audit committee explain their roles in the preparation of the unaudited financial statements for the financial years 2015 and 2016?**
- c) **Could the board explain its assessment that it is satisfied that the members of the audit committee are appropriately qualified to discharge their responsibilities as members of the audit committee?**