

SEN YUE HOLDINGS LIMITED
Registration Number 200105909M
(Incorporated in the Republic of Singapore)

RESPONSES TO QUERIES IN RELATION TO REQUISITION TO CONVENE AN EXTRAORDINARY GENERAL MEETING

Capitalised terms not defined herein shall have the meanings ascribed to them in the Company's announcement dated 21 April 2020 (the "Announcement").

The Board of Directors (the "**Board**") of Sen Yue Holdings Limited (the "**Company**" and together with its subsidiaries (the "**Group**") wishes to announce that it had on 22 April 2020 received queries from the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") in relation to the Announcement. The queries and the Company's responses are set out below.

Queries	Company's Responses
(1) What led to Mr Koh Mia Seng's requisition notice?	<p>Mr Koh Mia Seng ("Mr Koh") is of the opinion that a reconstitution of the Board and bringing in new board members with different expertise and knowledge will help set and develop effective strategies to grow and expand the Group's *e-waste business which is envisaged to be the Group's key strategic direction moving forward. The proposed new directors' experience in waste management, water treatment and related industries would bring in new perspectives and ideas to the Company, all of which will help to maximise shareholders' value.</p> <p><i>*Since the end of 2017, the Group expanded its commodities business segment to include processing and trading of e-waste raw material into its metal elements.</i></p> <p>The rest of the Board, being Mr Neo Gim Kiong, Mr Liew Nyok Wah, Mr Chim Suan Kit Mark, Mdm Yu Lihong, Mr Low Ka Choon Kevin and Mr Lau Yan Wai (the "rest of the Board") disagree with Mr Koh's rationale for issuing the requisition notice for the reasons set out in the rest of the replies to the SGX-ST's queries below.</p>
(2) Are there any conflicts in the current Board on the running of the Company, in view of the Company's declining financial performance?	<p>Mr Koh is of the opinion that there are no conflicts in the current Board on the running of the Company.</p> <p>However, Mr Neo Gim Kiong and Mr Liew Nyok Wah (being the "Executive Directors" other than Mr Koh) disagree with Mr Koh on various issues relating to the management and operation of the Group's subsidiaries, of which some examples are given below:</p> <ol style="list-style-type: none"> 1. The Executive Directors disagree with Mr Koh on the financial and cashflow management of the Company's wholly-owned subsidiary SMC Industrial Pte Ltd ("SMC"), especially in relation to the management of accounts receivables and utilisation of banking facilities, as well as inventory management. The Executive Directors are concerned about the collectability of the long overdue accounts receivables, cash flow management of SMC and SMC's compliance with its loan covenants.

Mr Koh is of the view that these accounts receivables remain collectable albeit at a slower rate. The main reason cited by Mr Koh for the delayed payments is that SMC's customers' business had been affected by the COVID-19 pandemic.

As part of the Group's effort to conserve cash, Mr Koh had in March 2020 proposed a reduction in the remuneration of the Group's key management, to which no response was obtained from the other Directors. Nevertheless, Mr Koh proceeded with the reduction ranging from 15% – 75% of the salaries of key management of SMC and SYH Resources Pte. Ltd. starting from March 2020, with Mr Koh taking the largest pay reduction.

The Executive Directors are in charge of the operations of all the Malaysian and Indonesian subsidiaries involved in ED coating and tool and die designing and manufacturing ("**Coating and Manufacturing Business**"). Both Directors have already been in constant discussion with management for the Coating and Manufacturing Business to evaluate cost cutting measures prior to Mr Koh's email about cost cutting. As indicated in various points in this announcement, this reflects the difference in opinion in operations and cashflow management.

2. The Executive Directors disagreed with Mr Koh on the termination of SMC's lease to its tenants of part of its premises at 3 Jalan Pesawat resulting in the loss of service and rental income of approximately S\$750,000 per annum for SMC, and hence the Group.

Mr Koh would like to clarify that the termination of the aforesaid lease occurred more than 1 year ago to facilitate the construction of the smelter for the purpose of expanding the Group's e-waste business. The Executive Directors disagree with the aforesaid as the smelter construction started in end 2019 and the smelter is not located on the premises where the leases were terminated.

3. The Executive Directors also disagreed on the approaches in executing the Group's business strategy, specifically in relation to the strategy involving SMC's business. The Executive Directors are of the view that the Group should place greater emphasis on higher margin businesses. Under the direction of the Executive Directors, the financial performance of the Coating and Manufacturing Business have improved over the past few years and become profitable whereas the financial performance of the entities under Mr Koh's charge involved in the commodities trading and e-waste business have incurred losses. Mr Koh expects the e-waste business segment to enhance its margin contribution for the Group.

	<p>4. The Executive Directors were not informed of and in any event disagree with the engagement of fengshui services in January 2020 by Mr Koh amounting to S\$95,110 for a plot of land which belonged to Jurong Town Corporation. Mr Koh would like to clarify that the foregoing services were engaged in relation to the Group's potential upcoming e-waste project which is a collaboration between SMC and National Environmental Agency. In February 2020, Enterprise Singapore had provided SMC with the approval for the development application for the project subject to approval from Jurong Town Corporation. The Executive Directors wish to highlight that the Board has not been briefed about the details (such as estimated costs, forecasts and feasibility) of the aforesaid project as at the date of this announcement.</p> <p>The Company will release an update announcement as and when material developments occur in relation to this future project.</p> <p>The Independent Directors, Mr Chim Suan Kit Mark, Mdm Yu Lihong, Mr Low Ka Choon Kevin and Mr Lau Yan Wai (the "Independent Directors") have no comments in relation to the above as they relate to the management and operations of the Company's subsidiaries.</p>
<p>(3) Are there concerns or disagreements which should be brought to the attention of shareholders?</p>	<p>Mr Koh is of the opinion that there are no concerns or disagreements which should be brought to the attention of shareholders.</p> <p>However, the rest of the Board would like to raise the following to shareholders' attention:</p> <ol style="list-style-type: none"> 1. The Company has recently commissioned an internal audit of SMC to review among others, concerns, particularly on the aging of accounts receivables and their collectability. These concerns were also raised by some of the Group's lenders. Mr Koh has responded to the lenders' queries as at the date of this announcement and would like to clarify that the recommendations raised pursuant to the internal audit will be addressed in due course, while provisions will be made for SMC's long outstanding accounts receivables. The Executive Directors are of the opinion that the delayed responses to the queries raised by AC with reference to the IA report are not satisfactory and the responses would not be able to resolve the cashflow management issues that SMC is facing. 2. The rest of the Board differ with Mr Koh on the amount of investment into the smelter by SMC pursuant to the joint venture agreement dated 7 October 2019. Specifically, it has recently come to the attention of the Board that an additional \$3 million is proposed by Mr Koh to be spent and capitalised by SMC, to render the premises on which the smelter will be housed in such condition to enable SMC to rent the land on which the smelter will be constructed and housed to the joint venture company at \$40,000 per month.

(4) Who will be overseeing the executive day-to-day operations as the 2 EDs are proposed to be removed, with the remaining executive member of the board being Exec CM, Mr Koh? Is there any concern on the business continuity?	<p>Mr Koh and the existing key management team (being Mr Foo Say Kit, Mr Lim Soon Wah, Mr Pua Kai Chek and Mr Goh Leng Chye) of the Company will continue overseeing the day-to-day operations. Mr Koh intends to take on the role of CEO (in the immediate term) following the convening of the extraordinary general meeting and until a suitable and experienced candidate to act as Executive Director or CEO of the Company can be identified.</p> <p>Notwithstanding that the Executive Directors are proposed to be removed, Mr Koh believes that the current key management team is capable and well-equipped with the skills and knowledge to continue operations with minimal disruptions.</p> <p>Given that Mr Koh intends to drive the e-waste business as the strategic focus of the Group going forward, Mr Koh has no concerns in relation to business continuity as there is strong government support for e-waste business activities and ample market opportunities for the Company to tap on. Mr Koh will also be managing the operations of the Group's Coating and Manufacturing Business, supported by the key management team (being Mr Foo Say Kit, Mr Lim Soon Wah, Mr Pua Kai Chek) who have been responsible for the overall performance, engineering and technical support of the Coating and Manufacturing Business.</p> <p>The rest of the Board are of the opinion that the Company may face business continuity challenges especially in relation to the Coating and Manufacturing Business which have been helped by the Executive Directors and for which Mr Koh has no relevant industry knowledge or experience. In addition, the Independent Directors note that the Coating and Manufacturing Business have been doing well and growing under the Executive Directors' leadership.</p>
(5) Will there be any changes in the Company's management team?	<p>Save for the changes arising from the Requisition Notice and the search for a suitable candidate to act as Executive Director or CEO of the Company, Mr Koh does not intend to make major changes to the Company's management. The priority of the existing management is to ensure that the Company tides through this period of uncertainty brought about by the Covid-19 measures.</p> <p>The rest of the Board have no comments in relation to the foregoing which relate to Mr Koh's future plans for the Group.</p>
(6) Who introduced Mr Chay and Ms Gn to Mr Koh?	Mr Koh has informed that the Financial Controller of SMC, Mr Qiu Miaojun introduced both Mr Chay and Ms Gn to Mr Koh.

	<p>Mr Koh understands that Mr Qiu came to know the proposed new directors as they were professional advisors to a company at which Mr Qiu was previously employed.</p>
<p>(7) How will the Company ensure the continuity and smooth transition of experience / knowledge of the Company given that almost the entire board is being removed with the exception of Mr Lau Yan Wai (who was newly appointed in Dec 2019)?</p>	<p>Mr Koh has an in-depth understanding of the business requirements in the commodities and resources industry and is actively searching for a suitable candidate to act as Executive Director or CEO of the Company. Mr Koh is familiar with the international trends and the environmental concerns of the different countries in the region. With more than 30 years of experience in the industry, and coupled with the different expertise of the new Board members, Mr Koh is of the opinion that this will be sufficient to ensure continuity and smooth transition for the Company, particularly as the e-waste business will be the strategic focus and direction of the Group moving forward.</p> <p>The rest of the Board are of the opinion that as Mr Koh's industry knowledge and experience is only in the commodities and resources industry, and does not extend to the Company's Coating and Manufacturing Business, there will be challenges to business continuity, as set out in their response to query 4.</p>
<p>(8) There will be only 1 ED in the new Board, being Mr Koh himself. Mr Lau, Mr Chay and Ms Gn are professionals in corporate advisory and law.</p> <p>Can the Board explain the rationale of not having a CEO and having 3 new non-executive directors (Mr Lau was only appointed in Dec 2019) with no relevant industry experience?</p>	<p>With more than 30 years of experience in the commodities and resources industry, Mr Koh is qualified and intends to take on the role of CEO following the convening of the extraordinary general meeting. Mr Koh will be managing all the Group's business segments following the proposed board change and is actively searching for a suitable candidate to act as Executive Director or CEO of the Company.</p> <p>Mr Lau is a practising corporate lawyer and has undertaken continuing sponsor activities for several companies listed on Catalist. He is well-versed in the Catalist rules and would provide valuable advice and support for the Company's future growth plans.</p> <p>Mr Chay was an audit and advisory partner in various multinational accounting firms with more than 20 years of public accounting and transaction advisory experience. He has extensive audit experience of waste management companies listed in Singapore. As the CEO of a boutique corporate advisory firm, he continues to advise private corporates and listed companies on transactions, especially in respect of due diligence, risk management and valuation. Mr Chay has taken on independent directorships and was also appointed as the Chairman for the Audit Committee in a number of listed firms in Singapore. He would be able to guide the Company on financial matters and in accordance with Provision 3.3 of the Code of Corporate Governance 2018 will be appointed as Lead Independent Director in the event that shareholders approve the ordinary resolution for his proposed appointment.</p> <p>Ms Gn has more than 20 years' experience as a corporate lawyer. Ms Gn is currently an Equity Partner in ShookLin & Bok LLP where she actively advises both Main Board and Catalist listed companies, SMEs, MNCs and financial</p>

	<p>institutions on areas of fund raising, IPOs/RTOs/dual listings, mergers and acquisitions, corporate structuring and corporate governance. Ms Gn has experience advising on corporate transactions including acquisitions and due diligence specifically involving e-waste companies in Singapore and has acted as Singapore legal counsel to M&L Holdings Group Limited in relation to its IPO on the Growth Enterprise Market of The Stock Exchange of Hong Kong. M&L Holdings Group Limited is an integrated engineering solutions provider in connection with specialised cutting tools and parts for construction equipment with particular focus on disc cutters. Ms Gn has also advised on the IPO of Kinergy Corporation Limited (engaged in the business of, <i>inter alia</i>, fabrication of precision tool and die) on The Stock Exchange of Hong Kong. Given her experience as independent director of SGX-listed companies, she can provide valuable insights to the firm in terms of corporate activities and corporate governance.</p> <p>Mr Koh believes that the new Board is able to provide guidance to the Company in striving to meet the business strategies and future expansion, if any.</p> <p>The rest of the Board disagree with the foregoing assessment and are of the opinion that there will be challenges to business continuity, as set out in their response to queries 4, 7 and 11.</p>
(9) How will the extensive board change affect the operations of the Group?	<p>Mr Koh will do his best to ensure minimal disruption to the operations of the Group and provide necessary assistance to the new Board of Directors to take over their director duties, as disclosed in the responses to queries 4, 5, 7 and 8 in this regard.</p> <p>The rest of the Board disagree with the foregoing assessment and are of the opinion that the proposed Board change will affect the operations of the Group as a whole, as set out in their response to queries 4, 7 and 11.</p>
(10) Who will assess the suitability of the proposed 2 new directors?	<p>Mr Koh has assessed the suitability of the proposed 2 new directors as elaborated in the response to query 8 and is of the view that they are suitable to be appointed as independent directors, notwithstanding the NC's assessment as provided in the response to query 11.</p> <p>The NC has provided its assessment on the suitability of the new directors in its response to query 11.</p> <p>The Sponsor will be conducting its suitability assessments on the two individuals who are proposed to be new directors of the Company.</p>
(11) What is the NC's and Sponsor's assessment on the efficacy of the board?	<p>The NC's assessment on the efficacy of the proposed new Board is as follows:</p> <ol style="list-style-type: none"> 1. The proposed new Board members do not bring any relevant new expertise or skill to the current Board;

2. Based on past NC and Board assessments, no Board inefficiencies were identified as a result of the Board size, taking into account that Mr Lau Yan Wai was appointed to the Board only in late 2019. Accordingly, the NC does not view the smaller size of the proposed New Board as being able per se to improve Board efficiency in any material way; and
3. The proposed New Board with only 1 representative from the management side (the Executive Chairman), and 3 Independent Directors without industry experience or management knowledge, is lopsided and may reduce the efficacy of the Board.

Taking into account the foregoing, the NC does not recommend the appointment of the proposed new directors to the Board for the reasons set out by Mr Koh.

The Sponsor has yet to commence on its suitability assessment of the two new Independent Directors, being Mr Chay and Ms Gn. Nevertheless, based on the information currently provided to us and set out in the responses above, we note that Mr Chay and Ms Gn, collectively, have appropriate experience in the areas of (a) corporate advisory (including fund raising, legal and accounting matters), (b) being directors of listed companies that are in business segments similar to Sen Yue's, being e-waste management and fabrication of precision tool and die/tool cutting engineering solutions, and (c) managing businesses. Together with Mr Lau, they are expected to be able to contribute to the corporate governance and regulatory requirements of the Group.

On the operational side, based on the information currently provided to us and set out in the responses above, we note that Mr Koh is envisaged to be the sole Executive Director in the new Board, until and when a suitably qualified executive director is added in the future. Mr Koh will need to quickly fill the gaps to be left by the Executive Directors, more pertinently in the areas of industry knowledge and business relationships. Nevertheless, we understand that the current management team which have been with the Group's Malaysian and Indonesian subsidiaries involved in ED coating and tool and die designing and manufacturing for more than 15 years, will remain to support Mr Koh.

Sponsor notes that it is not unusual for a board of a SGX-listed company to consist of one Executive Director and 3 Independent Directors and such arrangement is able to satisfy the board and committee composition requirements of the Code of Corporate Governance and Catalist Rules. Sponsor also notes that an effective board is one where the directors have robust discussions and enquiries, and where each director contributes actively and constructively his/her knowledge, ideas and/or networking/business opportunities. Based on the responses, it appears that there are significant differences in view pertaining to operational matters between Mr Koh and the current directors, and such differences have not been resolved through discussion and enquiries among board members, leading to this requisition

	for a change in the directors pursuant to the Companies Act. Whether the new board will be more or less effective than the current board is a subjective matter and can only be objectively determined after the new board, if such change is approved by shareholders in a general meeting, has been operating for a period of time. However, pending our assessment of suitability on the two individuals proposed to be directors, we do not have any immediate concerns to be raised regarding the efficacy of the board.
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Shareholders are advised to read this announcement and any further announcements by the Company carefully. Shareholders are advised to refrain from taking any action in respect of their securities in the Company which may be prejudicial to their interests, and to exercise caution when dealing in the securities of the Company. In the event of any doubt, Shareholders should consult their stockbrokers, bank managers, solicitors, accountants or other professional advisers.

BY ORDER OF THE BOARD

KOH MIA SENG
Executive Chairman

27 April 2020

This announcement has been prepared by the Company and its contents have been reviewed by the Company's sponsor, PrimePartners Corporate Finance Pte. Ltd. (the "Sponsor") in accordance with Rules 226(2)(b) and 753(2) of the Singapore Exchange Securities Trading Limited (the "SGX-ST") Listing Manual Section B: Rules of Catalyst.

This announcement has not been examined or approved by the SGX-ST. 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. Gillian Goh, Director, Head of Continuing Sponsorship (Mailing Address: 16 Collyer Quay, #10-00 Income at Raffles, Singapore 049318 and Email: sponsorship@ppcf.com.sg).