Sen Yue Holdings Limited
AGM 2024: 21 March 2025

Response to questions raised by SIAS in relation to annual report for FY2024

The board of directors of Sen Yue Holdings Limited (the "**Company**" or "**Sen Yue**", and together with its subsidiaries, the "**Group**") wishes to provide the below response to the questions received from the Securities Investors Association (Singapore) in respect of the annual report for the financial year ended 30 September 2024 ("**FY2024**").

Q1. As noted in the letter to shareholders, the chairman highlighted the group's strategic focus on expanding its resource recovery segment (previously classified as "commodities"). The group is engaged in the treatment and recycling of industrial waste, electronic waste, and lithium-ion batteries, with a particular emphasis on serving the electric vehicle (EV) industry. This expansion aims to position the group as a key enabler of the EV ecosystem's circular economy1.

However, an industry shift in battery chemistry preferences from nickel cobalt manganese (NCM) to lithium iron phosphate (LFP) batteries reduced demand for "black mass' powder. Along with lower cobalt and nickel prices, the segment revenue declined by 63%, from $50.64 million in FY2023 to $18.96 million in FY2024.

To enhance its lithium-ion battery recovery capabilities, the group invested $3.58 million in a new battery processing line. This upgrade increases its monthly processing capacity to 1,000 tonnes and achieves a recovery rate exceeding 95% for waste lithium-ion batteries.

(i) **Can management provide a detailed breakdown of the revenue decline in the resource recovery segment, from $50.64 million to $18.96 million in FY2024, ideally presented in a graphical format such as a waterfall chart, to facilitate a clearer understanding of the key revenue components and year-on-year changes?**

Answer: As disclosed in the Company's annual report, the Resource Recovery segment focuses on the treatment and recycling of industrial waste, electronic waste, and lithium-ion batteries, with a particular emphasis on serving the electric vehicle (EV) industry. In both FY2023 and FY2024, the only revenue component in the Resource Recovery segment was derived from the treatment and recycling of lithium-ion batteries.

(ii) **Was management caught off guard by the industry shift to LFP batteries? How well is the group positioned to capitalise on the potential growth of LFP going forward?**

Answer: The Group's core expertise lies in the treatment and recycling of lithium-ion batteries. While LFP batteries currently have limited recycling value due to their lower metal content, management has been closely monitoring industry developments. The Group remains agile and continues to evaluate new technologies and processes that could enhance the economic viability of recycling LFP batteries, positioning itself to adapt as the market evolves.

(iii) **With the new processing line, what is the group's estimated market share in lithium-ion battery recycling in Singapore? How does the company differentiate itself from competitors in this space?**

Answer: In Singapore, we saw a jump in unit sale of EV by 19.9% from 2021 to 2022[1] and a total 3,634 and 5,468 EVs were registered in 2022 and 2023[2] - a 50% year-on-year growth. Industry projections indicate that EV unit sales will grow at a CAGR of 7.13%, reaching approximately 4,710 units annually by 2029. Given the typical EV battery lifespan of around 8 years[3], we anticipate that partially spent EV batteries will begin entering the recycling market within the next five years.

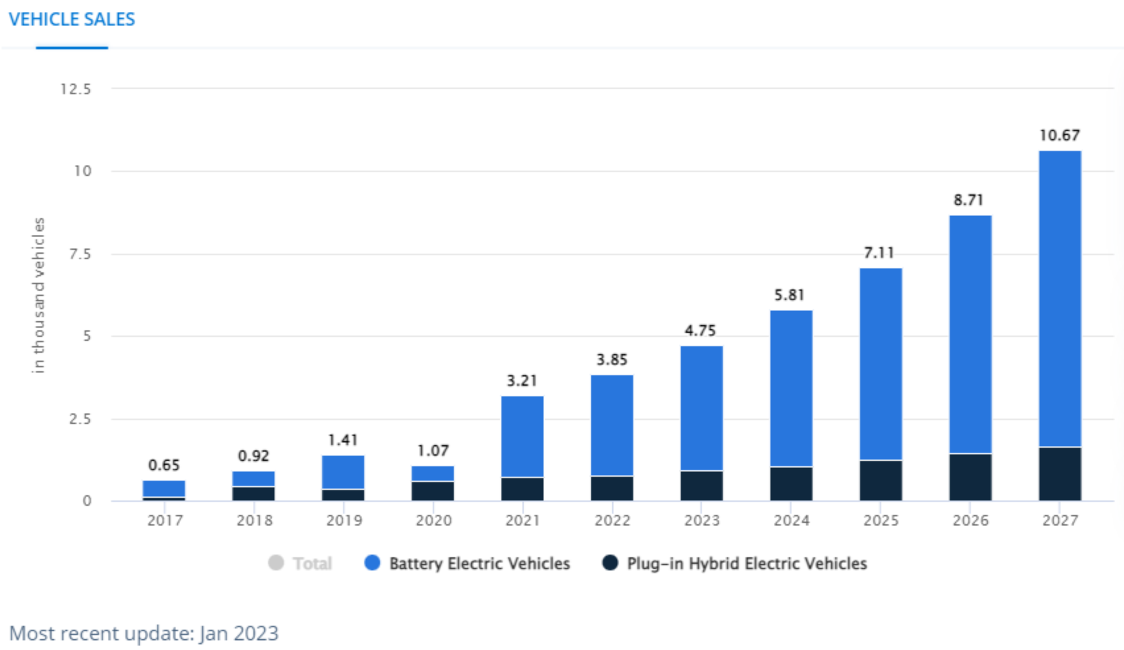

Figure: EV Market Unit Sales[1]

While there is currently no publicly available data on market share for lithium-ion battery recycling in Singapore, the Group is of the view that with our current processing capability in lithium-ion battery recycling, we are strategically positioned to be a key player in the Singapore market. To further enhance our competitiveness, the Group has commissioned the new battery processing line in FY2024 to enable us to handle complex battery chemistries efficiently and increase our processing capacity.

Beyond technical capabilities, the Group is actively exploring building a comprehensive battery recycling ecosystem in Singapore. We believe this proactive approach is essential not only to support sustainability efforts but also to capture future market opportunities as the volume of end-of-life EV batteries increases.

[1] Electric Vehicles – Singapore: https://www.statista.com/outlook/mmo/electric-vehicles/singapore
[2] Number of registered electric vehicles (EVs) in Singapore from 2022 to 2023: https://www.statista.com/statistics/1460627/singapore-ev-registrations/
[3] Electric Car Battery Life: Everything You Need to Know. Car and Driver: https://www.caranddriver.com/research/a31875141/electric-car-battery-life/

(iv) **Are the metal components and electrodeposition (ED) coating segments receiving adequate management attention and capital investments to drive long-term growth?**

Answer: The ED Coating segment is in the maturity phase of its industry life cycle. To enhance our product offerings and remain competitive, the Group has invested in new production capabilities, including expanding into hot-dip galvanizing, as announced in the Company's full year results announcement dated 23 February 2023. This investment reflects our commitment to strengthening this segment and supporting long-term growth.

The Metal Components segment is in the decline phase of its industry life cycle. While the Group remains attentive to operational efficiency in this segment, further significant investments may not align with our strategic priorities. We continue to evaluate opportunities to optimise this business while focusing resources on areas with stronger growth potential.

Q2. Trading in the company's shares has been suspended since 4 May 2020. In May 2024, the company withdrew a prior resumption proposal, which was originally submitted in August 2023.

On 5 June 2024, the company obtained a no-objection letter from SGX to submit a new trading resumption proposal by 3 May 2025.

(i) **What specific progress has been made in finalising the new trading resumption proposal? What is the expected timeline for submission and regulatory approval? Beyond meeting SGX's formal resumption requirements, how is the company working to restore investor confidence?**

Answer: As announced on 7 May 2024, the Company is required to submit a fresh resumption proposal once there is clarity on the implication of the on-going investigation by the Monetary Authority of Singapore ("**MAS Investigation**") on its operations, business, board and key management. As disclosed in Note 2 of the Company's FY2024 annual report, and based on the available information, the management believes that the MAS Investigation is focused on the events which took place during the period of judicial management.

The Company has been actively following up on the status of the MAS Investigation but is not aware of any material development in the MAS Investigation to date. While the investigation remains ongoing, the Company will make further announcements on SGXNet as and when there is any material development on the new trading resumption proposal and/or the investigation.

The Group's trading suspension was primarily due to a going concern issue related to SMC Industrial Pte Ltd ("**SMCI**"), which subsequently led to both SMCI and the Company being placed under judicial management since May 2021. Since then, the Group has made substantial progress in overcoming key challenges and achieving critical milestones, reflecting a clear trajectory towards business normalisation and sustainable growth. These milestones are summarised as follows:

(a) **Debt Restructuring:**
To address the financial challenges, the Company and SMCI restructured its debts through a scheme of arrangement pursuant to Section 210 of the Companies Act 1967 read with Section 117 of the Insolvency, Restructuring and Dissolution Act 2018 (the "**Schemes**"). Pursuant to the Schemes, unsecured creditors without guarantee claims and unsecured creditors with guarantee have accepted a 50% and 25% reduction, respectively, from the total approved claims, and each of the aforesaid creditors shall be repaid in two tranches.

(b) **Judicial Management Discharge:**
The judicial management order placed on the Company and SMCI was discharged on 17 August 2022, signifying a major milestone in the turnaround process.

(c) **Capital Raising:**
The Group has successfully raised capital through a subscription agreement with white knight investors, securing an aggregate cash consideration of S$9.02 million by November 2022.

(d) **Schemes Completion:**
The Company and SMCI had completed the repayment of the Schemes, amounting to approximately S$14.07 million. Accordingly, the Scheme of Arrangement was terminated and discharged upon the final cash payment distributed to the Scheme Creditors on 29 September 2023.

(e) **Financial Strength:**
As at 30 September 2024, the Group's balance sheet remained sound and recorded positive working capital of S$7.13 million and net assets of S$$23.66 million.

(f) **Operational Progress – Lithium-Ion Battery Recycling:**
With the Group's new battery processing line, SMCI has emerged as one of the key players in Singapore for recovering and recycling spent lithium-ion batteries, capable of handling complex battery chemistries efficiently. The refined metals, including lithium, cobalt, manganese, and nickel, are now being utilized as raw materials for battery manufacturing.

(g) **Business Sustainability:**
As at the date hereof, there are no material factors or circumstances indicating that the Group is unable to preserve and maintain its revenue streams from its business operations over the next 12 months.

(ii) **Are there outstanding legal matters, regulatory investigations, or governance issues that could impact the company's ability to meet SGX's requirements for the resumption of trading?**

Answer: To the best knowledge of the Board, as at this juncture, there are no outstanding legal matters, regulatory investigations, or governance issues other than those disclosed in the Company's announcement on 7 May 2024 and 14 April 2024.

(iii) **How have the independent directors ensured that minority shareholders' interests are safeguarded throughout the suspension period?**

Answer: The independent directors' (ID) role remains largely the same notwithstanding the current suspension, i.e., amongst their other roles as directors of the Company (including monitoring the Group's financial integrity and performance), the independent directors have continued to exercise independent oversight to ensure shareholders' rights and corporate governance standards have been maintained. These also include discharging the duties as members of the various sub-committees of the board.

That being the case, the IDs are cognizant of the fact that it is in the Company's and the minority shareholders' interest that trading of the Company's share be resumed. In this regard, prior to the MAS Investigation, the IDs had assisted the Company in preparing, reviewing and submitting an application for the resumption of trade. As explained above, due to the MAS Investigation, the application had to be withdrawn. Given that the MAS Investigation is ongoing, there is presently no expected timeline for the submission. The Company will make further announcements on SGXNet as and when there is any material development on the new trading resumption proposal.

(iv) **Separately, can the company confirm whether it has received the listing and quotation notice from SGX-ST for the new share issuances, specifically the 503,750,000 subscription shares issued to Jiangmenshi Changxin Technology Limited and Mr Di Lingbin on 23 November 2022, and the 1,750,000,000 subscription shares issued to Electroloy on 5 August 2022?**

Answer: When appropriate, the Company will apply for the listing and quotation of new shares issued on 5 August 2022 and 23 November 2022 concurrently with the new application for the resumption of trading in the Company's securities.

Q3. On 7 March 2025, the company announced that Deloitte & Touche LLP ("**Deloitte**"), its external auditor, will not seek re-appointment at the upcoming annual general meeting.

For the avoidance of doubt, Deloitte has stated that its decision "did not arise from circumstances that should be brought to the attention of the company's shareholders."

(i) Can the board or audit committee help shareholders better understand the underlying reasons for the external auditor to step down? Were there differences in opinion on accounting treatments, audit scope, or fees that influenced this decision?

Answer: The Company was unable to reach an agreement on audit fees with the external auditors during their assessment for re-appointment. Apart from this, there are no other matters that have been brought to the attention of the Audit Committee.

(ii) What specific criteria is the board using to select a new auditor? What measures are in place to ensure a seamless transition and prevent any disruptions to audit quality?

Answer: The Company is currently meeting with and assessing potential auditors to replace the outgoing external auditors. With reference to the Audit Quality Indicators Disclosure Framework issued by ACRA, the assessment criteria will focus on the following:

- Suitability, independence, and relevant track record;
- Outcome of Quality Control Review Process pursuant to Part 5A of the Accountants Act 2004;
- Outcome in the latest Practice Monitoring Programme carried out by ACRA;
- Adequacy of resources and experience, including the years of experience of the core audit service team and fee structure;
- Diversification of audit clientele to ensure broad industry expertise; and
- Global presence, particularly in the Asia-Pacific region.

An extraordinary general meeting will be convened in due course to seek shareholders' approval for the appointment of the new auditors. Information on the proposed auditors and the audit engagement partner will be provided in the circular.

It is also noted that the chairman of the audit committee, Mr Lim Chong Huat, announced his retirement from the board with effect from 21 March 2025, after approximately one year in the role. The director was first appointed on 1 February 2024.

The reason cited for the director's retirement was to "focus on pursuing other corporate endeavours". It is further noted that the director remains on the boards of two other SGX-listed companies.

The company also disclosed that the cessation of the director will result in the audit committee falling below the required minimum of three members.

(iii) How was the exit interview for the director conducted and what were the key findings? Did the sponsor assess whether his resignation reflects broader governance or operational concerns especially given his short tenure?

Answer: The exit interview for the director was conducted by the continuing sponsor and the details of his resignation, as announced on SGXNet, had been reviewed and cleared by the continuing sponsor. Apart from the reasons disclosed in Mr. Lim's cessation announcement, there are no other key findings or material reasons regarding his decision not to seek re-election.

(iv) How is the board or nominating committee improving its search, evaluation, and succession planning to ensure board stability and continuity?

Answer: As outlined in Provision 4.3 of the Company's Corporate Governance Report, the Nominating Committee (NC) is responsible for identifying and selecting suitable candidates based on the desired qualifications, skill sets, competencies, and experience required to complement the Board's existing attributes. The NC will continue to observe its responsibilities as set out in the Company's Corporate Governance Report and the Code of Corporate Governance. To facilitate board stability and continuity, the NC will continue factoring in, *amongst other things*, the candidates' existing engagements, against the broader time commitment required in respect of the candidate's engagement with the Company.

This announcement has been reviewed by the Company's sponsor, SAC Capital Private Limited (the "Sponsor"). It has not been examined or approved by the Singapore Exchange Securities Trading Limited (the "Exchange") and the Exchange assumes no responsibility for the contents of this document, including the correctness of any of the statements or opinions made or reports contained in this document.

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