

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

UPDATE ON INDEPENDENT REVIEW

Capitalised terms not defined herein shall have the meanings ascribed to them in the Company's announcements dated 29 April 2020, 4 May 2020, 15 May 2020 and 22 May 2020 in relation to the Interim Review (the "Announcements").

The Board of Directors (the "**Board**") of Sen Yue Holdings Limited (the "**Company**" together with its subsidiaries the "**Group**") refers to the Announcements, in particular announcement made on 22 May 2020, where concerns were raised in respect of potential relationships that the Executive Chairman of the Company, Mr Koh Mia Seng ("**Mr Koh**"), may have with certain companies that have dealings with the Group. As at the date of this announcement, Foo Kon Tan Advisory Services Pte Ltd ("**FKT**") has:

- (i) undertaken independent background searches and conducted certain data analytics work under the Independent Review; and
- (ii) reviewed the reasonableness of the 180 days credit terms that have been extended by SMC Industrial Pte Ltd ("**SMCI**") to certain customers.

A report has been issued by FKT to the Audit Committee of the Company, setting out its findings based on the work carried out by FKT to date. The Board wishes to update shareholders on the key findings.

Shareholders are advised that the Independent Review is still ongoing, and that the Audit Committee is in the midst of verifying FKT's findings with the management. Additionally, the Board will be convening to provide Mr Koh an opportunity to discuss, review and respond to the findings. Further updates will be provided by the Company when it is available.

A summary of FKT's key findings is as follows:

1. Background of certain customers and individuals

Names of Customers	Nature of relationship links with Mr Koh
Customers in the People's Republic of China ("PRC")	
Foshan City Nanhai District Sea Sheng Waste Materials Recycling Co. Ltd (" FSS ")	<p><u>Shareholding of SMCI Employee in FSS</u></p> <ul style="list-style-type: none">• An employee of SMCI since 2006 who is also a shareholder of the Company as at December 2019 was noted to hold 44% of the paid up capital of FSS. This employee of SMCI would have to report directly and/or indirectly to Mr Koh. <p><u>Ongoing Correspondences of Confidential Information</u></p> <ul style="list-style-type: none">• Email correspondences from an employee of SMCT (as defined below) to Mr Koh had enclosed the management accounts believed to be that of FSS.

<p>Tai Zhou Yi Ze Metal Co., Ltd (“TZY”),</p>	<p><u>Common Relationship between TZY and Employee of SMCI and Shareholder of the Company</u></p> <ul style="list-style-type: none"> • It was noted that a former legal representative of TZY was concurrently an employee of SMCI at the material time; and • The contact person and manager for TZY and one of the Company’s substantial shareholders might be the same person as they share the same name. <p><u>Transfer of Shares in TZY by Mr Koh</u></p> <ul style="list-style-type: none"> • The current registered sole shareholder of TZY who shares the same name as a shareholder of the Company became a shareholder of TZY via a transfer of SMC Holdings Pte Ltd’s entire shareholding in TZY to him. Mr Koh was the sole shareholder of SMC Holdings Pte Ltd at the time. <p><u>Correspondence of Confidential Information</u></p> <ul style="list-style-type: none"> • Management accounts of TZY had been sent to Mr Koh. <p><u>Common relationship between TZY and Joint Venture Partner</u></p> <ul style="list-style-type: none"> • The Company, had on 7 October 2019, announced a Joint Venture for the establishment and operation of a smelting facility; and • One of the Joint Venture Partners was a former legal representative and director of TZY.
<p>Customers in Malaysia</p>	
<p>SMC Technology Sdn Bhd (“SMCT”)</p>	<p><u>Transfer of Shares in SMCT by Mr Koh</u></p> <ul style="list-style-type: none"> • Mr Koh, a major shareholder of SMCT, had transferred all of his shareholdings in SMCT to 3 current employees of SMCT (“Transfer of SMCT Shares”); and • One of the three recipients of the Transfer of SMCT shares was previously employed at SMCI as a management consultant.

	<p><u>Continued Correspondence after Mr Koh's Cessation as SMCT's director</u></p> <ul style="list-style-type: none"> Mr Koh had confirmed during a Board meeting that he had relinquished his directorship in SMCT since February 2019, but laboratory reports on results of goods supplied were still being sent from SMCT to employees of SMCI and Mr Koh.
<p>Customers in Thailand</p>	
<p>Matrade Co. Ld ("Matrade"), is both a customer and supplier of SMCI</p>	<p><u>Relationship between management of Matrade and Mr Koh</u></p> <ul style="list-style-type: none"> Xu Yi Rui, the nephew of Mr Koh, was listed as the assistant manager of Matrade (formerly "SMC (Thailand) Co. Ltd") in the Company's announcement dated 26 November 2015 . <p><u>Relationship between management of Matrade and SMCT</u></p> <ul style="list-style-type: none"> A director and shareholder of Matrade has been working at SMCT's accounts department for some time and would have reported to Mr Koh while he was the managing director of SMCT; and Management accounts and stock listings of Matrade had been sent to Mr Koh.
<p>Thai DD Recycle Co. Ltd ("Thai DD")</p>	<p><u>Sharing of Business Address with Matrade</u></p> <ul style="list-style-type: none"> Matrade and Thai DD, both of which operate in the same trade, share the same business address, which FKT noted to be unusual. <p><u>Request of Confidential Information of Thai DD by Matrade</u></p> <ul style="list-style-type: none"> A director and shareholder of Matrade and an employee of SMCT, had requested for the management accounts of Thai DD from employees of Matrade; and Management accounts and stock listings of Matrade had been sent to Mr Koh.

Based on FKT's review, the information available suggests some existing or close relationship between Mr Koh and the above entities and/or individuals.

2. Potential Financial impact

FKT noted that in view of the relationship between some of the customers below, long credit repayment period, sales with low/negative margins, supplier-customer relationship, there is uncertainty as to the validity of certain sales to these identified targets, and whether the sales were conducted at arm's length. FKT also raised doubts about the collectability of the debts due from certain of these companies.

Customer	Receivables as at 29 February 2020 (\$ million)	% of Total Receivables of SMCI as at 29 February 2020	Additional remarks
FSS ^{(b) (c) (d)}	23.4	50.5	<p>Negative gross profit margin sales were made.^(a)</p> <p>Information available raises doubt that FSS will be able to repay amount fully. The paid-up capital of FSS is RMB 1,010,000 (approximately equivalent to S\$ 203,616). Its financials as at 31 December 2014 shows that its total assets amount to RMB 1,557,801 (approximately equivalent to S\$314,052) while its total liabilities amount to RMB 1,039,106 (approximately equivalent to S\$ 209,482).</p> <p>180 days' credit terms were granted to FSS.</p>
TZY	3.5	7.5	Negative gross profit margin sales were made. ^(a)
Fung Jet Logistics, a company incorporated in	0.8	1.7	FJL's paid-up capital is at HK\$10,000 and 180

<p>Hong Kong ("FJL")^(c)</p>			<p>days' credit terms were granted to them.</p> <p>FJL does not appear to have actual operational business addresses and uses its corporate secretarial services providers' office addresses as its registered addresses.</p> <p>Monthly invoicing of certain administrative and management fees were made by SMCI's finance department to a shareholder of FSS who is an employee of SMCI to record in FJL's accounts. This suggests that this FSS shareholder may be controlling FJL.</p>
<p>Mild On International a Limited, company incorporated in Hong Kong ("MOI")^(d)</p>	<p>5.1</p>	<p>11.1</p>	<p>MOI's paid-up capital is at HK\$10,000 and 180 days' credit terms were granted to them.</p> <p>MOI does not appear to have actual operational business addresses and uses its corporate secretarial services providers' office addresses as its registered addresses.</p>
<p>Matrade^(b)</p>	<p>0.9</p>	<p>2.1</p>	<p>Negative gross profit margin sales were made.^(a)</p> <p>It was noted that there was an arrangement where SMCI sold mixed metal (batteries) at cost to Matrade for processing. SMCI</p>

			<p>subsequently repurchased the processed materials from Matrade at a mark-up from the cost. The arrangement was not supported with a contract. In this arrangement, Matrade does not appear to have obtained control over the goods as SMCI has an obligation or a right to repurchase the goods.</p> <p>The sale of goods at cost to Matrade also raises doubt as to whether an unrelated third-party contractor would have agreed to purchase and pay for the materials that he would not have control over. FKT notes that an outsourcing arrangement for a fixed processing fee would have made more commercial sense.</p> <p>It was further noted that the accounts receivables from Matrade are offset against the accounts payables to Matrade in the books of SMCI. SMCI continued to make payments to Matrade for the purchases despite the high net receivables due from Matrade.</p>
Thai DD ^(b)	0.2	0.5	Negative gross profit margin sales were made. ^(a)

SMCT ^(b)	1.2	2.6	Negative gross profit margin sales were made. ^(a)
SK Vision Global Trading, a sole proprietorship registered in Malaysia (“SKV”) ^(b)	0.4	0.9	There is uncertainty if transactions with SKV are genuine transactions as SKV’s business registration had expired when the transactions took place. This raises doubt that the debt due from SKV is collectible.
Total	35.5	76.9	

Notes:

- (a) Based on review of sales transactions from March 2019 to April 2020.
- (b) SMCT, Matrade and Thai DD are both customers and suppliers of SMCI. There were instances of arrangements where SMCI purchased goods from SMCT, Matrade and Thai DD, for sale to FSS and SKV. It was noted that the goods were shipped directly from the suppliers to the customers.
- (c) The “notify party” named in the Bills of Lading of certain shipments to FSS is FJL.
- (d) It was observed that port of discharge indicated on the bill of lading for a shipment to MOI was in Sanshan, Hanhai in China which coincidentally, is the same port of discharge for most shipments of goods to FSS.

3. **Inconsistency and non-disclosure of person occupying a managerial position in the Company and its principal subsidiaries who is a relative of a director or chief executive officer or substantial shareholder of the Company.**

The Company had, in its announcement dated 26 November 2015, disclosed that Xu Yi Rui, the nephew of Mr Koh, held the position of an assistant manager in Matrade since 1 March 2014. The following table lists out the subsequent annual disclosures made by the Company:

Announcement Dated	Disclosure
23 November 2016	None of the persons occupying managerial positions in the Company or any of its principal subsidiaries is related to a director, chief executive officer or substantial shareholder of the Company or its principal subsidiaries.
22 November 2017	
23 November 2018	Xu Yi Rui holds the position of Assistant Manager of SMCI.
25 November 2019	Xu Yi Rui holds the position of Assistant Manager of SMCI since January 2008.

The above table highlights the inconsistencies in the disclosure of the Company, where Xu Yi Rui's position as the Assistant Manager of SMCI had not been disclosed prior to 2018.

4. **Review of Industry Credit Terms**

FKT had undertaken a review of the credit terms extended by SMCI to its PRC customers (180 days) and whether such terms follow the industry practice in the waste management business and/or metal commodities industry.

a) **Waste Management (and recycling)**

In its review, FKT had excluded companies engaged in municipal waste, environmental technologies and water-related waste management. The results show that SMCI's credit terms extended to its PRC customers are higher than the industry average trade debtors turnover days.

b) **Metal Commodities**

In its review, FKT had included two types of metal commodities traders:

- 1) players engaged in the production of the metal commodities (including mining with production activities); and
- 2) players engaged in pure trading.

The results show that metal commodities players had averaged below 180 days for their trade debtor turnover days since 2017. Notwithstanding the industrial average of less than 180 days, FKT noted the wide range of trade debtor turnover days in Asia (e.g. a minimum of 0.10 days to a maximum of 245 days in 2019). FKT had also highlighted that Indonesia, China and Taiwan appear to have lower trade debtor turnover days among Asian countries.

In light of the findings above, the Audit Committee has recommended to the Board and the management of the Company that all trades with the above customers of SMCI should be halted until all investigations are completed satisfactorily. The Review of SMCI's accounts receivables, inventory and bank facilities (including loan covenants) is currently pending the completion of the Independent Review. As the Independent Review is still ongoing and as the Audit Committee and the Board will be taking further actions (as discussed above in the introductory paragraph of this announcement), the Company will release further announcement(s) to update shareholders on the progress of the Review and the Independent Review.

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

NEO GIM KIONG
Executive Director and CEO
18 June 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.

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