SHANAYA LIMITED

(Co. Reg. No. 199804583E)
(Incorporated in the Republic of Singapore)

RESPONSES TO QUESTIONS RECEIVED FROM SECURITIES INVESTORS ASSOCIATION (SINGAPORE) FOR THE ANNUAL GENERAL MEETING TO BE HELD ON 26 APRIL 2024

The Board of Directors (the "**Board**") of Shanaya Limited (the "**Company**", and together with its subsidiaries, the "**Group**") refers to the following questions from the Securities Investors Association (Singapore) regarding the Group's annual report for the financial year ended 31 December 2023 ("**FY2023**") ("**Annual Report**") and would like to provide the following responses:

Question 1

Would the board/management provide greater clarity on the following operational and financial matters? Specifically:

(i) Waste management and disposal services: The group reported revenue of $6.97 million associated with provision of waste management and disposal services. As noted in the statement to shareholders, revenue from cruise waste handling increased by $0.43 million while revenue from cargo ship general waste handling decreased by $0.19 million. Could management provide a breakdown of revenue from cruise, cargo shipping, and other land-based sectors? How many cruise ships did the group serve in 2023? How does the group acquire new customers in the cruise ship segment?

Response:

For commercial sensitivity of information, the Board shall share the Group's revenue breakdown for FY2023 and the financial year ended 31 December 2022 ("**FY2022**") only to the following extent:

Revenue:	FY2023	FY2022	Variance	
	S$'000	S$'000	S$'000	%
Cruise and cargo ship waste handling	4,790	4,549	241	5
Land-based waste handling	1,541	776	765	99

Included in the land-based waste handling revenue was maiden revenue of $0.39 million generated from the Group's construction waste collection and disposal operations which started during FY2023.

According to Singapore Tourism Board's statistics, in FY2023, there were 347[1] cruises called at Singapore port of which Shanaya served 183.

Stakeholder groups include: ship owners/management companies, our port communities, suppliers, government and non-governmental agencies, etc. The Group engages them, as appropriate for referrals and to understand our existing and potential client's preferences and needs.

[1] https://stan.stb.gov.sg/content/dam/stan-portal/documents/tourism-statistics/Time%20Series%20-%20Cruise%20Statistics_2023.xlsx

(ii) Biomedical waste management: The group obtained a temporary approval for a 3-month trial from the National Environment Agency (NEA) that has been extended to 7 May 2024. What are the criteria for obtaining a permanent license from the NEA? What is the estimated size of the market for the incineration and safe disposal of bio-medical waste in Singapore?

Response:

The bio-medical waste treatment process should comply with all applicable requirements and provisions of the Singapore Standard on the Code of Practice for Pollution Control (i.e. SS593:2013), the Code of Practice on Environmental Health, the Environmental Protection and Management Act 1999, the Environmental Public Health Act 1987, the Energy Conservation Act 2012, the Radiation Protection Act 2007. Examples include:

- The chimney height shall comply with the requirements in SS593:2013 of the Code of Practice for Pollution Control.
- The Company needs to install a continuous emission monitoring system ("**CEMS**") to monitor the air emissions from the waste incineration process and link the data to NEA server for real time monitoring and recording.
- Treated wastewater has to meet Public Utility Board's ("**PUB**") standards for the discharge of trade effluent to the public sewer. In addition to that, a specific monitoring equipment comprising a volatile compound monitoring system and an auto-sampler unit need to be installed in the last inspection chamber of the premise for real-time monitoring and recording of the treated wastewater discharge quality.

The Company is in the process of meeting all the relevant regulatory requirements to obtain the permanent license from NEA.

According to the statement from the Ministry of Health, from 2016 to 2020, the amount of biohazardous waste generated and disposed of had increased from 4,400 to 5,700 tonnes (about 5% per annum)[2]. On that basis, it is estimated that 6,000 tonnes of biomedical waste could be available in Singapore for incineration and safe disposal.

(iii) Profitability: The group remained loss making in FY2023, with losses of $(1.1) million (2022: $(1.4) million).

OPERATING & FINANCIAL REVIEW

REVIEW OF STATEMENT OF COMPREHENSIVE INCOME

	Group		
	FY2023 S'000	FY2022 S'000	Change %
Revenue	7,988	7,726	3%
Other income	1,752	310	465%
Amortisation of right-of-use assets	(567)	(526)	8%
Depreciation of property, plant and equipment	(1,313)	(1,191)	10%
Employee benefits expense	(2,150)	(2,003)	7%
Loss allowance on trade receivables	–	(18)	n/m
Other operating expenses	(6,198)	(5,046)	23%
Finance costs	(782)	(658)	19%
Loss before tax	(1,270)	(1,406)	-10%
Income tax credit/(expense)	183	(22)	n/m
Loss for the year, net of tax	(1,087)	(1,428)	-24%

n/m: not meaningful

The increase in "Other income" and "Other operating expenses" are associated with one-off $1.3 million insurance claim and one-off expenditure incurred to repair damage caused by a fire respectively. What are management's priorities in FY2024 to attain profitability?

[2] https://www.moh.gov.sg/news-highlights/details/amount-of-medical-waste-from-hospitals-and-clinics-in-past-year-compared-with-five-years-ago-and-measures-to-reduce-and-manage-such-waste

Response:

Strong topline growth remains the paramount priority of the management towards attaining profitability for the financial year ending 31 December 2024 ("**FY2024**").

On the biomedical waste handling front, the Company's management is working closely and doing all necessary to obtain, soonest possible, the permanent license from NEA for the bio-medical waste treatment and safe disposal. Apart from this, the management is also working on possible collaboration with potential partners to enter new streams of revenue in other various waste handling segments of good potential, including food and organic waste, e-waste and toxic waste management services, targeting largely land-based clients from industrial and commercial sectors.

On the cost front, management is pulling all stops to effectively manage and control the Group's business overheads. The Group routinely reviews its procurement practice to ensure its business spending is more value-driven and well curtailed.

In seeking to enhance its profit margin, the Group will also constantly explore opportunities for recycling a larger portion of the waste materials it has collected through sorting and sifting, thereby reducing the volume of residual waste for disposal at a fee.

Question 2

On 30 December 2023, the company announced a proposed renounceable non- underwritten rights issue on the basis of one rights share for every one existing ordinary share in the capital of the company at an issue price of $0.025 per rights share.

As noted in the announcement, the issue price represents a 50% discount to the volume weighted average price of approximately $0.050 per share and a 33% to the theoretical ex- rights price of $0.0375 per share.

(i) Can the independent directors elaborate further on how the board determined the terms of the proposed rights issue?

Response:

The issue price and the 50% discount have been determined after taking into account, among others, the size of the rights issue, net asset value per share ("**NAVPS**"), the transaction structure, fundraising needs, the prevailing market conditions, and the level of commitment provided under the Irrevocable Undertaking (as defined in the announcement released on 30 December 2023).

Further information on the above can be found in the announcement dated 30 December 2023.

(ii) Given that the group's working capital was negative $90,000 as at 31 December 2023 and the completion of the rights issue expected by June 2024, did the board also consider alternative funding options?

Response:

The Board had also considered alternative funding options including the divestment of certain property, plant and equipment and private placement of shares.

More importantly, it was disclosed that the subscription monies will be used to partially offset against the debts due and owning by the company to the undertaking shareholders. The net proceeds will range from $0.99 million to $1.83 million, after deducting $0.2 million in estimated expenses.

It is noted that the subscribing shareholders are key executives of the group and each holds between 7.02% to 49.12% of the shares.

(iii) Did the independent directors consider that using the subscription monies to offset against debt owed by the company to the undertaking shareholders might be viewed as detrimental to the interest of the minority shareholders given that the rights issue price is heavily discounted at $0.025 per share?

Response:

The independent directors are of the view that using subscription monies to offset against debt owed by the Company to the undertaking shareholders is not detrimental to the interest of the minority shareholders notwithstanding the rights shares are priced at discounts to the volume weighted average trading price of the Company's shares and NAVPS.

The current corporate exercise is not a private placement of shares exclusively extended to the undertaking shareholders which would provide them with an advantage to subscribe for new shares to increase their shareholdings disproportionately over other shareholders. Instead, it is a rights issue exercise where all existing shareholders (including the undertaking shareholders) are simultaneously given a fair opportunity to exercise their shareholder rights to maintain their shareholdings post-rights issue by subscribing fully for their respective rights entitlement. The undertaking shareholders would only be able to subscribe for excess rights shares by way of partial debt offset in the event that minority shareholders choose not to subscribe for their rights entitlement.

Further, allowing the undertaking shareholders to partially offset the debts owed to them by the Company pursuant to the rights issue is in the interest of the Company as it will help the Company to reduce its liability to the undertaking shareholders.

(iv) In addition, is there a risk that SGX-ST and/or Securities Industry Council ("**SIC**") could interpret the debt offset as part of a multi-stage reverse takeover, given that the amounts owed were established during the RTO process as deferred consideration?

Response:

The RTO in August 2021 was effected on the basis that the vendors (being the undertaking shareholders in the context of the rights issue) had already obtained prior approval from SIC and shareholders' approval during an EGM for the whitewash waiver. Since the undertaking shareholders' shareholdings in the Company increased to 70.17% upon completion of the RTO with Shitthi Nabesathul Bathuria D/O Abdul Hamid holding 49.12%, she is not bound by the Singapore Code of Takeover Code and Mergers to undertake any further general offer as her shareholding has already crossed the 49% mark. As such, the possibility of "multi-stage reverse takeover" carries no relevance in the Company's context.

The $3.0 million debt amount was termed as a deferred consideration during the RTO in anticipation that the entire cash consideration will be paid to the vendors (being the undertaking shareholders in the context of the rights issue) within 12 months from the date of completion of RTO. However, the settlement due date was deferred subsequently following the entry into supplementary deeds between the vendors (being the undertaking shareholders in the context of the rights issue) and the Company on 30 December 2021 and 29 December 2022 wherein the due date for settlement was deferred to 19 August 2025.

In consideration, the partial debt offset is an alternative mode of payment for rights shares made available to the undertaking shareholders in view of the significant amount of subscription monies involved if they were to fulfil their respective undertaking, as well as to reduce the Company's outstanding liabilities towards these shareholders.

(v) Would the independent directors be reviewing the proposed terms of the rights issue to ensure that it is fair and reasonable, especially to minority shareholders?

Response:

The independent directors have reviewed the proposed terms of the rights issue and are of the view that it is fair and reasonable, especially to minority shareholders.

(vi) What progress has been made in preparing the Offer Information Statement, obtaining SGX-ST's approval and securing a whitewash waiver from the SIC?

Response:

Please refer to the corrigendum announcement released on 24 April 2024 where it was clarified that no whitewash waiver is required from SIC. The Company aims to submit the Offer Information Statement in May 2024

Question 3

On 9 December 2021, the company announced that a fire incident had occurred on 8 December 2021 at approximately 11.30 p.m. at the group's general waste management facility located at 3A Tuas South Street 15, Singapore 636845.

Based on preliminary assessment, the incident caused limited damage to certain section of the Tuas Facility's general waste sorting area and certain machinery. Restoration works were completed by April 2023 and the group received claim from insurance of $1.3 million, having incurred $1.3 million one-off expenses to repair the fire damage.

(i) Did the board conduct a review of the fire incident at the group's general waste management facility on 8 December 2021 to determine the root cause of the fire?

Response:

With the help of Singapore Civil Defence Force ("**SCDF**") officers in their investigation of the fire, the Board was notified that spontaneous ignition by some lithium-ion batteries from e-waste could have caused the fire incident at the Group's general waste management facility.

(ii) What specific preventive measures have been implemented to prevent similar incidents in the future?

Response:

Additional manpower has been placed to sort incoming e-waste immediately upon arrival at the Group's Tuas premises. 2 staff are currently deployed for daily night duties to ensure that no incoming waste is left unattended.

(iii) What enhancements or upgrades have been made to the facility's operational infrastructure following the fire incident?

Response:

Following the fire incident, all e-waste collected at the Group's premises are immediately sorted and placed in a safe designated area. Batteries will be detached and stored in a safe and designated area. Waste collected during the day is duly sorted and disposed of on a regular basis. All recyclable waste is placed in metal containers and delivered to downstream recycling partner's facility for further recycling process on regular basis. Daily site inspection is carried out during handover of shift duties by executives. A fire safety manager is appointed to monitor and advise on the workplace health and safety related matters for management's review.

By Order of the Board

Mohamed Gani Mohamed Ansari
Executive Director & Chief Executive Officer

25 April 2024

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