

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

RESPONSES TO 3RD ROUND OF 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 announcements dated 21 April 2020, 27 April 2020, 29 April 2020, 4 May 2020 and 15 May 2020 in relation to the Requisition Notice and Interim Review (the "**Announcements**").*

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 18 May 2020 received further queries from the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") in relation to the Announcements. The queries and the Company's responses are set out below.

Queries	Company's Responses
1) Disclosure of the internal auditor's (the " IA ") key findings, risk, recommendations, and the Company's follow-up plans	<p>As disclosed in the Company's response to query 2(c) in its announcement of 29 April 2020, the internal audit findings ("IA Findings") on SMC comprised 2 "high" and 5 "medium" risk findings as follows:</p> <p>High risk</p> <ol style="list-style-type: none"> 1) Significant overdue accounts receivables ("AR") 2) Lack of clarity over the terms of the Joint Venture Agreement <p>Medium risk</p> <ol style="list-style-type: none"> 1) Weaknesses in procurement processes; 2) Supplier invoice not invalidated upon payment; 3) Absence of documented approval for trade procurement price; 4) Expense claims not clearly substantiated; and 5) Policies and procedures to be updated and/or formally adopted <p>The key findings, recommendations and SMC's follow-up plans for the "high" risk matters are as follows:</p> <p>A. Significant overdue accounts receivables</p> <p><u>Key Findings</u></p> <p>Overdue AR balances amounted for 42% of the total accounts receivables as at 29 February 2020. The overdue AR balance comprises customers who have been granted 180-day credit terms. Delays in collection of overdue receivables may lead to liquidity issues and increase credit loss risk, which may result in a possible breach of loan covenants.</p> <p><u>Recommendations:</u></p> <ol style="list-style-type: none"> (i) Additional orders from customers with overdue AR should not be processed to minimise exposure (ii) Establishment of repayment schemes by customers with overdue AR

	<p>(iii) Review of AR for collectability and make necessary provisions in accordance with accounting standards</p> <p>(iv) Implementation of suggested checks and balances to evaluate granting of credit limits</p> <p>(v) Conduct annual credit re-evaluation of existing customers</p> <p><u>SMC's actions</u></p> <p>After the issue of the draft IA report on 17 April 2020, SMC has reduced sales to customers with overdue AR to a minimum, taking into account the amounts collected from such customers or subject certain customers on cash basis. Mr Koh Mia Seng is of the view that a minimum amount of sales is required for the Group to maintain presence in the Chinese market. SMC has been following up with its customers closely for payment and will continue to do so, including making requests for full repayment of outstanding amounts for those less than 120 days overdue ARs, and repayment plans from customers with more than 120 days overdue in light of the large amounts concerned. In addition, the management of SMC has been reviewing the collectability of the overdue AR and will be making a provision of credit loss of accounts receivables in the HY2020 Results to be announced, as disclosed in the Company's announcement dated 27 April 2020. The provision of credit loss of accounts receivables and any consequential impact on loan covenants shall be subject to review by an accounting firm.</p> <p>B. Lack of clarity over the terms of the Joint Venture Agreement</p> <p><u>Key findings</u></p> <p>There are differences in opinion by the Board on the interpretation of the cash outlay required for the establishment of the smelter by SMC.</p> <p><u>Recommendation</u></p> <p>Management and Board to seek legal advice to clarify their understanding of the terms of the Joint Venture Agreement.</p> <p><u>Company's actions</u></p> <p>As the completion of the smelter project has been delayed due to the Covid-19 outbreak as disclosed in the Company's announcement of 1 April 2020, further clarification will be sought from the legal advisors prior to completion, and the management will prepare a proposal with regards to any additional cost to be borne by the Group for the Board's consideration.</p>
2) Disclose that the Company has received 2 feedbacks:	N.A.

(i) State what do the feedbacks relate to;	<p>The 2 feedbacks received were in relation to:</p> <p>(a) Concerns raised that employees will not be paid as SMC Industrial Pte Ltd is loss making but overseas business seems to be doing well. Additionally, there should be closer scrutiny on the financials of the Company; and</p> <p>(b) Concerns raised in respect of potential relationships that the Executive Chairman of the Company may have with certain companies that have dealings with the Group.</p>
(ii) Steps taken by the Audit Committee (the “AC”)	<p>Based on the the IA Findings as elaborated in response to question 1 above, AC concluded that the IA did not note late payment issues to trade suppliers or employees, which was the main subject of the first concern raised. AC is of the view that the first concern raised in question 2(i) relating to non-payment issues to employees are unsubstantiated.</p> <p>AC has commissioned FKT to conduct an independent review in respect of the second concern raised in question 2(i) (the “Independent Review”).</p>
(iii) Engagement of Foo Kon Tan Advisory Services Pte Ltd (“FKT”) for independent Review of the feedbacks and the scope.	<p>As disclosed in the Company’s announcement dated 15 May 2020, FKT was engaged to undertake the Independent Review. The scope of the Independent Review involves background searches and data analytics. The Company shall provide further updates on the Independent Review in due course.</p>
3) More details relating to the Review and the feedback will be disclosed in the shareholders’ circular for the upcoming EGM, as part of the Company’s update to shareholders.	<p>The Company notes the SGX-ST’s request and will be disclosing the feedbacks and the progress of the Review and the Independent Review in the circular to be issued to shareholders.</p>
4) Update shareholders that Deloitte & Touche LLP will not be conducting the Review and state which auditors will conduct the Review.	<p>As announced on 15 May 2020, Deloitte & Touche LLP, the Company’s external auditors, have declined to undertake the Review. The AC is currently in negotiations with another accounting firm to conduct the Review.</p>

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

22 May 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 Catalist.

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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