CIRCULAR DATED 7 DECEMBER 2016

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. PLEASE READ IT CAREFULLY.

This Circular is issued by Sen Yue Holdings Limited (the "**Company**"). If you are in any doubt about its contents or the action you should take, you should consult your bank manager, stockbroker, solicitor, accountant or other professional adviser immediately.

If you have sold or transferred all your ordinary shares in the capital of the Company held through the Central Depository (Pte) Limited ("**CDP**"), you need not forward this Circular to the purchaser or transferee as CDP will arrange for a separate Circular to be sent to the purchaser or transferee. If you have sold or transferred all your ordinary shares which are not deposited with CDP, you should immediately forward this Circular, the Notice of the Extraordinary General Meeting and the attached proxy form to the purchaser or transferee, or to the bank, stockbroker or other agent through whom the sale or transfer of shares was effected for onward transmission to the purchaser or the transferee.

Your attention is drawn to the paragraphs entitled "Risk Factors relating to the Proposed Acquisition" on page 10 of this Circular, and the paragraphs entitled "Risk Factors relating to the Proposed Diversification" on page 20 to page 23 of this Circular, which you should review carefully.

This Circular has been prepared by the Company and its contents have been reviewed by the Company's sponsor, PrimePartners Corporate Finance Pte. Ltd. (the "**Sponsor**") for compliance with the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") Listing Manual Section B: Rules of Catalist. The Sponsor has not verified the contents of this Circular.

This Circular has not been examined or approved by the SGX-ST. The Sponsor and the SGX-ST assume no responsibility for the contents of this Circular, including the accuracy, completeness or correctness of any of the information, statements or opinions made or reports contained in this Circular.

The contact person for the Sponsor is Ms Keng Yeng Pheng, Associate Director, Continuing Sponsorship, at 16 Collyer Quay #10-00 Income at Raffles, Singapore 049318, telephone (65) 6229 8088.

The receipt of the listing and quotation notice of the SGX-ST is not to be taken as an indication of the merits of the Proposed Acquisition (as defined in this Circular), the Consideration Shares (as defined in this Circular), the Company, its subsidiaries and/or their securities.

SEN YUE HOLDINGS LIMITED

(formerly known as PNE Micron Holdings Ltd)

(Company Registration No. 200105909M)
(Incorporated in the Republic of Singapore)

CIRCULAR TO THE SHAREHOLDERS

in relation to

A. THE PROPOSED ACQUISITION OF THE BALANCE 50% OF THE TOTAL ISSUED AND PAID-UP SHARES OF SMC INDUSTRIAL PTE LTD AS AN INTERESTED PERSON TRANSACTION AND A MAJOR TRANSACTION;

B. THE PROPOSED ALLOTMENT AND ISSUE OF 226,470,588 CONSIDERATION SHARES AT THE ISSUE PRICE OF S$0.034 FOR EACH CONSIDERATION SHARE IN PARTIAL SATISFACTION OF THE PURCHASE CONSIDERATION FOR THE PROPOSED ACQUISITION;

C. THE PROPOSED WHITEWASH RESOLUTION; AND

D. THE PROPOSED DIVERSIFICATION OF THE GROUP'S BUSINESS TO INCLUDE THE WASTE MANAGEMENT BUSINESS.

INDEPENDENT FINANCIAL ADVISER IN RESPECT OF THE PROPOSED ACQUISITION AND THE PROPOSED WHITEWASH RESOLUTION

Xandar Capital Pte. Ltd.

(Company Registration No. 200002789M)
(Incorporated in the Republic of Singapore)

IMPORTANT DATES AND TIMES

Last date and time for lodgement of proxy form	:	20 December 2016 at 10.30 a.m.
Date and time of Extraordinary General Meeting	:	22 December 2016 at 10.30 a.m.
Place of Extraordinary General Meeting	:	16 Tuas Avenue 20, Singapore 638827

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NOTICE OF EXTRAORDINARY GENERAL MEETING N-1

PROXY FORM

In this Circular, the following definitions shall apply throughout unless the context otherwise requires or unless otherwise stated:

"Act" or **"Companies Act"**	:	The Companies Act (Chapter 50) of Singapore, as may be amended, modified or supplemented from time to time
"Associate"	:	(a) In relation to any director, chief executive officer, Substantial Shareholder or Controlling Shareholder (being an individual) means: (i) his immediate family; (ii) the trustees of any trust of which he or his immediate family is a beneficiary or, in the case of a discretionary trust, is a discretionary object; and (iii) any company in which he and his immediate family together (directly or indirectly) have an interest of 30.0% or more (b) In relation to a Substantial Shareholder or a Controlling Shareholder (being a company) means any other company which is its subsidiary or holding company or is a subsidiary of such holding company or one in the equity of which it and/or such other company or companies taken together (directly or indirectly) have an interest of 30.0% or more
"Board"	:	The Board of Directors of the Company as at the Latest Practicable Date
"Catalist"	:	The sponsor-supervised listing platform of the SGX-ST
"Catalist Rules"	:	The SGX-ST Listing Manual (Section B: Rule of Catalist), as amended, modified or supplemented from time to time
"CDP"	:	The Central Depository (Pte) Limited
"Circular"	:	This circular to Shareholders dated 7 December 2016
"Code"	:	The Singapore Code on Take-overs and Mergers
"Company"	:	Sen Yue Holdings Limited
"Completion"	:	The completion of the Proposed Acquisition in accordance with the terms and conditions of the SPA
"Completion Date"	:	The date on which Completion occurs, which has the meaning ascribed to it in Section 2.4 of this Circular entitled "Completion"
"Consideration Shares"	:	226,470,588 new Shares to be allotted and issued to the Vendor at an issue price of S$0.034 per Share in partial satisfaction of the Purchase Consideration (fractional entitlements disregarded), which when issued, will rank *pari passu* in all respects with the then existing Shares save for any rights, benefits, dividends and entitlements, the record date for which falls on or before the date of issue of the Consideration Shares

"Controlling Shareholder"	:	A person (including a corporation) who: (a) holds directly or indirectly 15.0% or more of the issued Shares (excluding treasury shares) of the Company (unless otherwise determined by the SGX-ST); or (b) in fact exercises Control over the Company
"Control"	:	The capacity to dominate decision-making, directly or indirectly, in relation to the financial and operating policies of the Company
"Directors"	:	The directors of the Company as at the Latest Practicable Date
"EGM"	:	The extraordinary general meeting of the Company to be held on 22 December 2016 at 10.30 a.m., notice of which is set out on page N-1 of this Circular
"EPS"	:	Earnings per Share
"FY"	:	The financial year ended or ending 30 September
"Group"	:	The Company and its subsidiaries, collectively
"HY2016"	:	The financial half year ended 31 March 2016
"IFA" or "Independent Financial Adviser"	:	Xandar Capital Pte. Ltd., the independent financial adviser in respect of the Proposed Acquisition and the Proposed Whitewash Resolution
"Independent Directors"	:	Directors who are considered independent for the purposes of making the recommendations in respect of the Proposed Acquisition, the proposed allotment and issuance of the Consideration Shares and the Proposed Whitewash Resolution, being Mr Neo Gim Kiong, Mr Liew Nyok Wah, Mr Kevin Norbert Scully, Ms Yu Lihong and Mr Low Ka Choon Kevin
"Independent Shareholders"	:	Shareholders of the Company who are deemed independent of the Vendor and his Concert Parties for the purpose of the Proposed Acquisition, the proposed allotment and issue of the Consideration Shares and the Proposed Whitewash Resolution
"Initial Acquisition"	:	Has the meaning ascribed to it in Section 2.1 of this Circular entitled "Information on SMC and the Vendor"
"Latest Practicable Date"	:	The latest practicable date prior to the printing of this Circular, being 24 November 2016
"LQN"	:	Listing and quotation notice
"Notice of EGM"	:	The notice of EGM as set out on page N-1 of this Circular
"NTA"	:	Net tangible assets
"Ordinary Resolution"	:	A resolution passed by a simple majority of the Shareholders present and voting in person or by proxy at a general meeting of the Company

"Project"	:	Has the meaning ascribed to it in Section 10.2 of this Circular entitled "Business activities relating to the Proposed Diversification"
"Proposed Acquisition"	:	The proposed acquisition of the Sale Shares by the Company from the Vendor on and subject to the terms and conditions of the SPA
"Proposed Diversification"	:	The proposed diversification of the Group's business into the waste management business, including the provision of waste management solutions, the collection, transport, handling, treatment, management and disposal of commercial, hazardous, electronic and industrial waste and metal scraps, the recycling and trading of metal scraps and electronic waste, and materials recovery
"Proposed Transactions"	:	The Proposed Acquisition, the proposed allotment and issue of the Consideration Shares, the Proposed Whitewash Resolution and the Proposed Diversification
"Proposed Whitewash Resolution"	:	The proposed Ordinary Resolution for the Independent Shareholders to waive their rights to receive a mandatory general offer from the Vendor and his Concert Parties for all the Shares or new Shares as the case may be, in issue and not already owned, controlled or agreed to be acquired by the Vendor and his Concert Parties following the allotment and issue of the Consideration Shares
"Purchase Consideration"	:	The aggregate consideration of S$8.9 million payable by the Company for the Proposed Acquisition, to be satisfied by (i) the allotment and issuance of the Consideration Shares totalling S$7.7 million; and (ii) the cash payment of S$1.2 million by way of cheque
"Sale Shares"	:	4,000,000 ordinary shares in the capital of SMC, representing the balance 50% of the total issued and paid-up shares of SMC owned by the Vendor
"Securities Account"	:	A securities account maintained by a Depositor with CDP, but does not include a securities sub-account maintained with a Depository Agent
"SFA"	:	The Securities and Future Act (Chapter 289) of Singapore, as amended, modified or supplemented from time to time
"SGX-ST"	:	Singapore Exchange Securities Trading Limited
"Shareholders"	:	Registered holders of Shares except that where the registered holder is CDP, the term of "**Shareholders**" shall, in relation to such Shares and where the context admits, mean the Depositors whose Securities Accounts are credited with Shares
"Shares"	:	Ordinary shares in the share capital of the Company
"SIC"	:	Securities Industry Council of Singapore
"SMC Audited NTA"	:	The audited NTA of SMC as at 30 September 2016
"SMC"	:	SMC Industrial Pte Ltd, a 50%-owned subsidiary of the Company

"SPA"	:	The sale and purchase agreement between the Company and the Vendor dated 11 May 2016 for the sale and purchase of the Sale Shares
"Sponsor"	:	PrimePartners Corporate Finance Pte. Ltd.
"Substantial Shareholder"	:	A person (including a corporation) who holds, directly or indirectly, 5% or more of the total issued Shares (excluding treasury shares) of the Company
"Valuation Report"	:	The valuation report dated 22 July 2016 in respect of the value of the Sale Shares issued by Ernst & Young Solutions LLP
"Valuation Summary Letter"	:	The summary of the Valuation Report dated 22 July 2016 which is set out in Appendix 1 on pages 27 to 30 of this Circular
"Vendor"	:	Mr Koh Mia Seng, the Executive Chairman and Executive Director of the Company
"Vendor's Concert Party Group"	:	Has the meaning ascribed to it in Section 2.2 of this Circular entitled "Purchase Consideration"
"VWAP"	:	Volume-weighted average price
"S$" or **"cents"**	:	Singapore dollar and cents respectively
"%" or **"per cent"**	:	Per centum or percentage

The terms "**Depositor**", "**Depository Agent**" and "**Depository Register**" shall have the same meanings ascribed to them, respectively, in Section 81SF of the SFA.

The term "**Subsidiary**" shall have the same meaning ascribed to it in Section 5 of the Companies Act. The terms "**associated company**", "**entity at risk**", "**interested person**", "**interested person transaction**" and "**major transaction**" shall have the meanings ascribed to them in the Catalist Rules.

The terms "**acting in concert**", "**Concert Parties**" or "**Whitewash Resolution**" shall have the meaning ascribed to them respectively in the Code.

Words importing the singular shall, where applicable, include the plural and *vice versa*, and words importing the masculine gender shall, where applicable, include the feminine and neuter genders and *vice versa*. References to persons shall, where applicable, include corporations.

Any reference in this Circular to any statute or enactment is a reference to that statute or enactment as for the time being amended or re-enacted. Any word or term defined under the Companies Act, the SFA, the Catalist Rules or any statutory modification thereof and used in this Circular shall, where applicable, have the meaning ascribed to it under the Companies Act, the SFA, the Catalist Rules or any statutory modification thereof, as the case may be, unless otherwise provided.

Any reference in this Circular to Shares being allotted to a person includes allotment to CDP for the account of that person.

Any reference to a time of day and to dates in this Circular shall be a reference to Singapore time and dates, unless otherwise stated.

Any discrepancies in the tables included herein between the amounts listed and the totals shown thereof are due to rounding. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

SEN YUE HOLDINGS LIMITED

(formerly known as PNE Micron Holdings Ltd)

(Company Registration No. 200105909M)
(Incorporated in the Republic of Singapore)

Board of Directors:

Mr Koh Mia Seng	(Executive Chairman and Executive Director)
Mr Neo Gim Kiong	(Executive Director and Chief Executive Officer)
Mr Liew Nyok Wah	(Executive Director)
Mr Kevin Norbert Scully	(Lead Independent Non-Executive Director)
Ms Yu Lihong	(Independent Non-Executive Director)
Mr Low Ka Choon Kevin	(Independent Non-Executive Director)

Registered Office:

16 Tuas Avenue 20,
Singapore 638827

Date: 7 December 2016

To: The Shareholders of the Company

Dear Sirs/Madam

A. THE PROPOSED ACQUISITION OF THE BALANCE 50% OF THE TOTAL ISSUED AND PAID-UP SHARES OF SMC INDUSTRIAL PTE LTD AS A INTERESTED PERSON TRANSACTION AND A MAJOR TRANSACTION;

B. THE PROPOSED ALLOTMENT AND ISSUE OF 226,470,588 CONSIDERATION SHARES AT THE ISSUE PRICE OF S$0.034 FOR EACH CONSIDERATION SHARE IN PARTIAL SATISFACTION OF THE PURCHASE CONSIDERATION FOR THE PROPOSED ACQUISITION;

C. THE PROPOSED WHITEWASH RESOLUTION; AND

D. THE PROPOSED DIVERSIFICATION OF THE GROUP'S BUSINESS TO INCLUDE THE WASTE MANAGEMENT BUSINESS

1. INTRODUCTION

On 11 May 2016, the Company announced that it had entered into the SPA with the Vendor for the Proposed Acquisition of the Sale Shares, being the balance 50% of the total issued and paid-up shares of SMC owned by the Vendor. The Proposed Acquisition will result in SMC becoming a wholly-owned subsidiary of the Company.

The Directors are convening an EGM to seek Shareholders' approval for the following Proposed Transactions:

(a) The Proposed Acquisition;

(b) The proposed allotment and issue of the Consideration Shares to the Vendor in partial satisfaction of the Purchase Consideration;

(c) The Proposed Whitewash Resolution; and

(d) The Proposed Diversification.

The purpose of this Circular is to provide the Shareholders with the relevant information pertaining to the Proposed Transactions to be tabled at the EGM and to seek Shareholders' approval for the Ordinary Resolutions relating to the same. The Notice of EGM is set out on page N-1 of this Circular.

The SGX-ST and the Sponsor assume no responsibility for the contents of this Circular, including the accuracy, completeness or correctness of any of the information, statements or opinions made or reports contained in this Circular.

Shareholders' approval for Ordinary Resolutions 1 (relating to the Proposed Acquisition as an Interested Person Transaction and a major transaction), 2 (relating to the proposed allotment and issue of Consideration Shares) and 3 (relating to the Proposed Whitewash Resolution) are required in order for the Company to effect and complete the Proposed Acquisition and are therefore inter-conditional upon one another. If any of the Ordinary Resolutions 1 to 3 are not approved, the other Ordinary Resolutions will not be duly passed. For the avoidance of doubt, Ordinary Resolution 4 is not conditional upon the passing of any of Ordinary Resolutions 1 to 3.

2. THE PROPOSED ACQUISITION

2.1 Information on SMC and the Vendor

SMC is a company incorporated in Singapore on 18 March 1994 which is principally engaged in the trading of commodities, which include copper, non-ferrous metals and other special alloy. It also collects and handles metal scraps and recycles them for sale as unfinished material, which offers its customers solutions in managing their industrial waste.

As at the Latest Practicable Date, SMC has an issued and paid-up capital of S$8,000,000 comprising 8,000,000 ordinary shares. The entire issued shares of SMC are held by the Company and the Vendor in equal portions, following the Company's acquisition of 50% of the total issued and paid-up shares of SMC pursuant to a sale and purchase agreement dated 2 December 2014 ("**Initial Acquisition**").

SMC currently operates from Singapore and holds the necessary licences, permits and approvals to collect and manage general waste, solid lead oxide materials and insulated cable scrap material, as well as to collect, transport, process and trade metal scraps. SMC also holds the necessary import and export permits to purchase and sell industrial and hazardous waste to the jurisdictions in which its customers are located.

A summary of SMC's financial position and income statement for the period from 1 January 2014 to 30 September 2016 is set out in Appendix 3 on pages 55 to 56 of this Circular.

The Vendor is the founder and managing director of SMC and was appointed as an Executive Director of the Company on 3 March 2015, and is currently the Executive Chairman and Executive Director of the Company. Following the Initial Acquisition, the Vendor acquired 83,000,000 Shares, representing 13.01% of the total issued Shares. As at the Latest Practicable Date, the Vendor holds 142,638,458 Shares, representing 22.36% of the total issued Shares.

2.2 Purchase Consideration

The Purchase Consideration of S$8.9 million for the Proposed Acquisition was arrived at on a willing buyer and willing seller basis, after taking into account, amongst other factors:

(a) the issued and paid-up shares of S$8,000,000 and unaudited net tangible assets of SMC of S$17.80 million as at 31 March 2016; and

(b) the prospects of SMC in the resources industry, as further elaborated in Section 3.2 of this Circular entitled "Rationale and benefits for the Proposed Acquisition".

Subject to the terms of the SPA, the Purchase Consideration for the Proposed Acquisition will be satisfied on Completion in the following manner:-

(i) The sum of S$7.7 million will be settled through the allotment and issuance of 226,470,588 Consideration Shares to the Vendor at the issue price of S$0.034 per Share; and

(ii) The balance sum being the cash consideration of S$1.2 million will be paid by way of cheque to the Vendor, subject to the SMC Audited NTA being not less than S$17,800,000 on the Completion Date. Where the SMC Audited NTA is lower than S$17,800,000, the balance cash consideration payable to the Vendor shall be reduced by the amount of shortfall. The SMC Audited NTA has not been finalised as at the Latest Practicable Date.

The issue price of S$0.034 per Share represents a 78.95% premium to the VWAP of S$0.019 for Shares traded on the Catalist on 10 May 2016, being the market day preceding the date of the SPA. The Consideration Shares (when issued on Completion) represent approximately 35.51% and 26.20% of the existing and enlarged total issued Shares respectively.

Pursuant to Rule 14 of the Code, the Vendor and his Concert Parties (collectively, the "**Vendor's Concert Party Group**") will incur an obligation to make a mandatory general offer for all the remaining issued Shares not already owned, controlled or agreed to be acquired by them, as the Vendor will own approximately 42.71% of the enlarged total issued Shares upon Completion. Under the SPA, it is a condition precedent to Completion that a whitewash waiver in favour of the Vendor's Concert Party Group be granted by the SIC, and that the Independent Shareholders approve the Proposed Whitewash Resolution**.** Please refer to Section 7 of this Circular entitled "The Proposed Whitewash Resolution" for further details.

The payment of the cash consideration of up to S$1.2 million will be financed through the Group's internal resources and bank borrowings.

2.3 **Conditions Precedent**

Completion of the Proposed Acquisition is conditional upon, *inter alia*, the following conditions precedent being fulfilled:

(i) the Company being satisfied in its sole and absolute discretion with the results of the due diligence investigations (whether legal, financial, contractual, tax or otherwise) carried out by the Company in respect of SMC;

(ii) all required consents or approvals as may be necessary from any third party, governmental or regulatory authorities for the Proposed Acquisition being obtained on such conditions acceptable to the Company, prior to the Completion Date;

(iii) the SIC having granted the Vendor's Concert Party Group (and not having revoked or repealed such grant) a waiver of its obligation to make a mandatory general offer under Rule 14 of the Code for the Shares not held by the Vendor's Concert Party Group, and from having to comply with the requirements of Rule 14 of the Code;

(iv) the approval of the Shareholders at the EGM being obtained for, *inter alia*, the Proposed Acquisition as a major transaction and Interested Person Transaction, the proposed allotment and issuance of the Consideration Shares, and the Proposed Whitewash Resolution upon the terms and conditions set out in the SPA;

(v) the receipt of the LQN for the listing of and quotation for all the Consideration Shares on the Catalist being obtained from the SGX-ST;

(vi) the Company having obtained the Valuation Report in respect of the value of the Sale Shares;

(vii) the receipt by the Company of the opinion of the IFA regarding the Proposed Whitewash Resolution and the Proposed Acquisition as an Interested Person Transaction;

(viii) no material contracts, leases, licenses or other similar commercial arrangements of SMC would be terminated or adversely affected as a result of a change in ownership of the Sale Shares;

(ix) the SMC Audited NTA not falling below S$16,600,000;

(x) all representations, warranties and undertakings of the Vendor and the Company being complied with, and being true, accurate and correct in all respects as at the Completion Date;

(xi) the Vendor or the Company not having received notice of any injunction or other order, directive or notice restraining or prohibiting the consummation of the Proposed Acquisition and all ancillary transactions thereto; and

(xii) there being no material adverse change (as reasonably determined by the Company in its sole and absolute discretion) affecting SMC occurring on or before the Completion Date.

2.4 **Completion**

Completion shall take place no later than 1 month after the conditions precedent set out above are fulfilled to the satisfaction of the Company (if not waived by the Company, save for the conditions precedent set out in Sections 2.3(iii) and (ix)) at its discretion, or such other date as the parties may mutually agree ("**Completion Date**").

Where the condition precedent set out in Section 2.3(iii) is not fulfilled, the Vendor's Concert Party Group shall be obliged to make a mandatory general offer for the remaining issued Shares not already owned, controlled or agreed to be acquired by it, in the event that the Vendor elects to proceed with the Proposed Acquisition.

The condition precedent set out in Section 2.3(ix) may not be waived by either party.

If Completion does not take place, the SPA shall *ipso facto* cease and the parties shall have no claims against each other save for (a) antecedent breaches of any representations or undertakings and/or (b) indemnity claims by the Company against the Vendor.

2.5 **Long-stop date**

The long-stop date for the fulfilment of the conditions precedent is 12 months from the date of the SPA, which may be extended upon mutual agreement between the parties.

2.6 **Listing and Quotation Notice**

The Sponsor has submitted an additional listing confirmation to the SGX-ST on behalf of the Company for the listing and quotation of the Consideration Shares on the Catalist.

On 15 November 2016, the Company received the LQN from the SGX-ST for the listing of and quotation for up to 226,470,588 Consideration Shares pursuant to the Proposed Acquisition, subject to the following conditions:

(i) compliance with the SGX-ST's listing requirements; and

(ii) Shareholders' approval being obtained for the Proposed Acquisition at the EGM to be convened.

The LQN is not to be taken as an indication of the merits of the Proposed Acquisition, the Consideration Shares, the Company, its subsidiaries and their securities.

3. RATIONALE AND BENEFITS FOR THE PROPOSED ACQUISITION

3.1 Background

The Group had diversified its business to include the business relating to the trading of coal, commodities and other related products within the energy, minerals and resource sector, which was approved by Shareholders during an extraordinary general meeting held on 22 January 2010.

The Initial Acquisition was considered to be a suitable opportunity for the Group to develop the aforesaid business segment, by diversifying the Group's earnings base with a prudent investment into a Singapore-based entity that would allow the Group to leverage on its listing status to tap the capital markets for capital intensive businesses, backed by assets with a good level of liquidity.

The Initial Acquisition also paved the way for the Company to expand its businesses into the resources industry, which includes environment-related businesses. The Board had taken into account, *inter alia*, the following factors in undertaking the Initial Acquisition:

(i) The ability for the Group to gain competitive advantage through access to the Vendor and/or SMC's resources, including markets, technologies, capital and people;

(ii) Acquiring 50% of SMC was substantially less costly and thus less risky for the Group than the acquisition of the entire issued and paid-up shares of SMC at the onset; and

(iii) The industry knowledge and technical expertise that the Group could derive from the Initial Acquisition in order to facilitate future expansion into the resources industry.

3.2 Rationale and benefits for the Proposed Acquisition

The Group is principally involved in the business of manufacturing and trading of moulds and other metal components, provision of electro-deposition coating services, and sub-assembly of micro-motor on a contract manufacturing basis, mainly in Singapore and Malaysia. Prior to the Initial Acquisition, the core business of the Group has been declining with lower profits due to the shift of its customers' manufacturing base to lower cost territories. The Initial Acquisition has enabled the Company to diversify into the trading of coal, commodities and other related products in the energy, minerals and resource sector, as part of its rejuvenation plans.

The Initial Acquisition resulted in a 50% joint venture between the Company and the Vendor and was intended for the Company to better manage its diversification process via, *inter alia*, adopting a less costly and lower risk approach compared to making a 100% acquisition of SMC at the onset, having regard to the Company's limited financial resources.

The Initial Acquisition has yielded positive results in that for the first financial year after the Initial Acquisition, being FY2015, the Company had reported a profit when it would have reported a loss if the financial contribution from SMC of S$927,376 had been excluded. For FY2016, SMC had reported an unaudited net loss of S$1,547,494 mainly due to the unrealised foreign currency translation loss arising from the devaluation of the Chinese Yuan and the US Dollar against the Singapore Dollar.

The Proposed Acquisition presents the opportunity for the Group to fully acquire SMC and enable the Group to leverage on the core strengths of SMC to expand further into the resource supply chain sector. This would also allow the Group to better position itself as a vertically integrated player in the resources industry for its future growth.

In addition, as the Company and the Vendor currently each own 50% of the total issued shares of SMC, transactions between the Group and SMC will constitute Interested Person Transactions as defined in Chapter 9 of the Catalist Rules. The acquisition of the Sale Shares will eliminate Interested Person Transactions between the Group and SMC, thereby increasing the administrative efficiency of the Group in leveraging upon the resources of SMC. Following Completion, SMC will cease to be an Interested Person for the purpose of Chapter 9 of the Catalist Rules, accordingly future transactions between the Group and SMC will cease to be regarded as Interested Person Transactions.

3.3. **Risk factors relating to the Proposed Acquisition**

At the date of this Circular, SMC is a 50% owned subsidiary of the Company as the Company has the practical ability to direct the relevant activities of SMC unilaterally and accordingly, it has control over SMC. Notwithstanding the aforesaid, the following risk factors will be pertinent to Shareholders following Completion:

Independent Shareholders will face immediate dilution and may experience future dilution to shareholdings

The Proposed Acquisition will result in an immediate dilution to the shareholdings of existing Independent Shareholders upon the allotment and issue of the Consideration Shares (please refer to Section 8 of this Circular entitled "Changes in shareholding structure" for the dilution effects of the Proposed Acquisition). In addition, following Completion, it is possible that the Group may require funding in order to grow and expand its operations. Under such circumstances, secondary issue(s) of securities may be necessary to raise the required capital to develop these growth opportunities. If new Shares are issued and placed to new and/or existing Shareholders, they may be priced at a discount to the prevailing market price of Shares trading on the Catalist, in which case existing Shareholders' equity interest will be further diluted. If the Group fails to utilise the new equity to generate a commensurate increase in earnings, the EPS of the Group will be diluted and this could lead to a decline in the market price of its Shares.

The price of the Shares may fluctuate following the completion of the Proposed Acquisition

The issue price of the Consideration Shares may not be indicative of the price of the Shares that will prevail in the trading market. Volatility in the market price of the Shares may be caused by factors beyond the control of the Group and may be unrelated and disproportionate to the operating results of the Group.

The market price of the Shares may fluctuate significantly and rapidly as a result of, amongst other things, the following factors, some of which are beyond the control of the Group:

(a) changes in significant contracts, acquisitions, strategic alliances or capital commitments;

(b) loss of the Group's major customers or failure to complete significant orders or contracts;

(c) variations in the operating results of the Group;

(d) involvement in litigation;

(e) unforeseen contingent liabilities of the Group;

(f) addition or departure of key personnel of the Group;

(g) loss of important business relationships or adverse financial performance by a significant customer or group of customers;

(h) changes in conditions affecting the industry, the general economic conditions or stock market sentiments or other events or factors; and

(i) changes in general market conditions and broad market fluctuations.

If goodwill arises from the Proposed Acquisition, the impairment of goodwill may materially affect the income statement and financial position of the Group

The Proposed Acquisition upon Completion may result in goodwill being recognised in the financial statements of the Group. The goodwill represents an excess of the consideration transferred arising from the Proposed Acquisition over the fair values of the net identifiable assets and liabilities. The actual goodwill will be determined and accounted for in accordance with the accounting policies of the Group and the relevant accounting standards.

4. VALUE OF THE SALE SHARES

The latest audited book value attributable to the Sale Shares as at 30 September 2015 was approximately S$9.33 million and the net profits attributable to the Sale Shares as at 30 September 2015 were approximately S$463,000.

The Company has commissioned Ernst & Young Solutions LLP to carry out an independent valuation of the Sale Shares as at 31 March 2016. The Company took into consideration Ernst & Young Solutions LLP's prior experience in valuing similar businesses compared to SMC, as well as their reputation in the market when deciding to appoint them for the purposes of the Proposed Acquisition. None of the Vendor, the Directors, the Controlling Shareholders, or their respective Associates has any interest, direct or indirect, in Ernst & Young Solutions LLP.

Based on the Valuation Summary Letter set out in Appendix 1 on pages 27 to 30 of this Circular, the fair market value attributable to the Sale Shares is in the range of S$9.8 million and S$11.4 million based on the discounted cash flow methodology under the income approach. Under this methodology, the projected free cash flows of SMC have been discounted having considered, amongst all relevant risk factors, business size, business environment, stages of growth and riskiness of cash flows.

The Consideration is at a discount to the value attributable to the Sale Shares based on the aforesaid valuation.

5. THE PROPOSED ACQUISITION AS AN INTERESTED PERSON TRANSACTION

5.1 Interested Persons under Chapter 9 of the Catalist Rules

The Vendor is the Executive Chairman, Executive Director and Controlling Shareholder of the Company, holding 142,638,458 Shares representing 22.36% of the total issued Shares as at the Latest Practicable Date. The Vendor is therefore an Interested Person and the Proposed Acquisition is an Interested Person Transaction as defined under Chapter 9 of the Catalist Rules.

5.2 Threshold for Shareholders' approval under Chapter 9 of the Catalist Rules

Pursuant to Rule 906(1) of the Catalist Rules, the Company must obtain Shareholders' approval for any Interested Person Transaction of a value equal to, or more than:

(a) 5% of the Group's latest audited NTA; or

(b) 5% of the Group's latest audited NTA, when aggregated with other transactions entered into with the same interested person during the same financial year.

An IFA is also required to be appointed to advise the Independent Directors in respect of the Proposed Acquisition on whether the transaction is carried out on normal commercial terms and whether it is prejudicial to the interests of the Company and its Independent Shareholders. In this regard, Xandar Capital Pte. Ltd. has been appointed as the IFA.

Please refer to Section 12 of this Circular entitled "Opinion of the Independent Financial Adviser" and Appendix 2 to this Circular for the advice provided by the IFA.

5.3 Value of the Proposed Acquisition as an Interested Person Transaction

The value of the Proposed Acquisition (being the amount at risk to the Company) is the Purchase Consideration of S$8.9 million. Based on the audited consolidated financial statements of the Group for the financial year ended 30 September 2015 ("**FY2015**"), the NTA of the Group is approximately S$24.9 million. As the value of the Proposed Acquisition is approximately 35.7% of the Group's latest audited NTA, the approval of the Independent Shareholders for the Proposed Acquisition has to be obtained at the EGM.

There are no Interested Person Transactions, excluding transactions which are less than S$100,000, entered into by the Group with the Vendor from 1 October 2015 up to and including the Latest Practicable Date.

There are no other Interested Person Transactions, excluding transactions which are less than S$100,000, involving the Group with interested persons other than the Vendor from 1 October 2015 up to and including the Latest Practicable Date.

6. SHAREHOLDERS' APPROVAL REQUIRED UNDER THE CATALIST RULES

6.1 Issue of Consideration Shares to restricted persons under Chapter 8 of the Catalist Rules

The Company is required to seek approval of the Shareholders for the allotment and issue of the Consideration Shares pursuant to Section 161 of the Companies Act and Rule 805(1) of the Catalist Rules, as the Consideration Shares will not be issued pursuant to the general share issue mandate approved by Shareholders at the annual general meeting of the Company held on 25 January 2016.

The allotment and issue of the Consideration Shares also require the approval of Shareholders under Rules 804 and 812(1) of the Catalist Rules.

Rule 804 of the Catalist Rules provides, *inter alia*, that except in the case of an issue made on a *pro rata* basis to shareholders or a share option scheme or a share scheme, no director of an issuer, or associate of the director may participate directly or indirectly in an issue of equity securities or convertible securities, unless shareholders' approval is obtained in a general meeting.

Rule 812(1) of the Catalist Rules provides that an issue must not be placed to any of the following persons:

(a) The issuer's directors and substantial shareholders;

(b) Immediate family members of the directors and substantial shareholders;

(c) Substantial shareholders, related companies (as defined in Section 6 of the Companies Act), associated companies and sister companies of the issuer's substantial shareholders;

(d) Corporations in whose shares the issuer's directors and substantial shareholders have an aggregate interest of at least 10%; or

(e) Any person who, in the opinion of the SGX-ST, falls within category (a) to (d).

Pursuant to Rule 812(2) of the Catalist Rules, Rule 812(1) of the Catalist Rules will not apply if specific Shareholders' approval for the issue of the Consideration Shares is obtained and the Interested Person and its Associates abstain from voting on the resolution approving the Proposed Acquisition. In addition, Rule 803 of the Catalist Rules prohibits the issue of securities to transfer a controlling interest (ie. 15% or more of the total issued and paid-up Shares) without prior Shareholders' approval.

The Vendor is an Executive Director and Controlling Shareholder of the Company. Pursuant to the Proposed Acquisition, 226,470,588 Consideration Shares will be issued to the Vendor, representing 35.51% of the existing issued and paid-up Shares and 26.20% of the enlarged issued and paid-up Shares. The Vendor will therefore hold 42.71% of the enlarged issued and paid-up Shares following Completion.

Accordingly, the Company will be seeking Shareholders' approval for the issue of the Consideration Shares to the Vendor at the EGM.

6.2 **The Proposed Acquisition as a major transaction under Chapter 10 of the Catalist Rules**

The Proposed Acquisition is governed by Chapter 10 of the Catalist Rules. The relative figures computed on the bases set out in Rule 1006 of the Catalist Rules based on the Company's announced unaudited consolidated financial statements are as follows:

Rule	Bases	Relative figures
(a)	The net asset value of the assets to be disposed of, compared with the group's net asset value. This basis is not applicable to an acquisition of assets	Not applicable
(b)	The net profits attributable to the assets acquired or disposed of, compared with the group's net profits[(1)]	39.33%[(2)] 63.28%[(3)]
(c)	The aggregate value of the consideration given or received, compared with the issuer's market capitalisation based on the total number of issued shares excluding treasury shares	82.97%[(4)]
(d)	The number of equity securities issued by the issuer as consideration for an acquisition, compared with the number of equity securities previously in issue	35.51%[(5)]
(e)	Aggregate volume or amount of proved and probable reserved to be disposed of, compared with the aggregate of the Group's proved and probable reserves	Not applicable

Notes:

(1) "Net profits" means profit or loss before income tax, minority interests and extraordinary items

(2) Based on the unaudited net losses before tax attributable to the Sale Shares for HY2016 of S$433,000 and the Group's unaudited consolidated net losses before tax of S$1,101,000 for HY2016.

(3) Based on the unaudited net losses before tax attributable to the Sale Shares for FY2016 of S$779,000 and the Group's unaudited consolidated net losses before tax of S$1,231,000 for FY2016.

(4) Based on the cash consideration of S$1.2 million and the Company's net asset value per share of S$0.0391, being higher than the VWAP per Share of S$0.019, on the 226,470,588 Consideration Shares, and the Company's market capitalisation of S$12,118,380 on its 637,809,450 issued Shares on 10 May 2016 (being the market day preceding the date of the SPA).

(5) Based on 226,470,588 Consideration Shares to be issued to the Vendor on Completion and the existing total issued Shares of 637,809,450.

On the basis of Rule 1006 above, the Proposed Acquisition is a "Major Transaction" as defined in Rule 1014 of the Catalist Rules. Accordingly, the approval of the Shareholders at the EGM is required for the Proposed Acquisition.

7. THE PROPOSED WHITEWASH RESOLUTION

7.1 MANDATORY GENERAL OFFER REQUIREMENT UNDER THE CODE

As at the Latest Practicable Date, the Vendor holds 22.36% of the total issued Shares. Please refer to Section 8 of this Circular entitled "Changes in shareholding structure" for more details on the changes in shareholdings arising from the Proposed Acquisition. No persons are deemed to be the Vendor's Concert Parties as at the Latest Practicable Date and as such, the Vendor's Concert Party Group holds 22.36% of the total issued Shares.

Pursuant to Rule 14 of the Code and Section 139 of the SFA, the Vendor's Concert Party Group will be required to make a mandatory general offer for all the remaining Shares in issue not already owned, controlled or agreed to be acquired by it as the Vendor will own approximately 42.71% of the enlarged total issued Shares upon Completion.

Under Rule 14 of the Code, (a) any person who acquires, whether by a series of transactions over a period of time or not, shares which (taken together with shares held or acquired by persons acting in concert with him) carry 30.0% or more of the voting rights in the Company; or (b) any person who, together with persons acting in concert with him, holds not less than 30.0% but not more than 50.0% of the voting rights in the Company and such person, or any person acting in concert with him, acquires in any period of six (6) months additional shares carrying more than 1.0% of the voting rights, he is required to make a mandatory general offer for all the shares in the Company which he does not already own or control.

It is a condition precedent to the Proposed Acquisition that the SIC grants the Vendor's Concert Party Group, and does not revoke or repeal such grant, a waiver of its obligation to make a mandatory general offer under Rule 14 of the Code and that Independent Shareholders approve at the EGM the Proposed Whitewash Resolution for the waiver of the rights of the Independent Shareholders to receive a mandatory general offer from the Vendor's Concert Party Group, at the highest price paid or agreed to be paid by it for the Shares in the past 6 months, for all the Shares not already owned by the Vendor's Concert Party Group.

7.2 **Conditional waiver of the mandatory general offer requirement by the SIC**

The Vendor had sought a waiver from the SIC of his obligation to make a general offer under Rule 14 of the Code and had also requested that the SIC permit the Company to seek the approval of the Independent Shareholders for the Proposed Whitewash Resolution.

The SIC has on 6 October 2016 granted the Vendor a waiver of the requirement for the Vendor to make a general offer for the Company following the issue of the Consideration Shares to the Vendor, subject to the following conditions:

(i) a majority of holders of voting rights of the Company approve at a general meeting, before the issue of Consideration Shares to the Vendor, the Proposed Whitewash Resolution by way of a poll to waive their rights to receive a general offer from the Vendor;

(ii) the Proposed Whitewash Resolution is separate from other resolutions;

(iii) the Vendor's Concert Party Group and parties not independent of them abstain from voting on the Proposed Whitewash Resolution;

(iv) the Vendor's Concert Party Group did not acquire and are not to acquire, any Shares or instruments convertible into and options in respect of Shares (other than subscriptions for, rights to subscribe for, instruments convertible into or options in respect of new Shares which have been disclosed in this Circular):

  (a) during the period between the announcement of the Proposed Acquisition and the date Shareholders' approval is obtained for the Proposed Whitewash Resolution; and

  (b) in the 6 months prior to the announcement of the Proposed Acquisition, but subsequent to negotiations, discussions or the reaching of understandings or agreements with the directors of the Company in relation to the Proposed Acquisition;

(v) the Company appoints an independent financial adviser to advise the Independent Shareholders on the Proposed Whitewash Resolution;

(vi) the Company sets out clearly in this Circular:

  (a) details of the proposed issue of the Consideration Shares in connection with the Proposed Acquisition;

  (b) the dilution effect to existing Shareholders of voting rights in the Company upon the issue of the Consideration Shares;

(c) the number and percentage of voting rights in the Company as well as the number of instruments convertible into, rights to subscribe for and options in respect of Shares held by the Vendor's Concert Party Group as at the Latest Practicable Date;

(d) the number and percentage of voting rights to be issued to the Vendor's Concert Party Group upon completion of the Proposed Acquisition;

(e) that Shareholders, by voting for the Proposed Whitewash Resolution, are waiving their rights to a general offer from the Vendor at the highest price paid by the Vendor's Concert Party Group for the Shares in the past 6 months preceding the commencement of the offer;

(vii) this Circular states that the waiver granted by the SIC to the Vendor from the requirement to make a general offer under Rule 14 of the Code is subject to the conditions stated in Sections 7.2(i) to (vi) of this Circular;

(viii) the Company obtains the SIC's approval in advance for those parts of this Circular that refer to the Proposed Whitewash Resolution; and

(ix) to rely on the Proposed Whitewash Resolution, the issue of the Consideration Shares in connection with the Proposed Acquisition must be completed within 3 months of the approval of the Proposed Whitewash Resolution.

As at the Latest Practicable Date, all the above conditions imposed by the SIC (save and except for the condition regarding the approval of the Independent Shareholders for the Proposed Whitewash Resolution) have been satisfied.

7.3 **Proposed Whitewash Resolution**

The Independent Shareholders are requested to vote by way of poll, on the Proposed Whitewash Resolution as set out as an ordinary resolution in the Notice of EGM, waiving their rights to receive a mandatory general offer from the Vendor's Concert Party Group for the remaining Shares not already owned or controlled by them, under Rule 14 of the Code arising from the allotment and issue of the Consideration Shares to the Vendor pursuant to the Proposed Acquisition.

Shareholders should note that approval of the Proposed Whitewash Resolution is a condition precedent to Completion. In view of this, in the event that the Proposed Whitewash Resolution is not passed by Independent Shareholders, the Proposed Acquisition will not proceed.

Shareholders should also note that by voting in favour of the Proposed Whitewash Resolution, they will be waiving their rights to receive a general offer from the Vendor at the highest price paid by the Vendor's Concert Party Group for the Shares in the past 6 months preceding the commencement of the offer which they would have otherwise been obliged to make for the Shares in accordance with Rule 14 of the Code.

The dilution effects to existing Shareholders upon issuing the Consideration Shares are set out in Section 8 of this Circular entitled "Changes in shareholding structure".

Xandar Capital Pte. Ltd. has been appointed as the IFA to advise the Independent Directors in respect of the Proposed Whitewash Resolution on whether the financial terms of the Proposed Acquisition, being the subject of the Proposed Whitewash Resolution, are fair and reasonable. Please refer to Section 12 of this Circular entitled "Opinion of the Independent Financial Adviser" and Appendix 2 on pages 31 to 54 of this Circular for the advice provided by the IFA.

8. CHANGES IN SHAREHOLDING STRUCTURE

Based on the shareholdings of the Company as at the Latest Practicable Date, the effect of the Proposed Acquisition on the shareholdings of the Directors, Substantial Shareholders and existing public Shareholders are as follows:-

	Before the Proposed Acquisition[1]				After the Proposed Acquisition[2]			
	Direct Interest		Deemed Interest		Direct Interest		Deemed Interest	
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
Directors								
Koh Mia Seng	142,638,458	22.36	–	–	369,109,046	42.71	–	–
Neo Gim Kiong	4,150,000	0.65	–	–	4,150,000	0.48	–	–
Liew Nyok Wah	62,000,000	9.72	–	–	62,000,000	7.17	–	–
Kevin Norbert Scully	–	–	–	–	–	–	–	–
Yu Lihong[3]	–	–	6,000,000	0.94	–	–	6,000,000	0.69
Low Ka Choon Kevin	–	–	–	–	–	–	–	–
Substantial Shareholders (other than Directors)								
Di Lingbin	100,000,000	15.69	–	–	100,000,000	11.57	–	–
Existing Public Shareholders	323,020,992	50.65	–	–	323,020,992	37.38	–	–
Total		637,809,450	100.0			864,280,038	100.0	

Notes:

(1) The percentage of shareholding is calculated based on 637,809,450 Shares in the capital of the Company as at the Latest Practicable Date. The Company has no treasury shares as at the Latest Practicable Date.

(2) The percentage of shareholding is calculated based on 864,280,038 Shares in the capital of the Company following Completion.

(3) Mdm Yu Lihong holds 6,000,000 Shares in a nominee account with United Overseas Bank Nominees (Private) Limited.

The Vendor's Concert Party Group is not interested in any instruments convertible into, rights to subscribe for and/or options in respect of Shares issued by the Company.

Save as disclosed in this Circular, none of the Directors or Substantial Shareholders has any interest, direct or indirect, in the Proposed Transactions, other than through their respective shareholdings in the Company (if any).

9. FINANCIAL EFFECTS OF THE PROPOSED ACQUISITION

The financial effects of the Proposed Acquisition set out below are purely for illustrative purposes only and do not reflect the future financial position of the Company or the Group after the completion of the Proposed Acquisition.

9.1 Share Capital

The effects of the Proposed Acquisition on the share capital of the Company are as follows:-

	Before the Proposed Acquisition	After the Proposed Acquisition
Total number of Shares[(1)]	637,809,450	864,280,038
Total issued and paid-up capital (S$)	34,366,000	42,066,000

Notes:

(1) Based on 637,809,450 Shares as at the Latest Practicable Date.

9.2 NTA

Assuming that the Proposed Acquisition had been effected at the end of FY2015, the financial effects to the NTA per Share are as follows:-

	Before the Proposed Acquisition	After the Proposed Acquisition
NTA per Share (S$ cents)[(1)]	3.91	3.97

Notes:

(1) Based on the audited net tangible assets of the Group as at 30 September 2015.

9.3 EPS

Assuming that the Proposed Acquisition had been effected at the beginning of FY2015, the financial effects to the EPS are as follows:-

	Before the Proposed Acquisition	After the Proposed Acquisition
EPS (S$ cents)	(0.04)[(1)]	0.03[(2)]

Notes:

(1) Based on the audited net losses incurred by the Group as at 30 September 2015.

(2) Taking into account 50% of SMC's net profits of S$927,000 from 8 January 2015 (the date of completion of the Initial Acquisition) to 30 September 2015.

10. THE PROPOSED DIVERSIFICATION OF THE GROUP'S BUSINESS TO INCLUDE THE WASTE MANAGEMENT BUSINESS

10.1 Current business of the Group

The current core business of the Group comprises four main areas:-

- Design, develop and fabricate moulds used in the manufacture of perforated materials, speaker nets and frames, automobile and bicycle components and other metal components (such as contact terminals, integrated circuit chips, heat sinks (used to dissipate heat in integrated circuit chips), back panels and bottom casings of video and audio products);

- Manufacture and sale of perforated materials, speaker nets and frames, and other metal components;

- Provision of electro-deposition coating, organic coating, powder coating, spray-painting and silk-screening services to the automobile, hard disk drive, micro-motor, consumer electronics, motor cycle, bicycle component and furniture industries; and

- Trading of coal, commodities and other related products within the energy, minerals and resource sector.

10.2 **Business activities relating to the Proposed Diversification**

As announced on 1 November 2016, SMC will be setting up a battery recycling system line for a total estimated cost of approximately S$1 million, as part of its existing waste management business (the "**Project**").

The Project is an extension of SMC's principal activities of trading in commodities, which include copper, non-ferrous metals and other special alloy. It currently also collects and handles metal scraps and recycles them for sale as unfinished material, which offers its customers solutions in managing their industrial waste, as an ancillary business activity. The collection, treatment, recycling and disposal of waste material allows SMC to obtain raw materials at a lower cost for its trading business, while at the same time contributing towards environment conservation.

SMC collects mainly industrial waste mainly from various industries including power generation plants, electronics manufacturing companies, engineering companies, building and construction companies, as well as other commodity traders. The waste and/or material purchased may be traded and sold to customers both locally and overseas (including customers located in China). As part of the value-added services offered by SMC, materials may be sorted according to the various needs of the customers before the same is sold.

In view that SMC will become a wholly-owned subsidiary of the Company following Completion upon shareholders' approval for the Proposed Acquisition being obtained, and in light of the business expansion of SMC in its current waste management business activities, the Group will also be diversifying into the waste management business, which includes the provision of waste management solutions, the collection, transport, handling, treatment, management and disposal of commercial, hazardous, electronic and industrial waste and metal scraps, the recycling and trading of metal scraps and electronic waste, and materials recovery.

The Group aims to generate commercially usable products through the collection, treatment and recycling of industrial and electronic waste and metal scraps. This will allow the Group to offer its customers solutions in managing their industrial waste, as well as reducing the environmental impact of its customers' business operations through conserving natural resources and reducing waste generated, thereby creating a sustainable and environmentally friendly business model, as it takes considerably lesser resources to reuse and recycle existing material compared to extracting raw material. It also enables the Group to lower its cost of raw materials in the commodities trading business through recycling unwanted metal scraps or electronic waste of its customers.

The recycling and alternative use of commercial, hazardous, electronic and industrial waste generated in the course of business will allow the Group to do its part in saving the environment by reducing the demand for rapidly depleting natural resources, reducing the amount of waste being disposed of in landfills and lengthening the lifespan of the original materials purchased by the Group's customers. At the same time, the provision of such waste management solutions also allows the Group to achieve its corporate objectives and enhance shareholder value as the Group derives income from such services.

By providing its customers a one-stop solution from trading in copper and non-ferrous metals, to the collection, recycling and/or disposal of the waste generated from such trading activities, the Group will be able to differentiate itself from other commodity traders, as well as diversify its revenue stream by deriving income from the provision of waste management solutions to its customers. Such vertical integration will also strengthen the Group's position within the energy, minerals and resources industry as it will be able to provide value-added services to a wider pool of potential customers both within and beyond the industry.

10.3 **Rationale for the Proposed Diversification**

The Group expects that the Proposed Diversification will be complementary to the Group's existing business by, *inter alia*, leveraging upon the Group's existing customer base in its manufacturing and trading business for moulds and other metal components, to offer such customers additional cost-saving solutions. This will allow the Group to compete on factors beyond price, thereby increasing its competitive advantage against other low-cost competitors within the region.

The Group also anticipates that it would be able to leverage on the Group's existing supplier base to obtain waste materials to be used as inputs, such as lithium from discarded batteries, as these suppliers are also generators of electronic and other waste materials through the sale and supply of commodities to traders in the energy, mineral and resource sector.

The Proposed Diversification is expected to provide the Group with diversified returns and contribute an additional stream of revenue and earnings for the Group. In addition, the Proposed Diversification, involving the provision of waste management services and solutions to clients, will help mitigate against the volatility of the commodity trading business, which depends heavily on prevailing commodity prices.

10.4 **Proposed business activities for the Proposed Diversification**

The Group has already made an initial foray into the Proposed Diversification in Singapore through SMC by obtaining the relevant regulatory licences for waste management and disposal. The Group intends to offer its customers, services such as site evaluation, designing custom solutions, sorting, weighing and transporting waste, treatment and processing of such waste materials, as well as marketing the end products for sale. This will allow the Group to provide end-to-end environmentally sustainable industrial waste solutions and therefore act as a convenient one-stop service for its customers.

In executing the Proposed Diversification and the Project, SMC intends to lease approximately 8,000 square feet of factory space in Singapore to develop and house the waste management facilities. The targeted amount of lithium to be processed and handled by the Project is approximately 200 tonnes of lithium per month.

The Group may, in the future, consider expanding the Proposed Diversification to jurisdictions beyond Singapore, upon the success of the Proposed Diversification. Such expansion is subject to obtaining the requisite regulatory approvals for the conduct of such activities in those jurisdictions.

10.5 **Management of the Proposed Diversification**

The management of the Proposed Diversification will continue to be spearheaded by the current management of the Company and SMC. Under the stewardship of the Executive Chairman and Executive Director, SMC has been developing and fostering in its management team the skill sets required to navigate the Proposed Diversification, in particular the collection, disposal and trading of waste materials obtained through the provision of waste management services.

The current management team of the Company and SMC will be responsible for the Project, and the Company will evaluate the need to hire further staff or consultants from time to time as it engages in the battery recycling business. The Company may also consider engaging in joint ventures, partnerships or collaborations with third parties as and when opportunities arise in the undertaking of the Proposed Diversification.

The Board will continue to evaluate the manpower and expertise required for the Proposed Diversification holistically, in order to ascertain if hiring additional staff and expertise is required in the implementation of the Proposed Diversification as a whole.

10.6 **Funding for the Proposed Diversification**

It is anticipated that the Proposed Diversification requires substantial capital investments or cash outlay. The Group intends to fund the Proposed Diversification through a combination of internal resources, and drawdown of the Group's banking facilities. As and when necessary and deemed appropriate, the Group may explore secondary fund raising exercises by tapping the capital markets including but not limited to rights issues, share placements and/or issuance of debt instruments.

10.7 **Risk factors relating to the Proposed Diversification**

The Proposed Diversification involves a number of risks, some of which, including market, liquidity, credit, operational, legal and regulatory risks, could be material. The risks set out below are the material risks which the Group faces following the Proposed Diversification. The risks described below are not intended to be exhaustive. There may be additional risks not presently known to the Company, or that the Company may currently deem immaterial, which could affect the Company's operations.

If any of the following considerations, risks or uncertainties develops into actual events, the business, financial condition, results of operations, cash flow and prospects of the Group may be materially and adversely affected.

Shareholders should evaluate carefully the following considerations and the other information in this Circular before deciding on how to cast their votes at the EGM.

The Group has limited track record in the Proposed Diversification

The Group has a limited track record of less than two years in the Proposed Diversification since the Initial Acquisition. Hence, there is no assurance that the Proposed Diversification will be commercially viable or successful. If the Group fails to manage costs effectively, the overall financial position and profitability of the Group may be adversely affected. There is no assurance that the Proposed Diversification will not fall short of expectations.

The Group may require financing to fund the Proposed Diversification

The Proposed Diversification may entail setting up new factories and/or processing facilities in Singapore or overseas, in which case the availability of adequate financing is crucial to the Group's ability to undertake such projects. The Group plans to finance such projects using a combination of internal sources of funds and financial institution borrowings. The Group may also further tap the capital markets to raise funds for the Proposed Diversification through equity and/or debt financing as and when necessary and deemed appropriate. The Group cannot assure that it will have sufficient funds at its disposal for the Proposed Diversification, be able to secure adequate financing, if at all, or obtain or renew credit facilities granted by banks and financial institutions for the projects in question. Furthermore, the incurrence of debt will increase the Group's financing costs and obligations and could result in operating and financial covenants imposed by financial institutions that restrict its operations and its ability to pay dividends to Shareholders. This may have an adverse effect on the Proposed Diversification, the financial performance and growth prospects of the Group.

The Proposed Diversification is dependent on commodity prices

The success of the Proposed Diversification depends on prices of raw materials. Should commodity prices remain low, customers may find it cost efficient to purchase metals from suppliers, rather than pay to recycle the metal scraps into new products. As such, low commodity prices may impact the Group's ability to offer waste management solutions in a cost competitive manner, which may thereby have an adverse impact on its business and financial performance.

The Proposed Diversification may subject the Group to a number of operational and performance risks

The Group's operations in the Proposed Diversification is exposed to the risk of equipment failure, failure by employees to follow procedures and protocols as well as risks inherent in operating equipment and machinery, resulting in damage to or loss of any relevant machines, equipment or facilities required in a project or personal injury. A major operational failure could result in loss of life and/or serious injury, damage to or loss of machines, equipment or facilities and protracted legal disputes and damage to the Group's reputation. In the event of an operational or equipment failure, the Group may be forced to cease part or all of its operations and may also be subject to a penalty or incur extra costs or expenses in any dispute as a result of such operational or equipment failure. The Group's operations and financial condition may be materially and adversely affected depending on the extent of the impact of such operational risks.

Changes in government policies and legislation will adversely affect the Group's business

The waste management industry is subject to the laws and regulations of the territories in which the Group is exploring opportunities to expand into, including state laws. There is no assurance that the Group will be able to obtain all necessary licences and permits for the Proposed Diversification. In addition, such countries may adopt new laws and regulations which the Group may have to comply with from time to time. Any changes in the applicable laws and regulations, or in the regulatory conditions of the country, could result in higher compliance costs and adversely affect the operations of the Group, including the Proposed Diversification and the financial performance of the Group.

Licences, permits, certificates, consents or regulatory approvals are required for the Proposed Diversification. The Group must also comply with the appropriate regulations in relation to workplace health and safety, environmental public health and environmental pollution control. There is no assurance that the Group will be able to meet all the regulatory requirements and guidelines, and failure to comply with the applicable laws and regulations may subject the Group to penalties, sanctions, fines, or have its licences or approvals revoked, all of which could adversely affect the Group's operations and financial performance, including undertaking the Proposed Diversification.

Changes in the business environment for jurisdictions in which the Group operates may include delays in procuring the necessary relevant approvals, licenses or certificates from government bodies, changes in laws, regulations and policies in relation to waste management, fluctuations in demand for waste management solutions, and labour disputes. Such delays may result in the Group incurring additional costs, thus affecting the profitability of the Group.

The Group will have to comply with extensive environmental laws and regulations in undertaking the Proposed Diversification

The operations and proposed activities of the Company are subject to local and international laws and regulations concerning the environment. The waste management activities of the Group in undertaking the Proposed Diversification are expected to have an impact on the environment, particularly in the recycling and disposal of waste materials. Such impact can give rise to substantial costs for environmental rehabilitation, damage, control and losses. Further, if there are environmental rehabilitation conditions attaching to the licences and permits of the Group, failure to meet such conditions could lead to suspension or revocation of these licences and permits, which could adversely affect the Group's operations and financial performance.

Should environmental damage arising from the Group's operations, including through accident, which may give rise to liabilities and costs for the Group, fines could be imposed and operations could be delayed, suspended or shut down. The Group may also be required to bear the costs of compensation or damages resulting from the environmental damage. Such costs may adversely affect the Group's financial performance and profitability.

The Proposed Diversification may be affected by competition from existing industry players and new entrants

The Group needs to compete against other players within the industry, adapting effectively to the changing market conditions and trends in order to succeed. The Group faces the threat of rivalry from its customers who may choose to continue to tackle their waste management solutions on their own. Large, well-capitalized technological solutions providers who endeavour to offer similar integrated solutions can also pose significant competition to the Group. As these competitors may have higher financial standing and/or greater resources in their possession, the Group may not be able to compete effectively against them.

While the threat from new competitors is relatively low due to high barriers of entry into the industry, there is no assurance that the Group will be able to compete successfully in the waste management industry due to existing competition. In the event the Group is unable to compete effectively with its existing and future competitors and to adapt quickly to changing market conditions and trends, the business and financial performance of the Proposed Diversification may be adversely affected.

The Proposed Diversification is reliant on key personnel

The Proposed Diversification will be dependent on skilled labour, supervisors and managerial staff with relevant industry experience. Any inadequacy in the availability of such labour resources will have an adverse effect on the operations of the Proposed Diversification and eventually, the Group's financial performance. The Group may also face limitations in recruiting the right personnel or gather sufficient expertise to successfully execute the waste management business. The Group's ability to successfully implement the Proposed Diversification is further dependent upon its ability to adapt its existing knowledge and expertise and to understand and navigate the Proposed Diversification. There is no assurance that the Group's existing experience and expertise will be sufficient for the Proposed Diversification, or that the Group will be able to hire employees with the relevant experience and knowledge. The Group may not be able to successfully implement the Proposed Diversification and this may adversely affect the Group's financial performance and profitability.

The Proposed Diversification is reliant on foreign labour

The Proposed Diversification is dependent on foreign workers and will be affected if there is any shortage or increase in the employment costs of foreign workers. The availability of foreign labour is subject to policies imposed by the Singapore government or the governments of such jurisdictions in which the Group operates, and the foreign affairs policies of the countries in which these foreign workers are domiciled. The availability, requirements and cost of housing for such workers are also subject to government policies. Any changes in such policies may affect the supply of foreign manpower and the implementation of the Proposed Diversification.

The Group's insurance coverage may not be adequate

The Group currently maintains workmen's or work injury compensation insurance, public liability insurance, machine and equipment all risks insurance and fire insurance. It also maintains insurance policies which cover personal accident, hospitalisation and surgery for its employees. However, in the event that the amount of claims exceeds the coverage of the insurance policies which the Group has taken up, the Group may be liable for shortfalls of the amount claimed. The Group is also not insured against loss of key personnel and business interruptions. If such events were to occur, the Group's business, financial performance and financial position may be materially and adversely affected.

The Proposed Diversification may be adversely affected by the uncertain global economic outlook

There is uncertainty in the global market and it is difficult to predict how the Proposed Diversification may be affected. These situations could potentially present risks to the Group, including an increase in interest expenses on the Group's bank borrowings or reduction of the amount of banking facilities currently available to the Group, thereby materially and adversely affecting its business operations and future financial performance. The Proposed Diversification may also be undermined by any labour disputes, political unrest, economic or financial crisis or disturbances occurring. Given the uncertainties as to the future economic outlook, the prospects of the Proposed Diversification as well as the business performance and profitability could be adversely affected in the event that the Group fails to react promptly to the changing economic conditions.

The Group is subject to risks of late payment or non-payment by its clients

The Group faces uncertainties over the timeliness of clients' payments and their solvency or creditworthiness in respect of purchases of the Group's waste management solutions. There is no assurance that the Group will be able to collect any payments on a timely basis, or at all.

In the event that there are defaulting clients or a significant delay in collecting payments from customers, the Group may face stress on its cash flow and a material increase in bad and doubtful debts, which will have an adverse impact on the Group's financial performance.

10.8 **Chapter 10 of the Catalist Rules**

As the Proposed Diversification will involve new business activities, markets and territories which are substantially different from the Group's existing core business as described above, it is envisaged that the Proposed Diversification will change the existing risk profile of the Group. Accordingly, an EGM will be convened by the Company to seek the Shareholders' approval to approve the Proposed Diversification.

Upon approval by Shareholders of the Proposed Diversification, any acquisition which is in, or in connection with, the Proposed Diversification, may be deemed to be in the Group's ordinary course of business. Accordingly, the Group may enter into transactions relating to the Proposed Diversification without the need to convene separate general meetings from time to time to seek Shareholders' approval, insofar as transactions will not substantially change the risk profile of the Group. This will reduce substantially the administrative time and expenses in convening such meetings. The corporate objectives of the Group could therefore be better met and business opportunities available to the Group could also be more expediently seized.

Pursuant to Rule 1014 of the Catalist Rules, a major transaction is a transaction where any of the relative figures as computed on the bases set out in Rule 1006 exceeds 75% but is less than 100% for an acquisition, or 50% in relation to a disposal, and must be made conditional upon approval by shareholders in a general meeting.

For the avoidance of doubt, notwithstanding the Proposed Diversification, in respect of transactions:

(i) where any of the relative figures as computed on the bases set out in Rule 1006 of the Catalist Rules exceeds 100% or results in a change in control of the issuer, Rule 1015 of the Catalist Rules will still apply to such transactions and such transactions must be, among others, made conditional upon approval by shareholders in general meeting;

(ii) which constitute an Interested Person Transaction as defined under the Catalist Rules, Chapter 9 of the Catalist Rules will apply to such transaction and the Company will comply with the provisions of Chapter 9 of the Catalist Rules; and

(iii) which involve any change in the risk profile of the Company,

the Company will make the relevant announcement(s) and seek the prior approval of the Shareholders at a general meeting before embarking on such projects.

11. SERVICE CONTRACTS OF THE DIRECTORS

There are no directors proposed to be appointed to the Company in connection with the Proposed Acquisition.

12. OPINION OF THE INDEPENDENT FINANCIAL ADVISER

Xandar Capital Pte. Ltd. has been appointed as the IFA to provide an opinion to the Independent Directors on whether the Proposed Acquisition as an Interested Person Transaction is on normal commercial terms and is not prejudicial to the interests of the Company and the Independent Shareholders, as well as whether the financial terms of the Proposed Acquisition, being the subject of the Proposed Whitewash Resolution is fair and reasonable. Based on the IFA's analysis as set out in its letter to the Independent Directors ("**IFA Letter**"), and after having considered carefully the information available to the IFA, the IFA is of the opinion that:

(i) the financial terms of the Proposed Acquisition, being the subject of the Proposed Whitewash Resolution, is fair and reasonable ; and

(ii) the Proposed Acquisition is on normal commercial terms and is not prejudicial to the interests of the Company and the minority Shareholders.

The IFA has advised the Independent Directors to recommend to the Independent Shareholders to vote in favour of the Proposed Whitewash Resolution at the EGM.

Shareholders are advised to read the IFA Letter as set out in Appendix 2 on pages 31 to 54 of this Circular in full and consider carefully its recommendations to the Independent Directors.

13. AUDIT COMMITTEE'S STATEMENT

The Audit Committee of the Company comprises Mr Kevin Norbert Scully, Ms Yu Lihong and Mr Low Ka Choon Kevin. The members of the Audit Committee of the Company do not have any interest in the Proposed Transactions and are accordingly considered to be independent for the purposes of the Proposed Transactions.

The Audit Committee of the Company, having reviewed the terms and rationale of the Proposed Acquisition and the proposed allotment and issuance of the Consideration Shares, the financial effects of the Proposed Acquisition, the Valuation Report, and all other relevant information set out in this Circular, and having considered the advice of the IFA, concur with the IFA and are of the view that the Proposed Acquisition as an Interested Person Transaction is on normal commercial terms and will not be prejudicial to the interests of the Company and the Independent Shareholders.

14. DIRECTORS' RECOMMENDATION

14.1 Ordinary Resolutions 1, 2 and 3

Having considered and reviewed, amongst other things, the terms of the SPA, the rationale for and the financial effects of the Proposed Acquisition and the proposed allotment and issue of the Consideration Shares, the advice of the IFA in relation to the Proposed Acquisition as an Interested Person Transaction and the Proposed Whitewash Resolution, and all other relevant facts set out in this Circular, the Independent Directors are of the opinion that:

(i) Ordinary Resolution 1 pertaining to the Proposed Acquisition as an Interested Person Transaction and a major transaction is in the best interests of the Company. Accordingly they recommend that Shareholders vote in favour of Ordinary Resolution 1 set out in the Notice of EGM on page N-1 of this Circular;

(ii) Ordinary Resolution 2 pertaining to the proposed allotment and issue of the Consideration Shares is in the best interests of the Company. Accordingly they recommend that Shareholders vote in favour of Ordinary Resolution 2 set out in the Notice of EGM on page N-1 of this Circular; and

(iii) Ordinary Resolution 3 pertaining to the Proposed Whitewash Resolution is in the best interests of the Company. Accordingly they recommend that Shareholders vote in favour of Ordinary Resolution 3 set out in the Notice of EGM on page N-2 of this Circular.

Mr Koh Mia Seng, being (a) an Interested Person in respect of the Proposed Acquisition and the proposed allotment and issue of the Consideration Shares and (b) the Vendor in respect of the Proposed Whitewash Resolution, has abstained from making any recommendations in respect of the Proposed Acquisition, the proposed allotment and issue of the Consideration Shares, and the Proposed Whitewash Resolution in his capacity as a Director.

14.2 **Ordinary Resolution 4**

Having considered, *inter alia*, the rationale for the Proposed Diversification, the Directors are of the opinion that Ordinary Resolution 4 set out in the Notice of EGM on page N-2 of this Circular is in the best interests of the Company. Accordingly, they recommend that Shareholders vote in favour of Ordinary Resolution 4 at the EGM.

Shareholders are advised to read this Circular in its entirety, in particular the rationale for and/or the risk factors relating to the Proposed Acquisition and the Proposed Diversification and for those who may require advice in the context of his specific investment, to consult his stockbroker, bank manager, solicitor, accountant or other professional adviser.

15. EXTRAORDINARY GENERAL MEETING

The EGM, notice of which is set out on page N-1 of this Circular, will be held at 16 Tuas Avenue 20, Singapore 638827 on 22 December 2016 at 10.30 a.m. for the purpose of considering and, if thought fit, passing with or without modifications, the Ordinary Resolutions set out in the Notice of EGM.

16. ACTION TO BE TAKEN BY SHAREHOLDERS

Shareholders who are unable to attend the EGM and wish to appoint a proxy to attend and vote at the EGM on their behalf will find a proxy form attached to this Circular which they should complete, sign and return in accordance with the instructions printed thereon as soon as possible and in any event so as to arrive at the registered office of the Company at 16 Tuas Avenue 20, Singapore 638827, not less than 48 hours before the time fixed for the EGM. The completion and lodgment of a proxy form by a Shareholder does not preclude him from attending and voting in person at the EGM if he so wishes, although the appointment of the proxy shall be deemed to be revoked by such attendance.

A Depositor shall not be regarded as a member of the Company entitled to attend the EGM and to speak and vote thereat unless his name appears in the Depository Register maintained by CDP as at 72 hours before the EGM.

17. ABSTENTION FROM VOTING

The Vendor will abstain and will ensure that his Associates will abstain from voting on Ordinary Resolutions 1 and 2 set out in the Notice of EGM.

The Vendor will abstain and will ensure that the Vendor's Concert Party Group abstains from voting on Ordinary Resolution 3 set out in the Notice of EGM.

The Vendor, his Associates and the Vendor's Concert Party Group will also not accept any nominations to act as proxy for any Shareholder in voting on the respective Ordinary Resolutions unless specific instruction has been given in the proxy form as to the manner in which votes are to be cast in respect of such Ordinary Resolutions.

18. CONSENT FROM THE VALUER AND INDEPENDENT FINANCIAL ADVISER

Ernst & Young Solutions LLP, the valuer appointed to assess the value of the Sale Shares, has given and has not withdrawn its written consent to the issue of this Circular with the inclusion of the Valuation Summary Letter set out in Appendix 1 of this Circular and references to its name in the form and context in which it appears in this Circular and to act in such capacity in relation to this Circular.

Xandar Capital Pte. Ltd., the IFA, has given and has not withdrawn its written consent to the issue of this Circular with the inclusion of the IFA Letter in Appendix 2 of this Circular and references to its name in the form and context in which it appears in this Circular and to act in such capacity in relation to this Circular.

19. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Circular and confirm after making all reasonable enquiries that, to the best of their knowledge and belief, this Circular constitutes full and true disclosure of all material facts about the Proposed Acquisition, the proposed allotment and issue of the Consideration Shares, the Proposed Whitewash Resolution, the Proposed Diversification, the Company and its subsidiaries, and the Directors are not aware of any fact the omission of which would make any statement in this Circular misleading.

Where information in this Circular has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this Circular in its proper form and context.

20. DOCUMENTS FOR INSPECTION

The following documents are available for inspection at the registered office of the Company at 16 Tuas Avenue 20, Singapore 638827, during normal business hours from the date of this Circular up to and including the date of EGM:

(i) The constitution of the Company;

(ii) The annual report of the Company for FY2015;

(iii) The SPA;

(iv) The Valuation Report;

(v) The IFA Letter;

(vi) the consent letter from the IFA; and

(vii) the consent letter from Ernst & Young Solutions LLP.

Yours faithfully,
For and on behalf of

The Board of Directors of
SEN YUE HOLDINGS LIMITED

Mr Neo Gim Kiong
Executive Director and Chief Executive Officer

The Board of Directors **22 July 2016**
Sen Yue Holdings Limited
16 Tuas Avenue 20
Singapore 638827

Sen Yue Holdings Limited – Proposed acquisition of 50% equity interest in SMC Industrial Pte Ltd.

Independent Valuation Summary Letter

Dear Sirs:

1. Introduction

Ernst & Young Solutions LLP ("**EY**" or "**we**") has been appointed by Sen Yue Holdings Limited ("**SYHL**" or the **"Company"**) to perform professional services relating to the valuation of SMC Industrial Pte Ltd ("**SMC**") in connection with the proposed acquisition of the remaining 50% equity interest in SMC by the Company.

This letter has been prepared pursuant to Rule 1014 of the Singapore Exchange Securities Trading Limited Listing Manual and for the purpose of disclosure as an appendix to the Company's Circular to be issued in relation to, *inter alia*, the Proposed SMC Acquisition ("**Circular**"). This is a summary of the information contained in our Independent Valuation Report dated 22 July 2016 (the "**Report**"). Accordingly, this letter should be read in conjunction with the full text of the Report.

Our views are based on the current economic, market, industry, regulatory, monetary and other conditions and on the information made available to us as of the date of the Report. Such conditions may change significantly over a relatively short period of time and we assume no responsibility and are not required to update, revise or reaffirm our conclusion set out in this letter to reflect events or developments subsequent to the date of the Report.

2. Terms of reference

The objective of this letter is to provide an independent view of the fair market value of 50% equity interests in the issued and paid-up share capital of SMC as at 31 March 2016 (the "**Valuation Date**").

We are not expressing an opinion on the commercial merits and structure of the Proposed SMC Acquisition and accordingly, this letter and the Report do not purport to contain all the information that may be necessary or desirable to fully evaluate the commercial or investment merits of the Proposed SMC Acquisition by the shareholders of SYHL. The assessment of the commercial and investment merits of the Proposed SMC Acquisition is solely the responsibility of the Directors. Additionally, our work should not be construed as investment advice to the current and prospective investors of SYHL.

We have not conducted a comprehensive review of the business, operational or financial conditions of SMC nor any work in relation to the feasibility of tax efficiency of the business operation of SMC, and accordingly our Report does not make any representation or warranty, expressed or implied in this regard.

The scope of our engagement does not require us to express, and we do not express, a view on the future prospects of SYHL and SMC. We are, therefore not expressing any views on the future trading price of the shares or the financial condition of SYHL upon completion of, *inter alia*, the Proposed SMC Acquisition.

Our terms of reference do not require us to provide advice on legal, regulatory, accounting or taxation matters and, where specialist advice has been obtained by SYHL and/or SMC and made available to us, we have considered and, where appropriate, relied upon such advice.

Our work is not of the same nature as an audit, and does not constitute an audit. We are not, therefore issuing an audit opinion. Instead, our work is in the nature of a review of the information provided to us, and discussions with members of management of SYHL (the **"SYHL Management"**) and members of management of SMC (the "**SMC Management**").

Use of our letter and the Report

This letter and the Report are addressed to, and for the use and benefit of the Directors of SYHL for the purpose as set out above, and accordingly neither the Report nor this letter may be used or relied upon by, nor confer any benefit to, any other person (including without limitation, the shareholders of SYHL, the professional advisors of SYHL, and the prospective investors of SYHL). Any recommendation made by the Directors to the shareholders of SYHL shall remain the responsibility of such Directors.

Reliance on information and representation

In the course of our work, we have held discussions with SMC Management and SYHL Management. We have also examined and relied on information provided by them and reviewed other relevant publicly available information. We have not independently verified all such information provided or any representation or assurance made by them, whether written or verbal, and accordingly cannot and do not warrant or accept responsibility for the accuracy or completeness of such information, representation or assurance. However, we have made reasonable enquiries and exercised our judgement on such information and have performed our valuation on such basis.

Nevertheless, SMC Management have confirmed to us, upon making all reasonable enquiries and to their best knowledge and belief, that the information provided to us constitute full and true disclosure, in all material respects, of all material facts relating to SMC as required for the purposes of our valuation (and there is no omission of material information, of which if any, would make any of the information considered herein inaccurate, incomplete, or misleading in any material respect).

In no circumstances shall we be liable, other than in the event of our bad faith or wilful default, for any loss or damage, of whatsoever nature arising from information material to our work being withheld or concealed from us or misrepresented to us by the SMC / SYHL Management and the Directors, employees, or agents of SMC or SYHL or any person of whom we may have made inquiries of during the course of our work.

3. Valuation methodology

We have adopted Fair Market Value as the standard of value. Fair Market Value is generally defined as the amount at which an asset could be exchanged between a knowledgeable, willing but not anxious buyer and a knowledgeable, willing but not anxious seller, acting in an arm's length transaction, in an open and unrestricted market.

We have assessed the Fair Market Value of SMC on a going concern basis as at 31 March 2016 by using the discounted cash flows methodology under the income approach. Under this approach and methodology, we have discounted the projected free cash flows of SMC with discount rates having considered, amongst all relevant risk factors, such as business size, business environment, stages of growth, riskiness of cash flows. The free cash flow of SMC has been projected for the period from 1 April 2016 to the financial year ending 30 September 2020 with a terminal value attributed.

In addition, we have also assessed the reasonableness of our valuation results by cross-checking the fair market value determined under the income approach with the market multiple methodology under the market approach.

Our valuation is based on various assumptions with respect to SMC, including their respective present and future financial condition, business strategies and the environment in which they will operate in the future. These assumptions are based on the information that we have been provided with and our discussions with SMC Management, and reflect current expectations and views regarding future events, and therefore necessarily involve known and unknown risks and uncertainties.

Amongst other assumptions stated in the Report, the key assumptions are as follows:

1. SMC is assumed to operate on a going concern basis and the current use of its assets is at their highest and best use;

2. There are no adverse changes to the economic and market conditions impacting demand and supply across the industry landscape; as well as changes to the tax, regulatory, fiscal or other government policies in countries where SMC carries out their trading activities;

3. The financial forecast and its underlying assumptions reflect SMC Management's current expectations about future business plans; and SMC is assumed to be able to source for sufficient metals (mainly copper) and the demand for metals (mainly copper) is assumed to prevail to meet the forecast;

4. The existing capacity of SMC's current plant and machinery is assumed to be sufficient to meet the forecast growth;

5. The SMC Management will be able to obtain the requisite debt or equity funding from financial institutions, shareholders or potential investors on a timely basis and with favourable terms to meet its working capital and cash flow requirement;

6. It is assumed that SMC will be able to collect the outstanding account receivables balances and there is no bad debt as at Valuation Date;

7. SMC is assumed to be able to renew underlying business qualifications and / or licenses with minimum costs before the expiry of such qualifications / licenses;

8. There will be no significant change in the operations and business strategy of SMC subsequent to the Valuation Date.

9. SMC has no material or significant contingent liabilities or uncertainty, including any litigation pending or threatened, as at the Valuation Date that warrants consideration in the forecast;

10. There is no substantial commitment or uncertainty that has arisen subsequent to the Valuation Date, which is material to be considered in the forecast; and

11. The unaudited management accounts of SMC for the period ending 31 March 2016 fairly reflects SMC's financial position as at the Valuation Date;

The estimates of earnings and cash flow data, to the extent they relate to the future, reflect the expectations of the SMC Management as to the business prospects of SMC and are solely used in our valuation analysis and are not intended for use as forecasts or projections of future operations.

Furthermore, there will usually be differences between the estimated and actual results because events and circumstances may not occur as expected and those differences may be material.

We have set out in the Report the assumptions used in our valuation as well as risk factors that, in our opinion, may have a material impact on the valuation of SMC. It should be noted that it is not an exhaustive list of all risk factors relevant to SMC.

4. Conclusion

In summary and as detailed in the Report, which should be read in conjunction with this letter, the fair market value of the remaining 50% equity interests in SMC is in the range of **SGD 9.8 million to SGD 11.4 million** as at the Valuation Date.

Yours faithfully,
For and on behalf of
Ernst & Young Solutions LLP

Andre Toh Sern
Partner

7 December 2016

Sen Yue Holdings Limited
16 Tuas Avenue 20
Singapore 638827

Attention: Independent Directors (as defined herein)

Dear Sirs

LETTER FROM XANDAR CAPITAL PTE. LTD. TO THE INDEPENDENT DIRECTORS OF SEN YUE HOLDINGS LIMITED IN RESPECT OF:

(A) PROPOSED ACQUISITION OF THE BALANCE 50% OF THE TOTAL ISSUED AND PAID-UP SHARES OF SMC INDUSTRIAL PTE LTD AS AN INTERESTED PERSON TRANSACTION; AND

(B) PROPOSED WHITEWASH RESOLUTION FOR THE INDEPENDENT SHAREHOLDERS TO WAIVE THEIR RIGHTS TO RECEIVE A MANDATORY GENERAL OFFER FROM KOH MIA SENG AND HIS CONCERT PARTIES FOR ALL THE SHARES OR NEW SHARES AS THE CASE MAY BE, IN ISSUE AND NOT ALREADY OWNED, CONTROLLED OR AGREED TO BE ACQUIRED BY KOH MIA SENG AND HIS CONCERT PARTIES FOLLOWING THE ALLOTMENT AND ISSUE OF THE CONSIDERATION SHARES.

Unless otherwise defined or the context otherwise requires, all terms defined in the Circular shall have the same meanings herein.

1. INTRODUCTION

On 11 May 2016, Sen Yue Holdings Limited ("**Sen Yue**" or the "**Company**", and together with its subsidiaries, the "**Group**") announced that it had entered into a sale and purchase agreement ("**SPA**") with Koh Mia Seng ("**Vendor**") to acquire the balance 50% shareholding interest (the "**Sale Shares**") in SMC Industrial Pte Ltd ("**SMC**") from the Vendor, for a consideration of S$8.9 million ("**Proposed Acquisition**").

The consideration of S$8.9 million (the "**Purchase Consideration**") will be satisfied as follows:

(a) the sum of S$7.7 million will be settled through the allotment and issuance of 226,470,588 new Shares ("**Consideration Shares**") to the Vendor at an issue price of S$0.034 per Consideration Share ("**Issue Price**"); and

(b) the balance sum being the cash consideration of S$1.2 million will be paid by way of cheque to the Vendor, subject to the audited net tangible asset ("**NTA**") of SMC as at 30 September 2016 ("**SMC Audited NTA**") being not less than S$17.8 million on the Completion Date. Where the SMC Audited NTA is lower than S$17.8 million, the balance cash consideration payable to the Vendor shall be reduced by the amount of shortfall.

The Vendor is the Executive Chairman, Executive Director and Controlling Shareholder of the Company, holding 22.36% of the total issued ordinary shares in the capital of the Company ("**Shares**") as at the Latest Practicable Date. The Vendor is therefore an Interested Person and the Proposed Acquisition is an interested person transaction ("**IPT**") under Chapter 9 of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") Listing Manual Section B: Rule of Catalist ("**Catalist Rules**").

Pursuant to Rule 906(1) of the Catalist Rules, the approval of Shareholders for the Proposed Acquisition has to be obtained at an Extraordinary General Meeting ("**EGM**") to be held as the value of the Proposed Acquisition exceeds 5% of the Group's latest audited NTA. An independent financial adviser ("**IFA**") is also required to be appointed to advise the independent Directors in respect of the Proposed Acquisition on whether the transaction is carried out on normal commercial terms and whether it is prejudicial to the interests of the Company and its minority Shareholders.

Pursuant to Rule 14 of the Code and Section 139 of the SFA, the Vendor and his Concert Parties (collectively, the "**Vendor's Concert Party Group**") will be required to make a mandatory general offer for all the remaining Shares in issue not already owned, controlled or agreed to be acquired by them as the Vendor will own approximately 42.71% of the enlarged total issued Shares upon Completion. It is a condition precedent to the Proposed Acquisition that the Securities Industry Council of Singapore ("**SIC**") grants the Vendor's Concert Party Group, and does not revoke or repeal such grant, a waiver of its obligation to make a mandatory general offer under Rule 14 of the Code and that Independent Shareholders approve at the EGM an ordinary resolution for the waiver of the rights of the Independent Shareholders to receive a mandatory general offer from the Vendor's Concert Party Group, at the highest price paid or agreed to be paid by the Vendor's Concert Party Group for the Shares in the past 6 months, for all the Shares not already owned by the Vendor's Concert Party Group ("**Proposed Whitewash Resolution**").

The Vendor had sought a waiver from the SIC of his obligation to make a general offer under Rule 14 of the Code and had also requested that the SIC permit the Company to seek the approval of the Independent Shareholders for the Proposed Whitewash Resolution.

The SIC has on 6 October 2016 granted the Vendor a waiver of the requirement for the Vendor to make a general offer for the Company following the issue of the Consideration Shares to the Vendor, subject to various conditions including, *inter alia*, the appointment of an IFA to advise the Independent Shareholders on the Proposed Whitewash Resolution ("**Whitewash Waiver**").

Xandar Capital Pte. Ltd. ("**Xandar Capital**") has been appointed by the Company to act as the IFA to advise the Directors who are considered independent for the purposes of making recommendations in respect of the Proposed Acquisition and Proposed Whitewash Resolution, being Neo Gim Kiong, Liew Nyok Wah, Kevin Norbert Scully, Yu Lihong and Low Ka Choon Kevin ("**Independent Directors**") as to (i) whether the Proposed Acquisition is carried out on normal commercial terms and is not prejudicial to the interests of the Company and its minority Shareholders; and (ii) whether the financial terms of the Proposed Acquisition, being the subject of the Proposed Whitewash Resolution, is fair and reasonable.

This letter sets out our evaluation of the terms of the Proposed Acquisition and Proposed Whitewash Resolution and our advice to the Independent Directors therein (this "**IFA Letter**"). This IFA Letter forms part of the Circular issued by the Company in connection with the Proposed Acquisition and Proposed Whitewash Resolution.

2. TERMS OF REFERENCE

We are not and were not involved in any aspect of the negotiations pertaining to the Proposed Acquisition and Proposed Whitewash Resolution, nor were we involved in the deliberations leading up to the decisions on the part of the Directors to, *inter alia*, undertake the Proposed Acquisition or to obtain the approval of the Independent Shareholders for the Proposed Acquisition and the Proposed Whitewash Resolution. Our evaluation is limited to the financial terms of the Proposed Acquisition and Proposed Whitewash Resolution, and has not taken into account the legal risks, commercial risks or merits, financial risks or merits of the Proposed Acquisition and Proposed Whitewash Resolution.

Our terms of reference do not require us to express, evaluate or comment on the rationale for, strategic or commercial merits and/or risks of the Proposed Acquisition and Proposed Whitewash Resolution, or the future performance or prospects of the Company and its subsidiaries (the "**Group**"). We are, therefore, not expressing any opinion herein as to the future financial or other performance of the Company or the Group, whether with or without the Proposed Acquisition and Proposed Whitewash Resolution.

As with other business transactions of the Company, the merit and/or associated risk, whether commercial, financial or otherwise, of the Proposed Acquisition and Proposed Whitewash Resolution, are solely the responsibility of the Board. Likewise we are not expressing herein as to the prices at which the Shares may trade upon completion of the Proposed Acquisition and Proposed Whitewash Resolution. We are also not addressing the relative merits of the Proposed Acquisition and Proposed Whitewash Resolution, as compared to any alternative transaction previously considered by the Company or that otherwise may become available to the Group in the future. Such evaluations or comments remain the responsibility of the Board and the management of the Company.

In the course of our evaluation and for the purpose of our opinion in relation to the Proposed Acquisition and Proposed Whitewash Resolution, we have held discussions with certain Directors and management of the Company and have examined information provided by the Directors and management of the Company and other publicly available information collated by us, upon which our view is based. We have not independently verified such information, whether written or verbal, and accordingly cannot and do not make any representation or warranty in respect of, and do not accept any responsibility for, the accuracy, completeness or adequacy of such information. We have nevertheless made enquiries and used our judgment as we deemed necessary or appropriate in assessing such information and are not aware of any reason to doubt the accuracy or reliability of the information.

We have relied upon the assurance of the Directors that the Directors collectively and individually accept full responsibility for the accuracy of the information given in the Circular and confirm after making all reasonable enquiries, that to the best of their knowledge and belief, the Circular constitutes full and true disclosure of all material facts about the Proposed Acquisition and Proposed Whitewash Resolution, the Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in the Circular misleading. Where information in the Circular has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in the Circular in its proper form and context. In relation to this IFA Letter, the Directors have confirmed that the facts stated, with respect to the Group, the Proposed Acquisition and the Proposed Whitewash Resolution, are to the best of their knowledge and belief, fair and accurate in all material aspects.

We have not made any independent evaluation or appraisal of the assets or liabilities (including without limitation, real properties) of the Company, the Group, SMC, and we have not been furnished with any such evaluation or appraisal of such assets save as disclosed herein. The Company has commissioned Ernst & Young Solutions LLP (the "**Valuer**") to prepare a valuation report opining on the fair market value of a 50% equity interest in SMC as at 31 March 2016 (the "**Valuation Report**"). A summary letter of the Valuation Report (the "**Valuation Summary Letter**") can be found in Appendix 1 of the Circular whilst the Valuation Report will be made available for inspection at the registered office of the Company. We are not involved and assume no responsibility for the Valuation Summary Letter and the Valuation Report. We have not made any independent verification of the matters or bases set out in the Valuation Summary Letter and the Valuation Report. Accordingly, no representation or warranty, express or implied, is made and no responsibility is accepted by us concerning the accuracy, completeness or adequacy of such information.

Our opinion is based upon prevailing market, economic, industry, monetary and other conditions (where applicable) and the information made available to us contained in the Circular as of the Latest Practicable Date. We assume no responsibility to update, revise or reaffirm our view in light of any subsequent development after the Latest Practicable Date that may affect our opinion contained therein. Shareholders should take note of any announcements relevant to their consideration of the Proposed Acquisition and the Proposed Whitewash Resolution, which may be released by the Company after the Latest Practicable Date.

In arriving at our opinion, we did not consider the specific investment objectives, financial situation, tax consequences, risk profile or unique needs and constraints of any Shareholder or any specific group of Shareholders. We recommend that any individual Shareholder or group of Shareholders who may require specific advice in relation to his or their investment objectives or portfolios should consult his or their legal, financial, tax or other professional advisors immediately.

Our opinion is for the use and benefit of the Independent Directors in their deliberation of the Proposed Acquisition and the Proposed Whitewash Resolution, and the recommendations made by the Independent Directors shall remain the responsibility of the Independent Directors.

The Company has been separately advised by its own advisors in the preparation of the Circular (other than this IFA Letter). We have no role or involvement and have not provided any advice, financial or otherwise, whatsoever in the preparation, review and verification of the Circular (other than this IFA Letter). Accordingly, we take no responsibility for and express no views, express or implied, on the contents of the Circular (other than this IFA Letter).

Our opinion, in relation to the Proposed Acquisition and the Proposed Whitewash Resolution, should be considered in the context of the entirety of this IFA Letter and the Circular.

We recommend that the Independent Directors advise the Shareholders to read these pages carefully.

3. THE PROPOSED ACQUISITION

3.1 INFORMATION ON SMC

SMC is a company incorporated in Singapore on 18 March 1994 which is principally engaged in the trading of commodities, which include copper, non-ferrous metals and other special alloy. It also collects and handles metal scraps and recycles them for sale as unfinished material, which offers its customers solutions in managing their industrial waste.

As at the Latest Practicable Date, SMC has an issued and paid-up capital of S$8,000,000 comprising 8,000,000 ordinary shares. The entire issued shares of SMC are held by the Company and the Vendor in equal portions, following the Company's acquisition of 50% of the total issued and paid-up shares of SMC pursuant to a sale and purchase agreement dated 2 December 2014 ("**Initial Acquisition**").

SMC currently operates from Singapore and holds the necessary licences, permits and approvals to collect and manage general waste, solid lead oxide materials and insulated cable scrap material, as well as to collect, transport, process and trade metal scraps. SMC also holds the necessary import and export permits to purchase and sell industrial and hazardous waste to the jurisdictions in which its customers are located.

SMC collects industrial waste mainly from various industries including power generation plants, electronics manufacturing companies, engineering companies, building and construction companies, as well as other commodity traders. The waste and/or material purchased may be traded and sold to customers both locally and overseas (including customers located in China). As part of the value-added services offered by SMC, materials may be sorted according to the various needs of the customers before the same is sold.

As announced on 1 November 2016, SMC will be setting up a battery recycling system line for a total estimated cost of approximately S$1.0 million, as part of its existing waste management business (the "**Project**").

The Project is an extension of SMC's principal activities of trading in commodities, which include copper, non-ferrous metals and other special alloy. It currently also collects and handles metal scraps and recycles them for sale as unfinished material, which offers its customers solutions in managing their industrial waste, as an ancillary business activity. The collection, treatment, recycling and disposal of waste material allows SMC to obtain raw materials at a lower cost for its trading business, while at the same time contributing towards environment conservation.

3.2 PURCHASE CONSIDERATION

The Purchase Consideration of S$8.9 million for the Proposed Acquisition was arrived at on a willing buyer and willing seller basis, after taking into account, amongst other factors:

(a) the issued and paid-up shares of S$8,000,000 and the unaudited net tangible assets of SMC of S$17.80 million as at 31 March 2016; and

(b) the prospects of SMC in the resources industry, as further elaborated in Section 3.2 of the Circular entitled "Rationale and benefits for the Proposed Acquisition".

The Purchase Consideration will be satisfied as follows:

(a) the sum of S$7.7 million will be settled through the allotment and issuance of 226,470,588 Consideration Shares to the Vendor at the Issue Price of S$0.034 per Consideration Share; and

(b) the balance sum being the cash consideration of S$1.2 million will be paid by way of cheque to the Vendor, subject to the SMC Audited NTA being not less than S$17.8 million on the Completion Date. Where the SMC Audited NTA is lower than S$17.8 million, the balance cash consideration payable to the Vendor shall be reduced by the amount of shortfall.

The payment of the cash consideration of up to S$1.2 million will be financed through the Group's internal resources and bank borrowings.

Adjusted Consideration

Based on the management accounts of SMC, the unaudited NTA for SMC as at 30 September 2016 was approximately S$17.3 million. The Company has confirmed to us that based on the current audit work carried out by SMC's auditors, the Company does not expect the SMC Audited NTA to be materially different from the unaudited NTA for SMC as at 30 September 2016 of S$17.3 million.

This implies a shortfall of S$0.5 million in relation to the abovementioned clause whereby the SMC Audited NTA should not be less than S$17.8 million. As such, the balance cash consideration payable to the Vendor is likely to be reduced by S$0.5 million to S$0.7 million. The overall purchase consideration will also be correspondingly reduced by S$0.5 million to S$8.4 million ("**Adjusted Consideration**").

3.3 CONDITIONS PRECEDENT

The conditions precedent for the Proposed Acquisition are set out in Section 2.3 of the Circular and Shareholders are advised to read the information carefully. We set out certain extracts in italic as follows:

(i) the Company being satisfied in its sole and absolute discretion with the results of the due diligence investigations (whether legal, financial, contractual, tax or otherwise) carried out by the Company in respect of SMC;

(iii) the SIC having granted the Vendor's Concert Party Group (and not having revoked or repealed such grant) a waiver of its obligation to make a mandatory general offer under Rule 14 of the Code for the Shares not held by the Vendor's Concert Party Group, and from having to comply with the requirements of Rule 14 of the Code;

(iv) the approval of the Shareholders at the EGM being obtained for, inter alia, the Proposed Acquisition as a major transaction and Interested Person Transaction, the proposed allotment and issuance of the Consideration Shares, and the Proposed Whitewash Resolution upon the terms and conditions set out in the SPA;

(ix) the SMC Audited NTA not falling below S$16,600,000;

Completion shall take place no later than 1 month after the conditions precedent set out in Section 2.3 of the Circular are fulfilled to the satisfaction of the Company (if not waived by the Company, save for the conditions precedents set out in Sections 2.3(iii) and (ix) of the Circular) at its discretion, or such other date as the parties may mutually agree.

Where the condition precedent set out in Section 2.3(iii) of the Circular is not fulfilled, the Vendor's Concert Party Group shall be obliged to make a mandatory general offer for the remaining issued Shares not already owned, controlled or agreed to be acquired by the Vendor's Concert Party Group, in the event that the Vendor elects to proceed with the Proposed Acquisition.

3.4 INFORMATION ON THE VENDOR

Koh Mia Seng, the Vendor, is the founder and managing director of SMC and was appointed as an Executive Director of the Company on 3 March 2015, and is currently the Executive Chairman and Executive Director of the Company. Following the Initial Acquisition, the Vendor acquired 83,000,000 Shares, representing 13.01% of the total issued Shares. As at the Latest Practicable Date, the Vendor holds 142,638,458 Shares, representing 22.36% of the total issued Shares.

3.5 THE PROPOSED ACQUISITION AS AN INTERESTED PERSON TRANSACTION

As the Vendor is the Executive Chairman, Executive Director and Controlling Shareholder of the Company, the Vendor is therefore an Interested Person and the Proposed Acquisition is an IPT under Chapter 9 of the Catalist Rules.

The value of the Proposed Acquisition (being the amount at risk to the Company) is the Purchase Consideration of S$8.9 million, which is 35.7% of the Group's latest audited NTA for the financial year ended 30 September 2015 ("**FY2015**") of S$24.9 million.

Pursuant to Rule 906(1) of the Catalist Rules, the approval of the Independent Shareholders for the Proposed Acquisition has to be obtained at the EGM as the value of the Proposed Acquisition exceeds 5% of the Group's latest audited NTA.

There are no IPTs, excluding transactions which are less than S$100,000, entered into by the Group with the Vendor from 1 October 2015 up to and including the Latest Practicable Date.

There are no other IPTs, excluding transactions which are less than S$100,000, involving the Group with interested persons other than the Vendor from 1 October 2015 up to and including the Latest Practicable Date.

4 THE PROPOSED WHITEWASH RESOLUTION

Pursuant to Rule 14 of the Code and Section 139 of the SFA, the Vendor's Concert Party Group will be required to make a mandatory general offer for all the remaining Shares in issue not already owned, controlled or agreed to be acquired by the Vendor's Concert Party Group as the Vendor will own approximately 42.71% of the enlarged total issued Shares upon Completion.

It is a condition precedent to the Proposed Acquisition that the SIC grants the Vendor's Concert Party Group, and does not revoke or repeal such grant, a waiver of its obligation to make a mandatory general offer under Rule 14 of the Code and that Independent Shareholders approve at the EGM the Proposed Whitewash Resolution for the waiver of the rights of the Independent Shareholders to receive a mandatory general offer from the Vendor's Concert Party Group, at the highest price paid or agreed to be paid by the Vendor's Concert Party Group for the Shares in the past 6 months, for all the Shares not already owned by the Vendor's Concert Party Group.

The Vendor had sought a waiver from the SIC of his obligation to make a general offer under Rule 14 of the Code and had also requested that the SIC permit the Company to seek the approval of the Independent Shareholders for the Proposed Whitewash Resolution.

The SIC has on 6 October 2016 granted the Vendor a waiver of the requirement for the Vendor to make a general offer for the Company following the issue of the Consideration Shares to the Vendor, subject to certain conditions, including *inter alia*: (i) the appointment of an IFA to advise the Independent Shareholders on the Proposed Whitewash Resolution, and (ii) a majority of holders of voting rights of the Company approve at a general meeting, before the issue of the Consideration Shares to the Vendor, the Proposed Whitewash Resolution by way of poll to waive their rights to receive a general offer from the Vendor.

5. EVALUATION OF THE PROPOSED ACQUISITION AND THE PROPOSED WHITEWASH RESOLUTION

In our evaluation of the Proposed Acquisition and Proposed Whitewash Resolution, we have taken into account the following factors which we consider to be pertinent and to have a significant bearing on our evaluation:

(a) the financial performance of SMC;

(b) the Valuation Summary Letter;

(c) the net asset value ("**NAV**") and NTA of SMC;

(d) the Issue Price of the Consideration Shares;

(e) the comparison of valuation ratios of selected listed companies which are broadly comparable with SMC;

(f) comparison with recent IPT transactions;

(g) the rationale and benefits of the Proposed Acquisition;

(h) the pro forma financial effects of the Proposed Acquisition; and

(i) other considerations.

These factors are discussed in greater detail in the ensuing paragraphs.

5.1 THE FINANCIAL PERFORMANCE OF SMC

5.1.1 Income Statement

A summary of the income statements of SMC for the financial year ended 31 December 2014 ("**FY2014**"), the nine months ended 30 September 2015 ("**9M2015**") and the two financial years ended 30 September 2015 ("**FY2015**") and 30 September 2016 ("**FY2016**") is respectively set out below:

	Audited		Unaudited	
S$'millions	**FY2014**	**9M2015**	**FY2015**	**FY2016**
Revenue	97.3	86.1	117.7	130.5
Gross profit	5.5	4.4	5.7	6.9
Profit / (Loss) before tax	1.5	1.1	1.8	(1.5)
Profit / (Loss) after tax	1.2	0.9	1.3	(1.5)
Foreign exchange gains / (losses)	1.0	0.6	1.5	(2.1)

Note:

(1) SMC changed its financial year end from 31 December to 30 September after the completion of the Initial Acquisition on 8 January 2015 to be aligned with the Company's existing year end. The FY2015 and FY2016 figures are based solely on the management accounts provided by the Company. These management accounts may differ from SMC's FY2016 audited accounts when the FY2016 audited accounts are made available in the future.

Revenues have been increasing for FY2015 and FY2016. Revenues increased by 10.9% (or S$12.8 million) from S$117.7 million in FY2015 to S$130.5 million in FY2016 due largely to an increase in trading volumes which was offset by a decline in copper prices. We understand from the Company that SMC has reduced gradually its reliance on China over the years and expanded its presence to regional markets such as Taiwan, Korea, Japan, Europe and India.

Gross profits increased by 21.0% (or S$1.2 million) from S$5.7 million in FY2015 to S$6.9 million in FY2016. Gross profit margins have been fluctuating, declining from 5.7% in FY2014 to 4.8% in FY2015 and then rising up to 5.3% in FY2016. We understand from the Company that SMC continues to seek out higher margin business opportunities and is currently exploring avenues to diversify into the trading of other metals.

We note that SMC's profits have been impacted by foreign exchange gain / losses in FY2014, FY2015 and FY2016. SMC recorded foreign exchange gains of S$1.0 million in FY2014, S$1.5 million in FY2015 and foreign exchange losses of S$2.1 million in FY2016. The foreign exchange losses in FY2016 were mainly due to the strengthening of the Singapore Dollar against the Chinese Yuan (RMB) and United States Dollar (US$) in FY2016. The S$2.1 million foreign exchange loss in FY2016 comprised of S$1.7 million in unrealized translation losses and S$0.4 million in realised losses.

Excluding the foreign exchange gains and losses, SMC would have a profit before tax of approximately S$0.5 million, S$0.3 million and S$0.5 million for FY2014, FY2015 and FY2016 respectively.

5.1.2 Balance Sheet

We set out below the key balance sheet information of SMC as at 30 September 2015 and 30 September 2016.

S$'millions	Restated[1] 30 September 2015	Unaudited 30 September 2016
Current assets	44.9	44.0
Current liabilities	(32.9)	(34.8)
Net current assets	**12.0**	**9.2**
Non-current assets	7.4	8.7
Non-current liabilities	(0.7)	(0.6)
Total equity	**18.7**	**17.3**

Note:

(1) In prior years, the available-for-sale financial assets relating to the life insurance policies purchased using the revolving loans provided to secure trade facilities have been off-set instead of being presented in gross figures. Accordingly, the comparative figures for available-for sale financial assets and loans have been reclassified to present them on gross basis.

30 September 2015

As at 30 September 2015, SMC had total assets of S$52.3 million, mainly comprising trade receivables of S$34.4 million, cash and cash equivalents of S$7.7 million, property, plant and equipment of S$5.2 million, inventories of S$2.4 million and available for sale financial assets of S$1.8 million.

Total liabilities as at 30 September 2015 was S$33.7 million, mainly comprising bank overdrafts and short term loans of S$29.3 million, trade payables of S$3.0 million and deferred tax liabilities of S$0.5 million.

As at 30 September 2015, SMC had NAV of S$18.7 million. SMC did not have any intangible assets, hence its NTA will be equal to its NAV.

30 September 2016

As at 30 September 2016, SMC had total assets of S$52.7 million, mainly comprising trade receivables of S$33.9 million, cash and cash equivalents of S$5.4 million, property, plant and equipment of S$4.6 million, inventories of S$4.1 million and available for sale financial assets of S$3.3 million.

Total liabilities as at 30 September 2016 was S$35.4 million, mainly comprising bank overdrafts and short term loans of S$30.9 million and trade payables of S$3.4 million.

As at 30 September 2016, SMC had NAV of S$17.3 million. SMC did not have any intangible assets, hence its NTA will be equal to its NAV.

5.1.3 Dividend Track Record

We note that SMC did not declare any dividend in respect of FY2014 and FY2015.

5.2 THE VALUATION SUMMARY LETTER

The Company has commissioned the Valuer to opine on the fair market value of the 50% equity interest in SMC. We note from the Valuation Summary Letter, dated 22 July 2016, that the Valuer has adopted the discounted cash flow methodology under the income approach for the valuation. We set out certain extracts from the Valuation Summary Letter with regards to the valuation methodology and assumptions employed by the Valuer in italics below:

"We have assessed the Fair Market Value of SMC on a going concern basis as at 31 March 2016 by using the discounted cash flows methodology under the income approach. Under this approach and methodology, we have discounted the projected free cash flows of SMC with discount rates having considered, amongst all relevant risk factors, such as business size, business environment, stages of growth, riskiness of cash flows. The free cash flow of SMC has been projected for the period from 1 April 2016 to the financial year ending 30 September 2020 with a terminal value attributed."

"In addition, we have also assessed the reasonableness of our valuation results by cross-checking the fair market value determined under the income approach with the market multiple methodology under the market approach."

"The financial forecast and its underlying assumptions reflect SMC Management's current expectations about future business plans; and SMC is assumed to be able to source for sufficient metals (mainly copper) and the demand for metals (mainly copper) is assumed to prevail to meet the forecast;"

The Valuer has opined that the fair market value of the remaining 50% interest in SMC was between S$9.8 million and S$11.4 million as at 31 March 2016. We note that:

(a) the Purchase Consideration is at a 9.2% and 21.9% discount to the lower and upper bounds of the Valuer's valuation range respectively; and

(b) the Adjusted Consideration is at a 14.5% and 26.5% discount to the lower and upper bounds of the Valuer's valuation range respectively.

We note that the FY2016 management accounts for SMC have been made available subsequent to the Valuation Summary Letter, which had a valuation date as at 31 March 2016. The management of SMC ("**SMC Management**") and the Company have confirmed that to the best of their knowledge, there has been no material change to the operations of SMC that may have an adverse impact on the financial results of SMC since 31 March 2016 which may materially affect the validity of the Valuation Summary Letter.

5.3 THE NET ASSET VALUE AND NET TANGIBLE ASSETS OF SMC

As at 30 September 2016, SMC had NAV of S$17.3 million and no intangible assets. Accordingly, the NAV of SMC would be equal to its NTA.

We have discussed the following factors that may affect the NAV or NTA of SMC with the SMC Management:

(a) **Trade Receivables**

As at 30 September 2016, SMC had trade receivables of S$33.9 million. The SMC Management has confirmed that (i) all necessary allowances or provisions to be made for trade receivables in respect of FY2016 have been incorporated into the management accounts provided, and (ii) no further allowances or provisions are required to be made for trade receivables for the period from 1 October 2016 till the Latest Practicable Date.

(b) **Inventories**

As at 30 September 2016, SMC had inventories of S$4.1 million. The SMC Management has confirmed that (i) all necessary inventory write-down or allowances for inventory obsolescence in respect of FY2016 have been incorporated into the management accounts provided, and (ii) no further inventory write-down or allowances for inventory obsolescence is required to be made for inventories for the period from 1 October 2016 till the Latest Practicable Date.

Saved as disclosed above, the SMC Management confirm that, to the best of their knowledge and belief, there were no material contingent liabilities, unrecorded earnings, expenses or provisions which could have a material impact on the NAV of SMC as at 31 September 2016.

Based on the information provided by the SMC Management on events subsequent to the last financial year ended 30 September 2016, no further adjustments to the NAV of SMC are required.

5.4 THE ISSUE PRICE OF THE CONSIDERATION SHARES

5.4.1 The Issue Price and the Market Performance of the Shares

The historical price chart (based on closing prices and the number of Shares traded on a daily basis excluding married trades) for Shares during the period commencing from the 12-month period prior to 11 May 2016 (the "**Announcement Date**") and up to the Latest Practicable Date is set out below:



Source: Bloomberg Finance L.P.

A summary of the salient announcements and key events relating to the Company during the aforesaid period is set out below:

Date	Event
13 May 2015	The Company announced its unaudited consolidated financial statements for the six months ended 31 March 2015. The Company reported revenues of S$32.8 million and profit attributable to equity holders of the Company of S$0.2 million for the six months ended 31 March 2015. The Company also announced the appointment of Mr Low Ka Choon Kevin, an Independent Director of the Company, as Chairman of the Nominating Committee and a member of the Audit and Remuneration Committees with effect from 13 May 2015. Accordingly, Mdm Yu Lihong shall cease as Chairman of the Nominating Committee but remain as a member of the Nominating Committee.
7 Jul 2015	The Company announced the termination of the convertible bond agreement dated 7 May 2015 in relation to the proposed subscription of convertible bonds in YJL Mining Pte. Ltd..
31 Aug 2015	The Company announced the appointment of Ms Wee Woon Hong as Joint Company Secretary of the Company with effect from 1 September 2015.
30 Sep 2015	The Company announced the entering into a convertible notes agreement (the "**Convertible Notes Agreement**") with Lo Yew Seng, Dr Wong Kahoe and Teng Woo Boon Ronald (each a "**Subscriber**" and collectively, the "**Subscribers**"), pursuant to which the Company agrees to issue, and the Subscribers agree to subscribe for S$1.9 million in aggregate principal amount of convertible notes ("**Notes**"), in accordance with the terms and subject to the conditions of the Convertible Notes Agreement.
30 Oct 2015	The Company announced that Dr Wong Kahoe and Teng Woo Boon Ronald have on 30 October 2015 completed the subscription of Notes for an aggregate amount of S$900,000, in accordance with the terms of the Convertible Notes Agreement and the Notes have been duly issued to Dr Wong Kahoe and Teng Woo Boon Ronald, with their principal amounts each being S$500,000 and S$400,000 respectively.
26 Nov 2015	The Company announced its unaudited consolidated financial statements for the financial year ended 30 September 2015. The Company reported revenues of S$101.7 million and loss attributable to equity holders of the Company of S$0.3 million for the financial year ended 30 September 2015.
15 Jan 2016	The Company announced the appointment of Chai Lee Shun as the Chief Financial Officer of the Company.
18 Jan 2016	The Company announced that Lo Yew Seng has on 18 January 2016 completed the subscription of the Notes for S$1,000,000, in accordance with the terms of the Convertible Notes Agreement and the Notes have been duly issued to Lo Yew Seng.
25 Jan 2016	Extraordinary general meeting of the Company whereby Shareholders approved the change of the name of the Company from "PNE Micron Holdings Ltd" to "Sen Yue Holdings Limited". The Company also announced the cessation of Tan Kong Heng as Non-Executive Chairman and Director.
1 Feb 2016	The Company announced that the Company's name has been changed from "PNE Micron Holdings Ltd" to "Sen Yue Holdings Limited" with effect from 28 January 2016.
11 May 2016	The Company announced its unaudited consolidated financial statements for the six months ended 31 March 2016. The Company reported revenues of S$71.2 million and loss attributable to equity holders of the Company of S$0.9 million for the six months ended 31 March 2016. The Company also announced the Proposed Acquisition.
6 Oct 2016	The Company announced that SIC had on 6 October 2016 granted the Whitewash Waiver.

Date	Event
1 Nov 2016	The Company announced that SMC will be expanding its existing business via the Project. The Company also announced that it intends to seek shareholders' approval to diversify the Company's core business into the waste management business, including the provision of waste management solutions, the collection, transport, handling, treatment, management and disposal of commercial, hazardous, electronic and industrial waste and metal scraps, the recycling and trading of metal scraps and electronic waste, and materials recovery (the "**Proposed Diversification**").
11 Nov 2016	The Company announced that the Group was expected to report a loss for the financial year ended 30 September 2016 mainly due to the foreign currency translation loss from the trading commodities segment arising from the devaluation of the Chinese Yuan and the United States Dollar against the Singapore Dollar.
15 Nov 2016	The Company announced that it had on 15 November 2016 received the Listing and Quotation Notice (the "**LQN**") from the SGX-ST for the listing of and quotation for up to 226,470,588 Consideration Shares pursuant to the Proposed Acquisition, subject to compliance with the listing requirements of the SGX-ST and shareholders' approval for the Proposed Acquisition being obtained at the EGM to be convened.
18 Nov 2016	The SGX-ST queried the Company with regards to the trading activity of the Shares. In response to the SGX-ST query, the Company and its Directors stated that they were not aware of any information not previously announced concerning the Company, its subsidiaries or associated companies which, if known, may explain the trading. The Company also mentioned that its previous announcements on 1 November 2016, 11 November 2016 and 15 November 2016 may potentially account for the trading activity.
23 Nov 2016	The Company announced its unaudited consolidated financial statements for the financial year ended 30 September 2016. The Company reported revenues of S$152.2 million and loss attributable to equity holders of the Company of S$0.9 million for the financial year ended 30 September 2016.

We have tabulated below selected statistical information on the share price performance and trading liquidity of the Shares commencing from the 12-month period prior to the Announcement Date and up to the Latest Practicable Date.

Shares[1]	Highest price S$[2]	Lowest price S$[3]	VWAP S$[4]	Premium / (Discount) of Issue Price over / to VWAP %	Average daily trading volume '000[5]	Average daily trading volume as a percentage of free float %[6]
Prior to the Announcement Date						
Last 12 months	0.054	0.012	0.0410	(17.1)	1,544	0.54
Last 6 months	0.037	0.012	0.0250	36.0	756	0.26
Last 3 months	0.036	0.012	0.0170	100.0	606	0.21
Last 1 month	0.020	0.012	0.0160	112.5	899	0.31
Last traded day prior to the Announcement Date	0.020	0.020	0.0190	78.9	71	0.02
After the Announcement Date						
After the Announcement Date to the Latest Practicable Date	0.033	0.010	0.0290	17.2	657	0.23

Source: Bloomberg Finance L.P.

Notes:

(1) Excludes married trades.

(2) The highest price refers to the highest daily closing price during the relevant period.

(3) The lowest price refers to the lowest daily closing price during the relevant period.

(4) The volume weighted average price ("**VWAP**") of the Shares over the relevant period.

(5) The average daily trading volume of Shares is computed based on the total volume of Shares traded during the relevant period, divided by the number of days on which the SGX-ST is open for the trading of securities during the relevant period.

(6) For the purpose of computing the average daily trading volume as a percentage of free float for the various periods, we have used the free float of approximately 285.8 million Shares as extracted from the Company's FY2015 annual report, representing approximately 44.8% of the 637,809,450 total issued Shares.

Based on the above graph and table, we note that:

(a) the prices of the Shares have ranged between S$0.012 and S$0.054 in the 12 months prior to the Announcement Date. Sen Yue's share price has been on the decline in the 12 months prior to the Announcement;

(b) VWAP of the Shares prior to the Announcement Date have similarly been on the decline, decreasing from S$0.041 (12-month VWAP) to S$0.025 (6-month VWAP) to S$0.017 (3-month VWAP) and to S$0.016 (1-month VWAP);

(c) the Issue Price represents a discount of 17.1% to the 12-month VWAP of the Shares prior to the Announcement Date, and premiums of 78.9%, 112.5%, 100.0% and 36.0% to the VWAP on the last traded day prior to the Announcement Date and the 1-month, 3-month and 6-month VWAP of the Shares prior to the Announcement Date respectively;

(d) the Issue Price represents a premium of 17.2% to the VWAP of the Shares for the period between the market day immediately after the Announcement Date and up to the Latest Practicable Date;

(e) the price of the Shares continued to decline after the Announcement Date until the middle of November 2016 when there was a sharp increase in the price of the Shares back above S$0.030;

(f) in the 12 months leading up till the Announcement Date, the Shares were traded on 125 days out of a possible 249 market days, or approximately 50.2% of market days during the corresponding period;

(g) the average daily trading volume of the Shares for the 1-month, 3-month, 6-month and 12-month periods prior to the Announcement Date was relatively low, representing only 0.31%, 0.21%, 0.26% and 0.54% of the free float respectively; and

(h) the average daily trading volume of the Shares declined to 0.23% of the free float for the period between the market day immediately after the Announcement Date and up to the Latest Practicable Date.

5.4.2 The Issue Price versus the NAV per Share

Based on the audited NAV of the Group (after excluding non-controlling interest) of S$25.0 million as at 30 September 2015 and the issued share capital of 637,809,450 Shares as at the Latest Practicable Date, the audited NAV per Share was approximately S$0.039. The Issue Price represents a discount of 12.8% (or S$0.005) to the NAV of each Share as at 30 September 2015.

Based on the unaudited NAV of the Group (after excluding non-controlling interest) of S$24.6 million as at 30 September 2016 and the issued share capital of 637,809,450 Shares as at the Latest Practicable Date, the unaudited NAV per Share was approximately S$0.039. The Issue Price represents a discount of 12.8% (or S$0.005) to the NAV of each Share as at 30 September 2016.

5.4.3 The Issue Price versus the NTA per Share

The Group had intangible assets of S$0.3 million as at 30 September 2015. Accordingly, the net tangible assets of the Group (after excluding non-controlling interest) as at 30 September 2015 was S$24.6 million or a NTA per Share of S$0.039. The Issue Price represents a discount of 12.8% (or S$0.005) to the NTA of each Share as at 30 September 2015.

As at 30 September 2016, the Group had intangible assets of S$0.3 million. Accordingly, the net tangible assets of the Group (after excluding non-controlling interest) as at 30 September 2016 was S$24.2 million or a NTA per Share of S$0.038. The Issue Price represents a discount of 10.5% (or S$0.004) to the NTA of each Share as at 30 September 2016.

5.5 COMPARISON OF VALUATION RATIOS OF SELECTED LISTED COMPANIES WHICH ARE BROADLY COMPARABLE WITH SMC

SMC is principally engaged in the trading of commodities, which include copper, non-ferrous metals and other special alloy. It collects and handles metal scraps and recycles them for sale as unfinished material, which offers its customers solutions in managing their industrial waste. Reference can be made to companies which are listed and traded on global exchanges, whose business activities and industries are largely comparable to those of SMC ("**Comparable Companies**") to give an indication of the current market expectations with regards to the valuation of these businesses, implied by their respective closing market prices as at the Latest Practicable Date.

We had discussions with management about the suitability and reasonableness of the Comparable Companies. We wish to highlight that the Comparable Companies are not exhaustive and it should be noted that there may not be any listed company that is directly comparable to SMC in terms of location, business activities, customer base, size of operations, asset base, geographical markets, track record, financial performance, operating and financial leverage, future prospects, liquidity, quality of earnings, accounting policies, risk profile and other relevant criteria. As such, any comparison made here is necessarily limited and it may be difficult to place reliance on the comparison of valuation for the Comparable Companies. Therefore, any comparison made serves only as an illustrative guide.

A brief description of the Comparable Companies is set out below:

Comparable Companies	Listing Location	Brief Business Description	Market Capitalisation as at the Latest Practicable Date [1] (S$ million)
Enviro-Hub Holdings Ltd ("**Enviro-Hub**")	Singapore	Enviro-Hub is an investment holding company whose subsidiaries are involved in a diverse portfolio that includes property development and investment, e-waste management solutions, recovery and refining of platinum group metals, recycling of metals, piling and building construction, as well as plastics to fuel conversion.	87

Comparable Companies	Listing Location	Brief Business Description	Market Capitalisation as at the Latest Practicable Date (1) (S$ million)
Metech International Ltd ("**Metech**")	Singapore	Metech recycles and processes electronic components and products for the electronics industry. Metech also provides treatment processing services for toxic chemical waste which contain precious metals such as gold, silver, palladium and platinum and non-ferrous metal such as copper.	13
Union Steel Holdings Ltd ("**Union Steel**")	Singapore	Union Steel recycles ferrous and non-ferrous scrap metals, trades steel products, and provides waste collection and management, demolition, steel plate rentals, and car scrapping.	19
Chiho-Tiande Group Ltd ("**Chiho-Tiande**")	Hong Kong	Chiho-Tiande is a mixed scrap recycler. Chiho-Tiande is an importer of mixed metal scrap used for recycling, reuse, and processing. Chiho-Tiande breaks down, demolishes, and separates mixed metal scrap such as motor scrap, electric wire, and cable scrap.	1,738
Schnitzer Steel Industries Inc ("**Schnitzer Steel**")	United States	Schnitzer Steel collects, processes and recycles raw scrap metal (ferrous and nonferrous) and provides processed scrap metal to mills and foundries around the world. Schnitzer Steel is also involved in the recycling of automobile parts and in the steel manufacturing business.	1,135
Sims Metal Management Ltd ("**Sims Metal**")	Australia	Sims Metal collects, sorts and processes scrap metal materials, metal products and related materials. Sims Metal markets and trades primary and secondary metals, steel, ores, concentrates, industrial minerals, ferroalloys, chemicals, and other materials used in a variety of industries.	2,673
Zibao Metals Recycling Holdings Plc ("**Zibao Metals**")	London	Zibao Metals is a metals recycling company that imports aluminum and copper from various sources around the world and resells it to China.	5

Source: Bloomberg Finance L.P., annual reports, announcements and websites of respective companies

Note:

(1) Market capitalisation of the Comparable Companies is based on their respective closing prices as at the Latest Practicable Date.

For the comparison with the Comparable Companies, we have referred to various valuation ratios to provide an indication of the market expectations with regard to the valuation of these companies. In this respect, we have considered the following widely used ratios:

Valuation Ratio	General Description
Price-to-Net Asset Value ("**P/NAV**")	P/NAV ratio illustrates the ratio of the market price of a company's share relative to its asset backing as measured in terms of its historical consolidated NAV per share as stated in its financial statements. The NAV figure provides an estimate of the value of a company assuming the sale of all its tangible and intangible assets, the proceeds which are first used to settle its liabilities and obligations with the balance available for distribution to its shareholders. Comparisons of companies using their book NAVs are affected by differences in their respective accounting policies, in particular, their depreciation and asset valuation policies.
Price-to-Net Tangible Asset ("**P/NTA**")	P/NTA ratio illustrates the ratio of the market price of a company's share relative to its historical NTA per share as recorded in its financial statements. The NTA figure provides an estimate of the value of a company assuming the sale of all its tangible assets, the proceeds which are first used to settle its liabilities and obligations with the balance available for distribution to its shareholders. Comparisons of companies using their NTAs are affected by differences in their respective accounting policies, in particular, their depreciation and asset valuation policies.

As SMC was loss making in FY2016, we have not included in our analysis earnings based valuation ratios such as the price-to-earnings ratio or the enterprise value-to-earnings before interest, depreciation and amortisation ("**EBITDA**") ratio. Nonetheless, we also note that the majority of the Comparable Companies were similarly loss making in their respective most recent trailing twelve months ("**TTM**") with the exception of Enviro-Hub and Zibao Metals.

We set out in the table below the financial ratios of the Comparable Companies as at the Latest Practicable Date:

	Net Profit / (Loss)[1] (S$'m)	P/NAV[2] (times)	P/NTA[2] (times)
Enviro-Hub	0.8	1.2	1.2
Metech	(5.6)	1.3	1.3
Union Steel	(16.3)	0.3	0.3
Chiho-Tiande	(64.5)	2.2	2.2
Schnitzer Steel	(26.9)	1.6	2.4
Sims Metal	(218.8)	1.4	1.5
Zibao Metals	0.1	0.4	0.4
Maximum		2.2	2.4
Minimum		0.3	0.3
Mean		1.2	1.3
Median		1.3	1.3
SMC[3] **(Based on Purchase Consideration)**	(1.5)	1.0	1.0
SMC[4] **(Based on Adjusted Consideration)**	(1.5)	1.0	1.0

Source: Bloomberg Finance L.P., annual reports and/or announcements of the respective companies, and other publicly available information.

Notes:

(1) The net profits attributable to shareholders in the TTM period compiled from the respective companies' financial results. Net profit figures are based upon the average exchange rates prevailing during the corresponding TTM period for each respective company.

(2) The P/NAV and P/NTA ratios of the Comparable Companies are based on (i) their respective closing prices as at the Latest Practicable Date; and (ii) the most recent NAV and NTA attributable to shareholders as announced by the respective companies.

(3) Based on the Purchase Consideration and SMC's TTM financials.

(4) Based on the Adjusted Consideration and SMC's TTM financials.

Based on the above ratio analysis, we noted that:

Based on Purchase Consideration

(a) the P/NAV ratio of SMC, as implied by the Purchase Consideration and the NAV of SMC as at 30 September 2016, is within the range, and below the mean and median of the Comparable Companies;

(b) the P/NTA ratio of SMC, as implied by the Purchase Consideration and the NTA of SMC as at 30 September 2016, is within the range, and below the mean and median of the Comparable Companies;

Based on Adjusted Consideration

(c) the P/NAV ratio of SMC, as implied by the Adjusted Consideration and the NAV of SMC as at 30 September 2016, is within the range, and below the mean and median of the Comparable Companies; and

(d) the P/NTA ratio of SMC, as implied by the Adjusted Consideration and the NTA of SMC as at 30 September 2016, is within the range, and below the mean and median of the Comparable Companies.

5.6 COMPARISON WITH RECENT IPT TRANSACTIONS

For the purpose of our evaluation, we have compared the P/NAV ratio implied by the Purchase Consideration vis-à-vis interested person transactions completed by companies listed on the SGX-ST since 1 January 2015 which involve the acquisitions of a majority stake in private companies, excluding reverse takeovers (the "**Recent IPT Transactions**").

This analysis serves as a general indication of the premium over or discount to NAV, without having regard to specific industry characteristics or other relevant considerations. We wish to highlight that the list of Recent IPT Transactions is not exhaustive, and that the purchase consideration is dependent on various factors, including, *inter alia*, the rationale for the acquisition, then prevailing market conditions and sentiments, the mode of settlement of the purchase consideration, the nature of the business and/or assets acquired. Accordingly, any comparison made with respect to the Recent IPT Transactions is intended to serve as an illustrative guide only.

Name of company	Details of acquisition	Date of circular	Purchase consideration (S$'millions)	P/NAV (times)
Ascendas India Trust	100% of the total issued and paid-up capital of Ascendas IT SEZ (Chennai) Private Limited	12 Mar 15	35.7	1.0[(1)]
Achieva Limited	100% of the issued and paid-up share capital of (I) SUTL Marina Development Pte. Ltd. and (II) One15 Luxury Yachting Pte. Ltd.	11 May 15	21.0	0.9[(2)]

Name of company	Details of acquisition	Date of circular	Purchase consideration (S$'millions)	P/NAV (times)
Raffles United Holdings Ltd	51% of the issued and paid-up capital of Raffles Capital Enterprise Pte. Ltd.	16 Jul 15	8.0	1.0[3]
AVIC International Maritime Holdings Limited	60% of the issued and paid up capital of AVIC Zhenjiang Shipyard Marine Pte. Ltd.	21 Jul 15	4.9	1.2[4]
EMS Energy Limited	100% of the total issued and paid-up capital of Windale Holdings Limited	30 Sep 15	150.0	0.8[5]
Rowsley Ltd.	75% of the issued and paid-up share capital of GG Collections Private Limited	29 Oct 15	12.0	0.9[6]
	75% of the issued and paid-up share capital of Café Football Limited	29 Oct 15	1.0	4.8[7]
	75% of the issued and paid-up share capital of Orchid Leisure Limited	29 Oct 15	50.1	1.0[8]
Midas Holdings Limited	100% of the total issued and paid-up capital of Huicheng Capital Limited	30 Mar 16	264.0	1.1[9]
Koh Brothers Eco Engineering Limited	100% of the issued and paid-up share capital of Koh Brothers Building & Civil Engineering Contractor (Pte.) Ltd.	12 Apr 16	19.0	0.8[10]
Manhattan Resources Limited	92.18% of equity interest in PT Kariangau Power	14 Jun 16	50.2	1.6[11]
3cnergy Limited	100% of the issued and paid-up share capital of Liberty Bridge Sdn Bhd	28 Jun 16	64.0	1.0[12]
ISEC Healthcare Limited	100% of the issued and paid-up share capital of the JL Medical group of companies	22 Sep 16	13.9	27.9[13]
Maximum				4.8
Minimum				0.8
Mean				1.3
Median				1.0
SMC (Based on Purchase Consideration)[14]				1.0
SMC (Based on Adjusted Consideration)[15]				1.0

Source: Circulars of the respective SGX-ST listed companies.

Notes:

(1) Based on the INR1,625 million market value of the property held by the target company as valued by an independent valuer.

(2) Based on the target companies' proforma net asset value of S$22.2 million as at 31 December 2014.

(3) Based on the NAV of the target company of S$15.6 million as at 31 March 2015.

(4) Based on the NAV of the target company of RMB31.5 million as at 31 December 2014.

(5) Based on the fair value of the 100% equity interest in the target company of US$144.6 million as valued by an independent valuer.

(6) Based on the revalued NTA of the target company as at 30 June 2015 of approximately GBP8.2 million.

(7) Based on the adjusted NTA of the target company as at 30 June 2015 of GBP126,068.

(8) Based on the equity value of the target company of GBP30.8 million.

(9) Based on the target company's NAV of RMB716.3 million as at 30 September 2015 and the initial purchase consideration of S$166.32 million. The maximum purchase consideration of S$264.0 million includes the earn-out purchase consideration of S$97.68 million.

(10) Based on the revalued NAV of the target company of S$24.9 million as at 31 December 2015 as calculated by the independent financial advisor.

(11) Based on the proforma NAV of the target company after the loan capitalisation of IDR206.1 billion as at 31 December 2015 and the IDR125.0 billion revaluation surplus arising from the three pieces of land held by the target company.

(12) Based on the fair market value of the 100% equity interest in the target company of S$65.0 million as valued by an independent valuer.

(13) Based upon the minimum NTA of S$0.5 million of the target company that the vendors had agreed to maintain prior to completion. Excluded from P/NAV ratio analysis as it is an outlier.

(14) Based on the Purchase Consideration and SMC's TTM financials.

(15) Based on the Adjusted Consideration and SMC's TTM financials.

(16) INR, RMB, US$, GBP and IDR refers to the Indian Rupee, United States Dollars, Chinese Yuan, British Pound and Indonesian Rupiah respectively.

Based on the above, we note that:

(a) the P/NAV ratio of SMC, as implied by the Purchase Consideration and the NAV of SMC as at 30 September 2016, is within the range, below the mean and equal to the median P/NAV ratio of Recent IPT Transactions; and

(b) the P/NAV ratio of SMC, as implied by the Adjusted Consideration and the NAV of SMC as at 30 September 2016, is within the range, below the mean and equal to the median P/NAV ratio of Recent IPT Transactions.

5.7 RATIONALE FOR THE PROPOSED ACQUISITION

The rationale for the Proposed Acquisition can be found in Section 3.2 of the Circular and we recommend that the Directors advise the Shareholders to read the section carefully. We have summarised the rationale as follows:

(a) the Proposed Acquisition presents the opportunity for the Group to fully acquire SMC and enable the Group to leverage on the core strengths of SMC to expand further into the resource supply chain sector;

(b) the Proposed Acquisition will allow the Group to better position itself as a vertically integrated player in the resources industry for its future growth; and

(c) the acquisition of the Sale Shares will eliminate IPTs between the Group and SMC, thereby increasing the administrative efficiency of the Group in leveraging upon the resources of SMC.

5.8 PRO FORMA FINANCIAL EFFECTS OF THE PROPOSED ACQUISITION

In our evaluation of the Proposed Acquisition and Proposed Whitewash Resolution, we have also noted the following pro forma financial effects:

(a) the NTA per Share of 3.91 Singapore cents as at 30 September 2015 will improve to a NTA per Share of 3.97 Singapore cents after the completion of the Proposed Acquisition; and

(b) the loss per Share of 0.04 Singapore cents for FY2015 will improve to an earnings per Share of 0.03 Singapore cents after the completion of the Proposed Acquisition.

Further details of the pro forma financial effects of the Proposed Acquisition are set out in Section 9 of the Circular.

5.9 OTHER CONSIDERATIONS

In determining whether (i) the financial terms of the Proposed Acquisition, being the subject of the Proposed Whitewash Resolution, is fair and reasonable, and (ii) the Proposed Acquisition is on normal commercial terms and is not prejudicial to the interests of the Company and its minority Shareholders, we have also considered the following:

(a) Initial Acquisition

Pursuant to a sale and purchase agreement between the Company and the Vendor dated 2 December 2014, the Company acquired its initial 50% shareholding interest in SMC for a consideration of S$11.3 million. The S$11.3 million consideration ("**Initial Acquisition Consideration**") for the Initial Acquisition was satisfied via S$5.4 million in cash and the issuance of 83,000,000 new Shares at an issue price of S$0.071 for each Share ("**Initial Issue Price**").

We note that (i) the Purchase Consideration of S$8.9 million is 21.2% lower than the Initial Acquisition Consideration; and (ii) the Adjusted Consideration of S$8.4 million is 25.9% lower than the Initial Acquisition Consideration.

The Issue Price of S$0.034 is 52.1% lower than the Initial Issue Price, corresponding with a decline in the price of the Shares from December 2015 through till the Announcement Date.

(b) Inter-conditionality

Shareholders' approval for Ordinary Resolutions 1 (relating to the Proposed Acquisition as an Interested Person Transaction and a major transaction), 2 (relating to the proposed allotment and issue of Consideration Shares) and 3 (relating to the Proposed Whitewash Resolution) are required in order for the Company to effect and complete the Proposed Acquisition and are therefore inter-conditional upon one another. If any of the Ordinary Resolutions 1 to 3 are not approved, the other Ordinary Resolutions will not be duly passed. For the avoidance of doubt, Ordinary Resolution 4 is not conditional upon the passing of any of Ordinary Resolutions 1 to 3.

(c) Dilution impact of the Proposed Acquisition

The dilution impact of the Proposed Acquisition to the shareholdings of the Shareholders has been set out in Section 8 of the Circular. A summary is set out below:

	Before the Proposed Acquisition (Direct / Deemed Interest)		After the Proposed Acquisition (Direct / Deemed Interest)	
	No. of Shares	%	No. of Shares	%
Directors				
Koh Mia Seng	142,638,458	22.36	369,109,046	42.71
Neo Gim Kiong	4,150,000	0.65	4,150,000	0.48
Liew Nyok Wah	62,000,000	9.72	62,000,000	7.17
Yu Lihong	6,000,000	0.94	6,000,000	0.69
Substantial Shareholders (other than Directors)				
Di Lingbin	100,000,000	15.69	100,000,000	11.57
Existing Public Shareholders	323,020,992	50.65	323,020,992	37.38
Total	**637,809,450**	**100.00**	**864,280,038**	**100.00**

We note that Koh Mia Seng is currently the largest Controlling Shareholder of the Company holding 22.36% of the total issued Shares as at the Latest Practicable Date. After the Proposed Acquisition, Koh Mia Seng's shareholding in the Company will increase to approximately 42.71% of the enlarged share capital of the Company.

The shareholding interest of the existing public shareholders will be diluted from 50.65% as at the Latest Practicable Date to approximately 37.38% of the enlarged share capital of the Company following the completion of the Proposed Acquisition.

6. OUR OPINION

Having regard to our terms of reference, in arriving at our opinion, we have taken into account a range of factors which we consider to be pertinent and have a significant bearing on our assessment of the Proposed Acquisition and Proposed Whitewash Resolution. We have carefully considered as many factors as we deem essential and balanced them before reaching our opinion. Accordingly, it is important that our IFA Letter, in particular, all the considerations and information we have taken into account, be read in its entirety.

We set out below a summary of the key factors we have taken into our consideration:

(a) SMC reported a S$1.5 million loss after tax for FY2016 after being impacted by a S$2.1 million foreign exchange loss due to the strengthening of the Singapore Dollar against the Chinese Yuan (RMB) and United States Dollar (US$) in FY2016. Excluding the foreign exchange losses, SMC would have reported a profit before tax of approximately S$0.5 million;

(b) the Purchase Consideration is at a 9.2% and 21.9% discount to the lower and upper bounds of the Valuer's valuation range respectively;

(c) the Adjusted Consideration is at a 14.5% and 26.5% discount to the lower and upper bounds of the Valuer's valuation range respectively;

(d) the Issue Price represents a discount of 17.1% to the 12-month VWAP of the Shares prior to the Announcement Date, and premiums of 78.9%, 112.5%, 100.0% and 36.0% to the VWAP on the last traded day prior to the Announcement Date and the 1-month, 3-month and 6-month VWAP of the Shares prior to the Announcement Date respectively;

(e) the Issue Price represents a premium of 17.2% to the VWAP of the Shares for the period between the market day immediately after the Announcement Date and up to the Latest Practicable Date;

(f) the Issue Price represents a discount of 12.8% (or S$0.005) to the NAV of each Share as at 30 September 2016;

(g) the Issue Price represents a discount of 10.5% (or S$0.004) to the NTA of each Share as at 30 September 2016;

(h) the P/NAV ratio of SMC, as implied by the Adjusted Consideration and the NAV of SMC as at 30 September 2016, is within the range, and below the mean and median of the Comparable Companies;

(i) the P/NTA ratio of SMC, as implied by the Adjusted Consideration and the NTA of SMC as at 30 September 2016, is within the range, and below the mean and median of the Comparable Companies;

(j) the P/NAV ratio of SMC, as implied by the Adjusted Consideration and the NAV of SMC as at 30 September 2016, is within the range, below the mean and equal to the median P/NAV ratio of Recent IPT Transactions;

(k) based on the proforma financial effects on the Group's NTA as at 30 September 2015, the NTA per Share of 3.91 Singapore cents will improve to a NTA per Share of 3.97 Singapore cents after the completion of the Proposed Acquisition;

(l) based on the proforma financial effects on the Group's losses for FY2015, the loss per Share of 0.04 Singapore cents will improve to an earnings per Share of 0.03 Singapore cents after the completion of the Proposed Acquisition; and

(m) other considerations set out in paragraph 5.9 of this IFA Letter.

Accordingly, after taking into account the above factors and the information made available to us as at the Latest Practicable Date, we are of the opinion that, on balance, (i) the financial terms of the Proposed Acquisition, being the subject of the Proposed Whitewash Resolution, is fair and reasonable, and (ii) the Proposed Acquisition is on normal commercial terms and is not prejudicial to the interests of the Company and its minority Shareholders.

We therefore advise the Independent Directors to recommend to Independent Shareholders to vote in favour of the Proposed Whitewash Resolution.

This IFA Letter is addressed to the Independent Directors for their benefit, in connection with and for the purpose of their consideration of the terms of the Proposed Acquisition and Proposed Whitewash Resolution, and the recommendation made by them to the Shareholders shall remain the responsibility of the Independent Directors. Neither the Company nor the Directors may reproduce, disseminate or quote this IFA Letter (or any part thereof) for any other purpose, except for the Proposed Acquisition and Proposed Whitewash Resolution, at any time and in any manner without the prior written consent of Xandar Capital in each specific case.

This opinion is governed by, and construed in accordance with, the laws of Singapore, and is strictly limited to the matters stated herein and does not apply by implication to any other matter.

Yours truly
For and on behalf of
XANDAR CAPITAL PTE. LTD.

ALEX TAN KAH KOON
EXECUTIVE DIRECTOR

PAULINE SIM POI LIN
HEAD OF CORPORATE FINANCE

The following is a summary of SMC's financial position for the period from 1 January 2014 to 30 September 2016:

	As at 30/09/2016 (unaudited) S$	As at 30/09/2015 (restated) (1) & (2) S$	As at 31/12/2014 (restated) (1) & (2) S$
Assets			
Current assets			
Cash and cash equivalents	5,425,303	7,708,314	7,534,807
Trade receivables	33,909,565	34,388,553	29,776,768
Other receivables, deposits and prepayments	605,696	466,515	1,168,663
Inventories	4,105,380	2,375,334	2,267,544
Total current assets	**44,045,944**	**44,938,716**	**40,747,782**
Non-current assets			
Property, plant and equipment	4,610,874	5,234,908	2,475,222
Other receivables, deposits and prepayments	740,171	345,452	361,645
Available for sale financial asset	3,315,532	1,808,141	1,649,886
Total non-current assets	**8,666,577**	**7,388,501**	**4,486,753**
Total assets	**52,712,521**	**52,327,217**	**45,234,535**
Liabilities and equity			
Current liabilities			
Trade payables	3,386,391	2,964,910	1,326,803
Other payables	358,922	260,823	177,048
Finance leases	109,641	112,116	87,959
Bank overdrafts and loans	30,903,348	29,346,701	27,750,028
Income tax payable	67,057	256,000	280,000
Total current liabilities	**34,825,359**	**32,940,550**	**29,621,838**
Non-current liabilities			
Deferred tax liabilities	465,060	530,934	38,191
Finance leases	147,313	187,698	239,592
Total non-current liabilities	**612,373**	**718,632**	**277,783**
Capital and reserves			
Share capital	8,000,000	8,000,000	8,000,000
Property revaluation reserve	2,369,010	2,405,745	–
Investment revaluation reserve	190,983	–	–
Retained earnings	6,714,796	8,262,290	7,334,914
Total equity	**17,274,789**	**18,668,035**	**15,334,914**
Total equity and liabilities	**52,712,521**	**52,327,217**	**45,234,535**

Notes:

(1) The financial year end of SMC was changed from 31 December to 30 September after the completion of the Initial Acquisition on 8 January 2015.

(2) In prior financial years, the available-for-sale financial assets relating to the life insurance policies purchased using the revolving loans provided to secure trade facilities have been off-set instead of presented in gross figures. Accordingly, the comparative figures for available-for sale financial assets and loans have been reclassified to present them on gross basis.

Income Statement for the Financial Years

The following is SMC's income statement for the period from 1 January 2014 to 30 September 2016:

	FY2016 (Unaudited) S$	9M2015 (1) (Audited) S$	FY2014 (1) (Audited) S$
Revenue	130,534,695	86,139,225	97,335,155
Cost of sales	(123,630,006)	(81,764,080)	(91,814,942)
Gross profit	**6,904,689**	**4,375,145**	**5,520,213**
Other operating income	657,594	1,425,093	1,860,131
Distribution costs	(753,699)	(454,464)	(492,884)
Administrative expenses	(4,514,198)	(2,872,241)	(3,750,647)
Other operating expense	(2,955,373)	(712,628)	(979,355)
Finance costs	(883,331)	(633,529)	(639,230)
(Loss)/Profit before income tax	**(1,544,318)**	**1,127,376**	**1,518,228**
Income tax expense	(3,176)	(200,000)	(310,570)
(Loss)/Profit for the financial year	**(1,547,494)**	**927,376**	**1,207,658**

Note:

(1) The financial year end of SMC was changed from 31 December to 30 September after the completion of the Initial Acquisition on 8 January 2015.

SEN YUE HOLDINGS LIMITED

(formerly known as PNE Micron Holdings Ltd)

(Company Registration No. 200105909M)
(Incorporated in the Republic of Singapore)

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting ("**EGM**") of Sen Yue Holdings Limited (the "**Company**") will be held at 16 Tuas Avenue 20, Singapore 638827 on 22 December 2016 at 10.30 a.m. for the purpose of considering and, if thought fit, passing with or without modifications, the Ordinary Resolutions as set out below:

A. THE PROPOSED ACQUISITION OF THE BALANCE 50% OF THE TOTAL ISSUED AND PAID-UP SHARES OF SMC INDUSTRIAL PTE LTD AS AN INTERESTED PERSON TRANSACTION AND A MAJOR TRANSACTION;

B. THE PROPOSED ALLOTMENT AND ISSUE OF 226,470,588 CONSIDERATION SHARES AT THE ISSUE PRICE OF S$0.034 FOR EACH CONSIDERATION SHARE IN PARTIAL SATISFACTION OF THE PURCHASE CONSIDERATION FOR THE PROPOSED ACQUISITION;

C. THE PROPOSED WHITEWASH RESOLUTION; AND

D. THE PROPOSED DIVERSIFICATION OF THE GROUP'S BUSINESS TO INCLUDE THE WASTE MANAGEMENT BUSINESS.

ORDINARY RESOLUTIONS

RESOLUTION 1: THE PROPOSED ACQUISITION OF THE BALANCE 50% OF THE TOTAL ISSUED AND PAID-UP SHARES OF SMC INDUSTRIAL PTE LTD AS AN INTERESTED PERSON TRANSACTION AND A MAJOR TRANSACTION

That contingent upon the passing of Resolutions 2 and 3 in this Notice:

(a) pursuant to Chapters 9 and 10 of the Catalist Rules respectively, approval be and is hereby given for the proposed acquisition of the balance 50% of the total issued shares of SMC Industrial Pte Ltd from the Vendor ("**Proposed Acquisition**") as an Interested Person Transaction and a major transaction;

(b) approval be and is hereby given for the Proposed Acquisition at the purchase consideration of S$8.9 million ("**Purchase Consideration**") and on the terms and subject to the conditions set out in the sale and purchase agreement dated 11 May 2016 entered into between the Company and the Vendor; and

(c) the directors of the Company ("**Directors**") and each of them be and are hereby authorised and empowered to complete and do all such acts and things (including without limitation, to execute all such documents as may be required, to approve any amendments, alterations or modifications to any documents, and to sign, file and/or submit any notices, forms and documents with or to the relevant authorities) as they may consider necessary, desirable, expedient or in the interests of the Company to give effect to the matters contemplated by this Resolution.

RESOLUTION 2: THE PROPOSED ALLOTMENT AND ISSUE OF 226,470,588 CONSIDERATION SHARES AT THE ISSUE PRICE OF S$0.034 FOR EACH CONSIDERATION SHARE IN PARTIAL SATISFACTION OF THE PURCHASE CONSIDERATION FOR THE PROPOSED ACQUISITION

That contingent upon the passing of Resolutions 1 and 3 in this Notice:

(a) pursuant to Chapter 8 of the Catalist Rules, the Directors be hereby authorised to allot and issue up to 226,470,588 new ordinary shares in the capital of the Company (the "**Shares**") at an issue price of S$0.034 each in partial satisfaction of the Purchase Consideration to the Vendor (the "**Consideration Shares**"); and

(b) the Directors and each of them be and are hereby authorised and empowered to complete and do all such acts and things (including without limitation, to execute all such documents as may be required, to approve any amendments, alterations or modifications to any documents, and to sign, file and/or submit any notices, forms and documents with or to the relevant authorities) as they may consider necessary, desirable, expedient or in the interests of the Company to give effect to the matters contemplated by this Resolution.

RESOLUTION 3: THE PROPOSED WHITEWASH RESOLUTION

That contingent upon the passing of Resolutions 1 and 2 in this Notice and the conditions in the letter from the Securities Industry Council dated 6 October 2016 being fulfilled, the Independent Shareholders, hereby resolve, unconditionally and irrevocably to waive their rights to receive a mandatory general offer in accordance with Rule 14 of the Singapore Code on Take-overs and Mergers from the Vendor's Concert Party Group for all the issued Shares not already owned, controlled or agreed to be acquired by the Vendor's Concert Party Group as a result of the allotment and issue of the Consideration Shares to the Vendor pursuant to the Proposed Acquisition.

RESOLUTION 4: THE PROPOSED DIVERSIFICATION OF THE GROUP'S BUSINESS TO INCLUDE THE WASTE MANAGEMENT BUSINESS

That:

(a) approval be and is hereby given for the Proposed Diversification for the Company to engage in the waste management business (including the provision of waste management solutions, the collection, transport, handling, treatment, management and disposal of commercial, hazardous, electronic and industrial waste and metal scraps, the recycling and trading of metal scraps and electronic waste, and materials recovery) and any other activities necessary or desirable in connection therewith; and

(b) the Directors (or any one of them) be and are hereby authorised to take such steps and do all such acts and things (including without limitation), to sign, seal, execute and deliver all such documents and deeds), and to exercise such discretion in relation to the Proposed Diversification as they or he may deem fit, with such modifications thereto (if any) as they or he may consider necessary, desirable, expedient or in the interests of the Company to give effect to the matters contemplated by this resolution.

ABSTENTION FROM VOTING

The Vendor, his concert parties and Associates shall abstain from exercising any voting rights on Resolutions 1 to 3 set out in this Notice of Extraordinary General Meeting.

BY ORDER OF THE BOARD OF DIRECTORS
SEN YUE HOLDINGS LIMITED

Neo Gim Kiong
Executive Director and Chief Executive Officer
7 December 2016

Notes:

(1) A shareholder of the Company entitled to attend and vote at the EGM of the Company may appoint not more than two proxies to attend and vote in his/her stead. A proxy need not be a shareholder of the Company.

(2) Intermediaries such as banks and capital markets services licence holders which provide custodial services and are members of the Company may appoint more than two proxies provided that each proxy is appointed to exercise the rights attached to different shares held by the member.

(3) The instrument appointing a proxy must be duly deposited at the registered office of the Company at 16 Tuas Avenue 20, Singapore 638827 not later than 48 hours before the time appointed for the holding of the EGM.

(4) The instrument appointing a proxy must be signed by the appointor or his attorney duly authorised in writing. Where the instrument appointing a proxy is executed by a corporation, it must be executed either under its common seal or under the hand of any officer or attorney duly authorised.

(5) A Depositor's name must appear on the Depository Register maintained by The Central Depository (Pte) Limited as at 72 hours before the time fixed for holding the EGM in order for the Depositor to be entitled to attend and vote at the EGM.

(6) Terms not defined herein have the same meaning ascribed to them in the circular to shareholders dated 7 December 2016.

PERSONAL DATA PRIVACY:

Where a member of the Company submits an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the EGM and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the EGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, proxy lists, minutes and other documents relating to the EGM (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

PROXY FORM

SEN YUE HOLDINGS LIMITED

(Company Registration No.: 200105909M)
(Incorporated in the Republic of Singapore)

IMPORTANT:
This proxy form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

PROXY FORM
EXTRAORDINARY GENERAL MEETING

*I/We, _____ (Name) _____ (NRIC/Passport No.)

of _____ (Address)

being a member/members of Sen Yue Holdings Limited (the "**Company**"), hereby appoint:

Name	**NRIC/Passport No.**	**Proportion of Shareholdings**	
		No. of Shares	**%**
Address			

*and/or

Name	**NRIC/Passport No.**	**Proportion of Shareholdings**	
		No. of Shares	**%**
Address			

as my/our proxy/proxies to vote for me/us on my/our behalf at the Extraordinary General Meeting ("**EGM**") to be held at 16 Tuas Avenue 20, Singapore 638827 on 22 December 2016 at 10.30 a.m. and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the resolution proposed at the EGM as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the EGM and at any adjournment thereof, the proxy/proxies will vote or abstain from voting at his/her discretion.

☐ Please tick here if more than two proxies will be appointed (Please refer to note 3). This is only applicable for intermediaries such as banks and capital markets services licence holders which provide custodial services.

All resolutions put to the vote at the EGM shall be decided by way of poll.

*Delete where inapplicable

AS ORDINARY RESOLUTIONS		**For****	**Against****
1.	The Proposed Acquisition of the balance 50% of the total issued and paid-up shares of SMC Industrial Pte Ltd as an Interested Person Transaction and a major transaction		
2.	The proposed allotment and issue of 226,470,588 Consideration Shares at an issue price of S$0.034 for each Consideration Share		
3.	The Proposed Whitewash Resolution		
4.	The Proposed Diversification of the Group's business to include the waste management business		

**Please indicate your vote "For" or "Against" with a tick [√] within the box provided. Alternatively, please indicate the number of votes as appropriate.

Dated this _____ day of _____, 2016

Total number of Shares in	**No. of Shares**
(a) CDP Register	
(b) Register of Members	

_____
Signature of Shareholder(s)
or Common Seal of Corporate Shareholder

IMPORTANT: PLEASE READ NOTES OVERLEAF

PROXY FORM

Notes:

1. Please insert the total number of shares held by you. If you have shares entered against your name in the Depository Register (as defined in Section 81SF of the SFA), you should insert that number. If you have shares registered in your name in the Register of Members of the Company, you should insert that number. If you have shares entered against your name in the Depository Register and shares registered in your name in the Register of Members, you should insert the aggregate number. If no number is inserted, this form of proxy will be deemed to relate to all the shares held by you.

2. A shareholder of the Company entitled to attend and vote at the EGM of the Company may appoint not more than two proxies to attend and vote in his/her stead. A proxy need not be a shareholder of the Company.

3. Intermediaries such as banks and capital markets services licence holders which provide custodial services and are members of the Company may appoint more than two proxies provided that each proxy is appointed to exercise the rights attached to different shares held by the member. In such event, the relevant intermediary shall submit a list of its proxies together with the information required in this proxy form to the Company.

4. The instrument appointing a proxy or proxies must be deposited at the Company's registered office at 16 Tuas Avenue 20, Singapore 638827 not less than 48 hours before the time appointed for the EGM.

5. Where a member appoints more than one proxy, he shall specify the number of shares to be represented by each proxy, failing which, the appointment shall be deemed to be in the alternative.

6. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed under its common seal or under the hand of its attorney or by an officer on behalf of the corporation.

7. Where an instrument appointing a proxy or proxies is signed on behalf of the appointor by an attorney or other authority, the power of attorney or authority or a notarially certified copy thereof must be lodged with the instrument of proxy, failing which the instrument of proxy may be treated as invalid.

8. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the EGM, in accordance with Section 179 of the Companies Act.

9. The Company shall be entitled to reject an instrument of proxy which is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified on the instrument of proxy. In addition, in the case of shares entered in the Depository Register, the Company may reject an instrument of proxy if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at 72 hours before the time appointed for holding the EGM, as certified by the Central Depository (Pte) Limited to the Company.

10. Terms not defined herein have the same meaning ascribed to them in the circular to shareholders dated 7 December 2016.

PERSONAL DATA PRIVACY:

Where a member of the Company submits an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the EGM and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the EGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, proxy lists, minutes and other documents relating to the EGM (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.