Securities Investors Association (Singapore)
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UEN No: S99SS0111B
GST Reg No: M90367530Y

Issuer: Sen Yue Holdings Limited

Security: Sen Yue Holdings Limited

Meeting details:
Date: 29 January 2019
Time: 10.00 a.m.
Venue: 3 Jalan Pesawat, Singapore 619361

Company Description

Sen Yue Holdings Limited, an investment holding company, operates in the recycling and trading, e-waste management, and coating businesses. The company operates through Metal Components and Tool and Die; ED Coating; and Commodities segments. It manufactures and sells perforated materials, speakers nets and frames, tools, dies, and other metal components. The company also provides electro-deposition coating, organic coating, powder coating, spray-painting, and silk-screening services to the manufacturers for automobiles, consumer electronics, motorcycles, bicycle components, and iron metal gates. In addition, it is involved in the trading of commodities, including copper, non-ferrous metals, and other special alloys; and provision of waste management solutions, as well as in the treatment and recycling of metal scraps, and industrial and electronic waste. Further, the company engages in the trade of molds used in the manufacture of speaker nets and frames, and other metal components; and property investment holding activities. It operates in Singapore, the People's Republic of China, Malaysia, Indonesia, South Korea, Japan, and internationally. The company was formerly known as PNE Micron Holdings Ltd and changed its name to Sen Yue Holdings Limited in January 2016. Sen Yue Holdings Limited was founded in 1992 and is based in Singapore.
(Source: http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=5BS)

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1. In the financial year, the group's revenue increased by $33.6 million or 16.2%, boosted by the maiden revenue generated from the new e-waste management business in the recycling of lithium-ion batteries. In the group's financial reporting, management has included the contribution from the e-waste management business with the revenue from trading of non-ferrous activity to form the "Commodities" reportable segment.

(i) To help shareholders understand the performance of the new lithium-ion battery recycling business, would the board consider reporting the standalone results from the lithium-ion battery recycling activities?

(ii) Can management help shareholders understand the near-term plans and targets for the new lithium-ion battery recycling business?

(iii) What is the capacity of its new capital investment in the lithium-ion battery recycling? What was the utilisation rate in FY2018?

2. The "Valuation of e-waste inventories" is a key audit matter (KAM) highlighted by the Independent Auditor in their Report on the Audit of the Financial Statements (page 62). Key audit matters are those matters that, in the professional judgement of the Independent Auditor, were of most significance in the audit of the financial statements of the current period.

As noted in the KAM, as at 30 September 2018, the group has e-waste raw material and e-waste converted commodities of $7.0 million and $3.2 million respectively, representing 54% of the group's inventories of $19.0 million.

The carrying amount of inventories of $19.0 million is a significant increased from $5.8 million a year ago. As shown in Note 8 (page 99 – Inventories), the carrying amount of inventories attributable to the new e-waste business is $10.2 million (as shown below).

8 INVENTORIES

	Group	
	2018	2017
	$'000	$'000
Raw materials	11,243	3,660
Work-in-progress	283	113
Inventory-in-transit	7,153	1,770
Finished goods	329	229
	19,008	5,772

Included in raw materials and finished goods are $7,022,000 (2017 : $687,000) and $3,167,000 (2017 : $Nil) of e-waste inventories, respectively.

(Source: Company annual report)

In note 31 (page 122 – Derivative financial instruments), under the section on Forward commodity contracts, the group disclosed the commodity contracts it has taken to manage the fluctuations in world copper and aluminium prices.

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(i) Who is in charge of managing the group's commodity pricing risks? How robust is the group's framework to manage the commodity pricing risks? Kindly provide shareholders with an overview of the hedging policies and strategies.

(ii) Given that the group's e-waste inventory has increased to $10.2 million (presumably lithium), has the board considered the need to actively manage its commodity pricing risk, especially lithium?

3. As disclosed in the directors' profile, Mr. Neo Gim Kiong is the company's executive director and chief executive officer. Mr. Neo is responsible for the strategic growth of the company and exploring of new opportunities of growth for the group.

Mr. Neo's other commitments include:

- Bizmen Corporation Pte. Ltd. and Dollar Tree Inc Pte. Ltd. (2004 to current – Founding Director)
- Lead independent director of International Press Softcom Limited
- Independent director of Ban Leong Technologies Ltd
- Independent non-executive chairman of Astaka Holdings Ltd
- Independent non-executive chairman of Acesian Partners Limited.
- Board member of P.R.China Guangdong Province Overseas Exchange Association
- Board member of Ningxia Autonomous Region Overseas Exchange Association

(i) Would the board/nominating committee help shareholders understand if Mr. Neo serves as a full time executive director and chief executive officer of the company?

As shown above, Mr. Neo is an executive director and chief executive officer of the company and he is also the founding director of his own business advisory firm. On top of that, Mr. Neo is the lead independent director of a listed company on the SGX and sits on the board of another three SGX-listed companies.

(ii) Would Mr. Neo let shareholders know how he is able to devote sufficient time, energy and attention to the matters of the group especially during this critical period as the group scales up its new lithium-ion battery recycling business?

(iii) As Mr. Neo is seeking his re-election at the company's annual general meeting, would Mr. Neo let shareholders know his continued focus and commitment to the group should he be re-elected?

(iv) Would Mr. Neo be reconsidering his other commitments should he be re-elected?

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A copy of the questions for the Annual Report for the financial year ended 30 September 2017 and 30 September 2016 could be found here:

https://sias.org.sg/qa-on-annual-reports/?company=Sen%20Yue%20Holdings%20Ltd

The company's response could be found here: -----