



**SHEN YAO HOLDINGS LIMITED**  
(Company Registration No. 202042117W)  
(Registered in Singapore)

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## PROPOSED GRANT OF OPTIONS – RESPONSE TO SGX QUERIES

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*Unless otherwise defined herein, all capitalised terms used in this announcement shall bear the same meanings ascribed to them in the announcement released by the Company on 9 March 2021 (the “**Announcement**”) and the circular issued by the Company dated 2 June 2021 (“**Circular**”).*

Shen Yao Holdings Limited (the “**Company**”) has received the following queries from the Singapore Exchange Securities Trading Limited (the “**SGX Queries**”) in relation to the Proposed Grant of Options.

The board of directors (the “**Board**”) of the Company has provided the following responses to the SGX Queries.

### **SGX Query 1:**

**On 9 March 2021, the Company announced its entry into various Option Agreements on the proposed granting of 2.5bn options in total to (a) Mr Sun Shu, (b) Mr Zhan Shu, (c) Mr Pang Kee Chai, (d) Mr Yao Yilun, (e) Mr Yao Liang, (h) Ms Yao Jiajia as IPTs, and (f) Ms Zhou Ying, (g) Mr Wang Yong, (i) Mr Sun He and (j) Ms Teo Qin Pei, Jessica (the “Proposed Grant of Options”).**

**The Exercise Price for each Option Share arising from the Proposed Grant of Options is S\$0.0028, representing a discount of 9.7% to the volume weighted average price of S\$0.0031 of the shares for trades done on SGX-ST on 9 March 2021, being the full market day on which the Option Agreements were signed.**

**On 2 Jun 2021, the Company released the Notice of EGM to be held on 15 Jun 2021, to approve amongst others, the granting of the Proposed Grant of Options. On the same day, the shares closed at S\$0.008 and the Exercise Price of S\$0.0028 represented a 65% discount to the closing price of the counter.**

**Please provide the Board’s opinion on whether the granting of the Proposed Grant of Options is in the best interests of the Company and shareholders given that the Exercise Price represents a 65% discount to the closing price of its shares on 2 Jun 2021. Please provide bases to support such opinion.**

### **Response:**

As set out in section 4.1 of the Announcement and section 2.9 of the Circular, the rationale for the Proposed Grant of Options was (i) to further strengthen the Group’s balance sheet for the purpose of the Business Diversification and (ii) to align the interests of the Directors and key employees with interests of the Shareholders by fostering an ownership culture with the Company.

Further, as set out in section 3.4 of the Announcement and section 2.7 of the Circular, the Exercise Price was determined after taking into consideration, *inter alia*, (i) the conversion price of S\$0.003 for the Bonds based on the subscription agreement entered into between the Company and Tomson Pte. Ltd., (ii) the likelihood of the Options being in-the-money and immediately exercised, providing the Company with funds should the need arise; and (iii) the benefits of the Proposed Grant of Options in aligning the interests of the Option Subscribers (comprising the Directors and executive officers of the Company) with the interests of the Shareholders.

In view of the foregoing, notwithstanding that the Exercise Price of S\$0.0028 represented a 65% discount to the last traded price of the Shares on 2 June 2021, being the date of the Notice of EGM, the Board remains of the view that the Proposed Grant of Options is in the best interests of the Company and its Shareholders.

Although the last traded price of the Shares of the Company was S\$0.008 on 2 June 2021 (being the date of Notice of EGM), the Board wishes to highlight that there is no certainty that the Company's share price will remain at the current level and it may increase or decrease for various reasons beyond the Company's control.

**SGX Query 2:**

**Under Rationale and Use of Proceeds section of the circular, it was stated that the Company is proposing to undertake the Proposed Grant of Options to enable the Company to raise gross proceeds of approximately S\$7.0 million so as to, amongst others, allow for its Business Diversification into the fund management business to take place.**

**It was also disclosed that 70% of the Option Proceeds are for financing of the Group's growth and expansion plans while 30% of the Option Proceeds are for working capital purposes. However, the Company is unable to determine the specific uses for the proceeds raised as the Options are exercisable at the discretion of the Option Subscribers.**

- (a) Please elaborate on the Company's growth and expansion plans over the next 1 – 2 years (i.e. the Exercise Period) given that 70% of the Option Proceeds are earmarked for that purpose.**
- (b) Please provide details as to the stage and status of the Company's fund management business (i.e. the Business Diversification).**

**Response:**

- (a) In connection with the Business Diversification, the Company had, on 29 March 2021, announced the proposed acquisition of 3,550,000 shares in Real Estate Analytics Pte Ltd.. The Company has also been trading in listed securities and futures, in particular commodities such as gold and rubber. The Company intends to continue growing its portfolio of investments that it is undertaking as principal and looking out for investment opportunities. With regard to the fund management business, Company plans to first establish the strategy and structure of the proposed fund before setting up the required infrastructure.**
- (b) The Company announced the incorporation of a new subsidiary, Plutus Mazu Pte. Ltd. on 5 May 2021. This is the Company's first step towards establishing a hedge fund. The Company is currently in the process of conceptualizing the structure and strategy of the fund. The Company will provide further updates to Shareholders as and when there are material updates relating to its diversification into the fund management business.**

**SGX Query 3:**

**Given the uncertainty over the uses for the proceeds raised as the Options are exercisable at the discretion of the Option Subscribers and the potential dilution to existing shareholders (Option Shares represent 7.1% of enlarged share capital) should the Options be fully exercised, please explain why the Company has decided to grant options to raise funds rather than other modes of fund raising (e.g. via rights issue etc).**

- (a) What other modes of fund raising (if any) did the Board consider?**
- (b) What additional safeguards the Company has / will put in place to ensure that proceeds are used for its intended purposes and after careful board deliberation and due diligence?**

**Response:**

- (a) Prior to the Announcement, the Company had entered into a subscription agreement with Tomson Pte. Ltd. for the issuance of up to S\$10 million in aggregate principal amount of 10% unlisted and redeemable Bonds comprising 10 tranches with a principal amount of S\$1 million for each tranche of such Bonds. As at the date of this announcement, the Company has drawn down S\$6 million of the Bonds.

In addition, the Company's plans to diversify into the investment and fund management business is in the early stages of development and the Company does not have any immediate need for funds.

In consideration of the above and given that one of the objectives of the Proposed Grant of Options was to align the interests of the Directors and key employees of the Company with the interests of the Shareholders by fostering an ownership culture within the Company, the Board did not consider other modes of fund raising.

- (b) The Group's annual budget is subject to Board approval prior to the beginning of each financial year. The Board is also provided with reports, setting out the variances (if any) between the approved budget and actual capital expenditure.

Where any funds are to be utilized for an acquisition or investment, as per the Company's usual practice, prior approval of the Board will be sought by way of resolution.

In addition, the Company via its audit committee, in consultation with the internal and external auditors of the Group, ensures that the Group has in place, effective risk management and internal controls systems which are sufficient to safeguard the Group's assets, including the disbursements and use of proceeds from any fund raising.

**BY ORDER OF THE BOARD**

Yao Liang  
Executive Director  
11 June 2021

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*This announcement has been prepared by the Company and its contents have been reviewed by the Company's sponsor, W Capital Markets Pte. Ltd. (the "Sponsor").*

*This announcement has not been examined or approved by the Singapore Exchange Securities Trading Limited (the "SGX-ST") and the SGX-ST assumes no responsibility for the contents of this announcement, including the correctness of any of the statements or opinions made or reports contained in this announcement.*

*The contact person for the Sponsor is Mr Chia Beng Kwan, Registered Professional, W Capital Markets Pte Ltd, 65 Chulia Street, #43-01 OCBC Centre, Singapore 049513, Telephone (65) 65133541.*