



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

RESPONSE TO SGX QUERIES

Shen Yao Holdings Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) has received the following queries from the Singapore Exchange Securities Trading Limited (the “**SGX Queries**”) regarding the following announcements of the Company:

- (i) Receipt of Summons by Subsidiaries dated 7 September 2023;
- (ii) Update on Receipt of Summons by Subsidiaries dated 11 October 2023;
- (iii) Update on Receipt of Summons by Subsidiaries dated 18 December 2023;
- (iv) Updates on the Voluntary Administration dated 25 January 2024; and
- (v) Response to SGX Queries dated 22 March 2024; and

the following news articles:

- (a) “Ballarat gold mine operator admits company failed to lodge \$4m rehabilitation bond with government” dated 24 April 2024 (“**1st Article**”) (Source: <https://www.news.com.au/national/victoria/courts-law/ballarat-gold-mine-operator-admits-company-failed-to-lodge-4m-rehabilitation-bond-with-government/news-story/c4a2e4059eaebfb9294daec7c48ecc21>); and
- (b) “Prosecution reinforces mining regulator’s rehabilitation approach” dated 26 June 2024 (“**2nd Article**”) (Source: <https://resources.vic.gov.au/about-us/news/prosecution-reinforces-mining-regulators-rehabilitation-approach>).

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

SGX’s Query:

- (1) The Company had, on 7 September 2023, announced that the Group’s wholly owned subsidiary in Australia, Golden Point Group Pty Ltd (“**GPG**”) and its subsidiary Balmaine Gold Pty Ltd (“**Balmaine**”), received summons (the “**Summons**”) issued by the Magistrates’ Court of Victoria (the “**Court**”), in relation to the requirement of the Department of Energy, Environment and Climate Action (the “**DEECA**”) to enter into a rehabilitation bond of AUD4,264,000.00 (the “**Bond**”) for the Ballarat gold mine owned by Balmaine.

The notice to the Bond was issued by the Earth Resources Regulation (“**ERR**”, a department under DEECA) on 25 January 2022 (the “**Notice**”), requiring the bond amount of AUD4,264,000.00 to be submitted within 28 days after servicing of the Notice.

- i. **Did the Company make any announcement when the Notice was issued in January 2022?**

Company's Response:

No, the Company did not make an announcement when the Notice was issued in January 2022. The regular reviews of the rehabilitation bond requirements by the DEECA are considered a normal course of business operation for mining companies in Australia as the bond acts as a financial security which must be provided by an operator prior to work commencing. The Bond requested was a top-up request ("**Bond Top-up**") based on a bond review conducted to ensure the financial security remained at an appropriate level.

The Board takes the same view as the management of the Company ("**Management**") that the Notice does not constitute material information and does not require immediate announcement as it is considered part of a normal course of business operation.

SGX's Query:

- ii. **Did the Board consider whether the receipt of the Notice constitutes material information which would require immediate disclosure under Catalist Rule 703? Please provide us with the Board's assessment together with its justifications.**

Company's Response:

At the time of the Notice's issuance in January 2022, the Management was of the view that the Notice was deemed to be a routine aspect of conducting business in Australia, and as such, Management did not notify the Board on the receipt of the Notice.

SGX's Query:

- (2) **It was stated in the 1st Article that "three directors of GPG were charged with the same offence — Jiajia Yao, Liang Yao and Xu Li" ("Charge on Directors").**

In the 2nd Article, it was stated that (i) "The previous owners of the Ballarat Gold Mine, Balmaine Gold Pty Ltd, and three of its former officers were sentenced on 18 June for failing to adjust their rehabilitation liability in response to a Notice issued under Victoria's mining legislation."; and (ii) "Two of Balmaine's officers, Ms Jiajia Yao and Mr Liang Yao, were convicted and fined in their absence. The conviction could limit their ability to take a similar future role within the state's resources sector." ("**Conviction of Directors**").

Mr Yao Liang is currently the Vice Chairman and Executive Director of the Company.

- i. **Did the Board consider whether the Charge on Directors and Conviction of Directors each constitute material information which would require immediate disclosure under Catalist Rule 703 (read together with Paragraph 5 of Practice Note 7A of the Catalist Rules)? Please provide the Board's assessment together with its justifications.**

Company's Response:

The Board was informed by Mr Yao Liang ("**Mr Yao**") of the following relating to the aforementioned Charge on Directors and Conviction of Directors in the 1st Article and 2nd Article (collectively, the "**Charges**"):

- 1) the Charges were unjustified as the Bond Top-up amount was duly paid for in cash to the ERR. The rationale behind why the Bond Top-up payment was not made in the form of a banker's guarantee as required was due to the time required to arrange for such a guarantee. Before the arrangement could be made, Balmaine entered Voluntary Administration which Management has no control over Balmaine's bank account. Please refer to the Company's announcement made on 7 September 2023 for more details; and
- 2) Mr Yao believes that any penalties would not be material given that the Bond Top-up was paid, in cash, in a timely manner. The reason why the banker's guarantee was not made was due to technicalities and the control and responsibility to convert the cash into banker's guarantee fell under the Voluntary Administrators' purview, which was beyond the control of Mr Yao. The Board noted that on 18 June 2024 the judgement was passed by the Court, imposing a fine of A\$2,000 on Mr Yao, which the Company understands from the lawyers of Balmaine that the quantum of the fine was objectively low, being in the realm of 5% of the full maximum penalty.

In view of the above, the Board is of the view that each of the Charge on Directors and Conviction of Directors does not constitute as material information which would require immediate disclosure under Catalist Rule 703.

SGX's Query:

- ii. **In view of the Conviction of Directors, please provide the Nominating Committee and the Board's assessment together with justifications, on (a) the suitability of Mr Yao Liang to remain as a director of the Company; and (b) the continued compliance with Catalist Rule 720(1) (read with Catalist Rule 406(3)).**

Company's Response:

The nominating committee of the Company ("**NC**") is of the view that Mr Yao remains suitable to continue as a director of the Company, in view of the following:

- 1) the charges against Mr Yao have been assessed and deemed not material to his role and responsibilities within the Company. The size of the fine of A\$2,000 reflected the nature of the violation as a minor infraction;
- 2) Mr Yao and Balmaine demonstrated their commitment to compliance by making a cash payment to the Bond Top-up; and
- 3) the inability to convert the cash into a banker's guarantee (as required by DEECA) was due to time constraints and lack of control over the situation as described above.

The Board concurred with the NC's assessment above and is of the view that Mr Yao remains suitable to continue as a director of the Company. The NC will continue monitor the situation and make relevant announcement should there be any material change.

In light of these considerations, the Board believes that the Company continues to comply with Catalyst Rule 720(1), read in conjunction with Catalyst Rule 406(3).

SGX's Query:

- iii. **Please provide the Sponsor's assessment together with justifications, on (a) the suitability of Mr Yao Liang to remain as a director of the Company; and (b) the continued compliance with Catalyst Rule 720(1) (read with Catalyst Rule 406(3)).**

Sponsor's Response:

The Sponsor, after having considered the NC's and the Board's assessments, concurred with the NC and the Board that Mr Yao remains suitable to continue as a director of the Company, in view of the following:

- 1) **Immaterial Amount of Fine:** the charges against Mr Yao and the quantum of the fine of A\$2,000 have been assessed and deemed not material to his role and responsibilities within the Company as assessed by the NC and the Board. The Company understands from the lawyers of Balmaine that the quantum of the fine was objectively low, being in the realm of 5% of the full maximum penalty;
- 2) **Demonstrated Compliance:** Mr Yao and Balmaine demonstrated their commitment to compliance by making a cash payment to the Bond Top-up; and
- 3) **Absence of Negligence:** the inability to convert the cash into a banker's guarantee was due to time constraints and lack of control over the situation. The Charges did not suggest any wrong doing or negligence of Mr Yao, which would affect his suitability or integrity as a director of the Company.

SGX's Query:

- iv. **It is stated in the 2nd Article that the Conviction of Directors could limit their ability to take a similar future role within the state's resources sector. As such, please clarify whether the Conviction of Directors has any impact on the Company's existing and future licenses and/or business in the state.**

Company's Response:

The Company does not foresee any impact arising from the Conviction of Directors on the Company's existing or future licenses and/or business in the state of Victoria, Australia. Given that the Conviction of Directors pertains to the named officers of Balmaine and not on the Company itself, the Company will likely appoint new directors and officers to a new subsidiary if it intends to pursue new businesses in the state of Victoria, Australia or if the regulatory authorities express their concerns regarding directors or officers involved in the Company's existing or future licenses in the state of Victoria, Australia.

BY ORDER OF THE BOARD

Pang Kee Chai, Jeffrey
Executive Director and Group Chief Executive Officer
31 July 2024

This announcement has been prepared by the Company and its contents have been reviewed by the Company's sponsor, ZICO Capital Pte. Ltd. (the "Sponsor"), in accordance with Rule 226(2)(b) of the Singapore Exchange Securities Trading Limited ("SGX-ST") Listing Manual Section B: Rules of Catalist.

This announcement has not been examined or approved by 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 Alex Tan, Chief Executive Officer, ZICO Capital Pte. Ltd., 77 Robinson Road, #06-03 Robinson 77, Singapore 068896, telephone (65) 6636 4201.