



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

ENTRY INTO A BINDING MEMORANDUM OF UNDERSTANDING

The board of directors (the “**Board**” or the “**Directors**”) of Shen Yao Holdings Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) wishes to announce that the Company has on 15 September 2023 entered into a binding memorandum of understanding (the “**MOU**”) with CSF Ventures Pte. Ltd. (“**CSFV**”) whereby CSFV intends to procure investors to invest in the Company, on a reasonable endeavour basis, by way of equity, debt and/or some hybrid instruments (the “**Proposed Investment**”).

The Company will make further announcements on the Proposed Investment upon the execution of the Definitive Agreements in compliance with the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) Listing Manual Section B: Rules of Catalyst (“**Catalist Rules**”).

1. INFORMATION ON CSFV

CSFV is company incorporated in Singapore in 2018. Pursuant to CSFV’s website (<https://www.csf-ventures.com/>), CSFV is a licensed fund management company with the Monetary Authority of Singapore. CSFV is founded by a Singapore-experienced deep tech venture builder and Israel security technology leader. CSFV leverages on the both groups’ deep-tech engineering capabilities, local/overseas network and resources. CSFV focuses on investments into companies with innovative technology applications and valuable intellectual property onto scalable business with sizeable market demand.

Prior to the entry of the MOU, CSFV has no connections (including any business relationships or transactions) with the Company, its Directors and/or its controlling shareholders. CSFV are not associates (as defined in the Catalyst Rules) of the Directors of the Company and/or its controlling shareholders. The Proposed Investment is not an interested person transaction under Chapter 9 of the Catalyst Rules.

2. RATIONALE FOR THE PROPOSED INVESTMENT

The rationale for the Proposed Investment is to allow the Company to raise net proceeds for the Group for further acquisitions of assets and businesses, including but not limited to, relating to energy and new energy which includes extraction, production, storage, trading and distribution and other related technologies. This will provide the Company with the means to diversify returns and achieve long-term growth through new revenue streams and improve the Group’s prospects, thereby enhancing shareholder value and profitability over time. The Board also envisions that CSFV’s network and access to technology, intellectual property and potential investment targets will value-add to the Company’s existing businesses and/or expansion into new and related businesses.

In view of the foregoing, the Board is of the opinion that the Proposed Investment is beneficial to and in the interests of the Company and its shareholders. Subject to execution of the Definitive Agreements (defined below), the Company will convene an extraordinary general meeting to seek the approval of the shareholders for the Proposed Investment in due course.

3. SALIENT TERMS OF THE MOU

3.1 Definitive Agreements

The terms and conditions of the MOU shall form the basis of any future agreements to be entered into with respect to the Proposed Investment (collectively, the “**Definitive Agreements**”). The Company and CSFV shall negotiate in good faith, and use all reasonable endeavours to agree on the terms and conditions of the Definitive Agreements on or prior to 30 June 2024 or such other date as the Parties may agree in writing (the “**Long Stop Date**”) as well as all related matters to enable the consummation of the Proposed Investment.

3.2 Confidentiality

The MOU shall remain confidential and not be disclosed publicly or discussed indirectly or directly with any external parties, other than with members of the board of directors, appropriate representatives or advisors of the Company and CSFV, or to the extent required by:

- (a) an order of any court of competent jurisdiction or any regulatory, judicial, governmental or similar body or any taxation authority of competent jurisdiction;
- (b) any governmental or regulatory body or any recognized securities exchange on which the shares of the Company and CSFV are listed or traded; or
- (c) the laws or regulations of any country to which the affairs of the Company and CSFV are subject.

3.3 Exclusivity

In consideration of the time, cost and expense incurred or to be incurred by CSFV for negotiations and due diligence investigations (legal, financial or otherwise) on the Company and its assets, the Company agrees not to, directly or indirectly, encourage, initiate or engage in discussions or negotiations with, or provide any information to, any potential new investors concerning the matters contained herein between the date of the MOU and two months after such date. This exclusivity right shall not apply to discussions or negotiations with any third party which have commenced prior to the date of the MOU and CSFV and the Company shall not be obliged to terminate such discussions or negotiations.

3.4 Fees and Expenses

The Company shall bear its own costs and expenses, including tax (if any), as well as CSFV’s costs and expenses, including tax (if any) in relation to the preparation, execution and enforcement of the MOU and the Definitive Agreements.

No fees shall be payable from the Company to CSFV.

3.5 Term and Termination

The MOU shall terminate and the Company and CSFV will have no further obligations to each other, except with respect to obligations relating to confidentiality and expenses above, on the date on which the earliest of the following events occurs:

- (a) the Company and CSFV agree in writing to terminate the MOU;

- (b) CSFV notifies the Company that it is not reasonably satisfied with its due diligence review of the Company and its assets;
- (c) the entry by the Company and CSFV into the Definitive Agreements;
- (d) the Company and CSFV have not entered into the Definitive Agreements on the Long Stop Date; or
- (e) any party is in material breach of its obligations under the MOU. Termination in such case will be at the option of the party not in breach.

3.6 Governing Law and Dispute Resolution

The MOU shall be governed by and construed in accordance with Singapore law, and the Company and CSFV submit to the exclusive jurisdiction of the courts in Singapore.

4. THE PROPOSED INVESTMENT

Pursuant to the MOU, other third party investors, either individually or collectively in a special purpose vehicle to be incorporated (“**SPV**”) will invest S\$50 million to S\$80 million (“**Investment Amount**”) into the Company by way of (i) loans and (ii) convertible notes convertible into new ordinary shares in the capital of the Company (“**Shares**”). The maturity date (“**Maturity Date**”) shall be 60 months from the date of disbursement of the Investment Amount and the interest rate shall be 11% per annum paid semi-annually on arrears.

Up to S\$30 million of the Investment Amount shall be convertible, at the discretion of the SPV (from the 37th month), into such number of new Shares at a conversion price which is a 20.0% premium from the volume weighted average price of Shares for the last five trading days prior to the initial disbursement of the Investment Amount.

The Company may redeem and repay the Investment Amount (for such amount that is in the form of a loan) at any time from the 37th month to Maturity Date. In the event the Company exercises its right to an early redemption, it shall ensure the SPV receives at least a 16% (inclusive of the Interest Rate) total returns per annum.

The proceeds of the Investment Amount are intended for the Group for further acquisitions of assets and businesses, including but not limited to, relating to energy and new energy which includes extraction, production, storage, trading and distribution and other related technologies.

The Company shall put in place an investment committee to review potential targets for deployment of the proceeds, before seeking approval from the board of directors of the Company. The SPV shall be given the rights to appoint the members in such investment committee.

There shall be a charge on the respective projects’ assets or shares of the acquired investment targets or special purpose vehicles, acquired with the proceeds of the Investment Amount.

Completion of the Proposed Investment shall be conditional upon the fulfilment or waiver, as the case may be, of various conditions precedent including the following:

- (a) the satisfactory completion of due diligence on the Company and its assets by CSFV and/or the SPV;
- (b) entry into mutually agreed Definitive Agreements;

- (c) the approval of the board of directors of the Company, CSFV and the SPV being obtained;
- (d) the approval of the shareholders of the Company being obtained in a meeting to be convened at a later stage;
- (e) the receipt and non-withdrawal of all other necessary consents, approvals and waivers required under any and all applicable laws, regulations and rules from any applicable authorities, including the Singapore Securities Exchange Trading Limited (“**SGX-ST**”) for the Proposed Investment and to give effect to the transactions contemplated under the Definitive Agreements;
- (f) the Proposed Investment not being prohibited by any statute, order, rule, regulation, direction or request promulgated or condition imposed by any legislative, executive or regulatory body or authority of Singapore or elsewhere applicable to any of the Company, CSFV or the SPV; and
- (g) any other conditions precedent to be agreed on by the Company, CSFV and the SPV.

5. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

None of the directors or controlling shareholders of the Company has any interest, direct or indirect, in the Proposed Investment (other than through their shareholdings in the Company as the case may be).

6. CAUTIONARY STATEMENT

Shareholders and potential investors should note that the MOU is subject to, inter alia, the execution of the Definitive Agreements and the conditions precedent of the MOU set out above, and there is no certainty or assurance that the Proposed Investment will be completed on the terms disclosed in the MOU. Shareholders and potential investors are advised to exercise caution when dealing or trading in the shares of the Company. In the event of any doubt as to the action they should take, shareholders and potential investors should consult their financial, tax, legal or other professional advisers.

7. RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this announcement and confirm, after making all reasonable enquiries, that to the best of their knowledge and belief, this announcement constitutes full and true disclosure of all material facts about the MOU and the Proposed Investment, and the Company and the Directors are not aware of any facts, the omission of which, would make any statement in this announcement misleading. Where information in this announcement has been extracted from published or otherwise publicly available sources or obtained from a named source (including information relating to CSFV), 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 announcement in its proper form and context.

BY ORDER OF THE BOARD

Yao Liang
Group Executive Chairman and Group Chief Executive Officer
15 September 2023

*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.*

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