



SHEN YAO HOLDINGS LIMITED
(Company Registration No. 202042117W)
(Registered in 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**”). The board of directors (the “**Board**”) of the Company has provided the following responses to the SGX Queries.

SGX Queries:

It is stated 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**”).

Please provide clarifications on the following:

- (1) Please identify the shareholders and directors of CSFV.

Response:

The directors of CSFV are (a) Richard Tai Ling Chiat, and (b) Atias Ziyon Eliran. The shareholders are (a) Yeo Hock Huat (84%) through JCS Venture Lab Pte. Ltd., and (b) Atias Ziyon Eliran and Tomer Avnon through Avnon Group (16%) through 7TH Element Pte. Ltd.

- (2) How was CSFV introduced to the Company?

Response:

Mr. Richard Tai of CSFV was introduced to Mr. Yao as a business contact at an informal gathering of other unrelated business associates.

- (3) Is CSFV’s role pursuant to the MOU akin to that of a placement agent, sourcing for investors to invest in Shen Yao? Does CSFV have the requisite license to act as a placement agent?

Response:

CSFV’s role is similar to that of an arranger and would assist to source for investors (on a reasonable endeavour basis) who will invest in the Company via a special purpose vehicle (“**SPV**”) but will not be receiving any fees from the Company. CSFV holds a Capital Markets Services (“**CMS**”) Licence in Fund Management. As such, it can raise funds from third parties to invest in the Company.

- (4) It is disclosed that CSFV is a licensed fund management company with the MAS, focusing on investments into companies with innovative technology applications. Does CSFV have the relevant experience and track record to advise on matters pertaining to the MOU?

Response:

As set out in our response above, CSFV has a CMS Licence. It has the CMS Licence since

middle of last year. Prior to that CSFV has a venture capital fund management licence from MAS and it has experience in raising funds and fund management activities. In addition, Mr Richard Tai, the CEO of CSFV is the former SVP of Regulus Advisor (PE Fund) leading the acquisitions and portfolio management of education assets in SEA region, and former investment manager for Technology Venture and Incubation at various venture capital incubators including Accel-X, NUS Enterprise and Cap Vista.

- (5) **It is disclosed that 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.**

What's the Board's plan for the existing gold mining business?

Response:

Please refer to the Company's announcements dated 7 September 2023 and 18 September 2023, with respect to the term sheet that was entered into by the Company to raise funds to resolve the voluntary administration and rejuvenate its existing gold mining business.

Does the Board have the necessary experience and skill set in managing energy and new energy business?

Response:

The Board, to the extent necessary, will appoint persons with the relevant experience as and when opportunities in energy and new energy business arise.

- (6) **It is disclosed that the Board envisions that CSFV's network and access to technology, intellectual property and potential investment targets will value-add to the Company's existing business and / or expansion into new and related businesses.**

- (a) **Has the Company entered into / intends to enter into other agreements with CSFV for provision of other services?**

Response:

No, the Company has not entered into other agreements with CSFV.

- (b) **Is CSFV precluded from being one of, or the only investor to invest Shen Yao pursuant to the MOU?**

Response:

As set out in the MOU, CSFV's role is to procure investors to invest in the Company. The MOU does not preclude CSFV from being one of investors to invest in the Company.

- (c) **What are the Company's plans in relation to the new revenue streams, new and related businesses?**

Response:

As stated in the announcement dated 15 September 2023, the rationale for the Proposed Investment is to provide the Company with the means to diversify returns and achieve long-term growth through new revenue streams. The new revenue streams from the new and related businesses, if any, would benefit the Shareholders by enhancing value of the Group's profitability in the future.

- (7) **It is disclosed that no fees shall be payable from the Company to CSFV, save for costs and expenses incurred by CSFV in relation to preparation, execution and enforcement**

of the MOU and Definitive Agreements. What is the rationale for CSFV to enter into the MOU and / or Definitive Agreements, and are there other arrangements, agreements and / or deals between the parties?

Response:

It is anticipated that CSFV, as a holder of CMS Licence in Fund Management, will get its fees from the investors that CSFV procures.

(8) It is stated that a SPV will be incorporated to invest the Investment Amount (between S\$50m to S\$80m) raised.

(a) Who will own the SPV?

Response:

The structure of the investment (including the shareholders and directors of the SPV) has not been confirmed as yet.

(b) Who will appoint the board members to the Board of SPV? Has the Company identified who will be on the board of the SPV?

Response:

Please see our response above.

(c) What will the Company's role in relation to the SPV be?

Response:

Please see our response above. However, the Company does not expect to have a significant role, if at all, in the SPV. The SPV is anticipated to be the Company's investor.

(d) Does this constitute fund management activities, and if so, does the Company have the requisite licences and approvals to undertake such activities?

Response:

The fund management activity will be undertaken by CSFV and not the Company.

(9) The Investment Amount consists of convertible notes which shall be convertible into shares of the Company, at the discretion of the SPV. The conversion price is 20% premium from the VWAP of the shares for the last five trading days prior to the initial disbursement of the Investment Amount.

(a) Please elaborate on how this works, including how initial disbursement is determined.

Response:

The initial disbursement of the Investment Amount will be made when the Company enters into a definitive or binding agreement, pursuant to a decision from the investment committee, to acquire a business and initiates a drawdown from the Investment Amount.

(b) Given that the conversion price is pegged to future share price performance of the Company, how will shareholders be apprised of the maximum dilution arising from the issuance of new shares?

Response:

The maximum value of the convertible instruments will be S\$30 million. The Company will release an announcement when it enters into a definitive or binding agreement to acquire a business and initiates a drawdown from the Investment Amount. As such, Shareholders will know conversion price, and accordingly the maximum dilution arising from the conversion.

(10) It is stated that there shall be a charge on the assets or shares of the acquired investment targets acquired with the Investment Amount.

(a) What is the rationale for this?

Response:

The considerations for the acquired investment targets will be from the Investment Amount, which comprises loans and convertible instruments. As such, the charge will act as security for the Investment Amount.

(b) Who has the rights over the charged assets?

Response:

When the Investment Amount is still outstanding, the SPV, being the investor/lender of the Investment Amount, will have certain rights over the charged assets.

(c) When and under what circumstances will the charge be released?

Response:

The charge will be released when the loan portion of the Investment Amount has been repaid and when the convertible instruments are converted into ordinary shares of the Company.

(d) How is this in the interest of the Group and the shareholders?

Response:

This is not dissimilar to a secured loan. This allows the Company to raise proceeds to acquire new businesses for the Group, which will diversify income returns and achieve long-term growth.

(11) What would be the Rule 1006 ratios based on the Investment Amount?

Response:

Rule 1006 would be applicable only when the Company enters into an agreement to acquire any new business that is outside its ordinary course of business. An investment committee will be set up to determine and source for potential acquisition targets. At the moment, only a MOU has been signed with CSFV to procure investors to invest in the Company.

(12) It is stated that completion of the Proposed Investment shall be conditional upon, amongst others, the satisfactory completion of due diligence on the Company and its assets by CSFV and/or the SPV. Has the Company performed due diligence on CSFV and satisfied itself with the outcomes? If so, please elaborate on the due diligence work performed.

Response:

The Company has checked and verified that CSFV has in place a CMS Licence in Fund Management from MAS and is thus qualified to undertake fund raising and fund management activities.

- (13) Please elaborate on the Board’s considerations in agreeing to enter into the MOU, and proposing the structure as set out in the announcement, in view of the objective of raising funds for further acquisitions of assets and businesses. Did the Company consider other fund raising options, and if so, what are the outcomes?

Response:

The Board is of the view that the Proposed Investment is beneficial to the Group as this will potentially raise funds to acquire new businesses for the Group, which will diversify income returns and achieve long-term growth. In addition, the Company is not paying any fees to CSFV. This is the case even if the Proposed Investment is successfully completed and the full amount of the Investment Amount is raised by CSFV. As such, the Board does not believe that the entry into the MOU would be detrimental to the Group and Shareholders.

From time to time, the Board discusses with potential investors and considers all fund raising options (both debt and equity) available to it. However, so far, these discussions are preliminary and no MOU or letter of intent have been entered into by the Company.

BY ORDER OF THE BOARD

Yao Liang
Group Executive Chairman and Group Chief Executive Officer
25 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.

The contact person for the Sponsor is Ms Sheila Ong, Registered Professional, W Capital Markets Pte. Ltd., 65 Chulia Street, #43-01 OCBC Centre, Singapore 049513, Telephone (65) 6513 3543.