



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

PROPOSED PURCHASE OF UP TO 3,550,000 ORDINARY SHARES IN THE CAPITAL OF REAL ESTATE ANALYTICS PTE. LTD. – RESPONSE TO SGX QUERIES

Unless otherwise defined herein, all capitalised terms used in this announcement shall bear the same meanings ascribed to them in the Company's announcement dated 29 March 2021 ("Announcement").

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 Transaction.

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

SGX Query 1:

On the REA business:

- (i) **Apart from Ms Yao's knowledge and familiarity with the REA business, who else in the Company has the relevant expertise and will be managing the business?**
- (ii) **What due diligence did the Board conduct on REA before deciding to enter into the SPA?**
- (iii) **It was stated that the Consideration Shares were arrived at based on a valuation of REA of S\$20 million with reference to the Wodabow Subscription. However, it was stated that there was no independent valuation conducted on REA (by the Company). What are the Company's reasons for placing reliance on the valuation of REA of S\$20 million with reference to the Wodabow Subscription? Will the Company be conducting a valuation on REA?**
- (iv) **Having assessed the business model and plans of REA and taking into consideration the valuations of other entities whose business models are similar to that of REA, the Board is of the view that the Proposed Transaction is in the best interests of the Company and its Shareholders. Please elaborate on the other entities whose business models are similar to that of REA which were being considered.**

Response:

- (i) The Company wishes to clarify that the Sale Shares acquired pursuant to the Proposed Transaction represent a non-controlling stake in REA and it is not the intention of the Company to participate in the management of REA. However, the Company is of the view that it should be represented on the board of REA so as to be able to monitor its investment. In accordance with the terms of the Agreements, the Company shall be entitled to appoint one non-executive director to the board of REA. The Board has given approval for Ms Yao Jiajia to represent the Company on the board of REA as Ms Yao Jiajia has the relevant knowledge and is familiar with the operations of REA.
- (ii) As part of the due diligence process, the Company has reviewed information and conducted discussions with the management of REA in relation to the following:
 - (a) technical infrastructure, data quality and other technical aspects of the data analytics solution developed by REA;

- (b) the management accounts of REA for the financial year ended 31 December 2020;
- (c) business plan for REA; and
- (d) budget of REA for the financial year ending 31 December 2021.

The Company has also assessed the viability and prospects of REA's business based on publicly available information on companies with business models similar to that of REA.

- (iii) The Directors believe that placing reliance on the valuation of REA of S\$20 million with reference to the Wodabow Subscription is reasonable as Wodabow (being 100% owned by Dr. Jean-Michel Paul who is also the founder of REA) is required to inject cash of S\$5.5 million pursuant to the Wodabow Subscription. The Wodabow Subscription will be the most recent significant fund-raising exercise undertaken by REA. The Company understands that REA is also in discussion with existing shareholders and other investors to raise additional funds for the company based on a valuation of S\$20 million (referenced against the valuation for the Wodabow Subscription). In view of the foregoing, the Company had relied on the valuation of REA of S\$20 million in arriving at the valuation of S\$20 million for the First Closing and Second Closing.

As mentioned in the Announcement, an independent valuation will not be conducted on REA. REA is a technology start-up and has not commenced commercialisation of its data analytics solution. The Directors are of the view that it may not be meaningful to conduct a valuation on REA at this point in time. As such, in valuing REA for purpose of the Proposed Transaction, the Company has made reference to and took into consideration the valuation of REA at which the Wodabow Subscription will be undertaken and the valuation of companies with similar business models instead.

- (v) Some of these entities which have similar business models as that of REA are listed on international stock exchanges and/or have undertaken fund-raising exercises that were published in the public domain. Based on publicly available information on these entities, including their business models, financials and valuation, the Company was able to assess the viability and prospects as well as the valuation of REA's business.

SGX Query 2:

The issue price for each Consideration Share of S\$0.003 represents a discount of approximately 30.23% to the volume weighted average price of S\$0.0043 for trades done on 26 March 2021, being the market preceding the date on which the SPA was signed. The issuance of the Consideration Shares will represent 8.97% of existing share capital of the Company. If the issue price of the Consideration Shares is at S\$0.0043, the Consideration Shares will represent 6.26% of existing share capital of the Company.

- (i) **What is the Company's reasons and considerations for issuing Consideration Shares which are priced at a steep 30.23% discount to the latest market price?**
- (ii) **What is the AC's views as to whether issuance of the Consideration Share at S\$0.003 is in the interest of the Company and its shareholders?**

Response:

- (i) As set out in section 3.2 of the Announcement, in arriving at the Issue Price, the Company took into consideration, among others, the historical trading price of the Shares of the Company as well as the conversion price of the Bonds of S\$0.003.

While the Issue Price of S\$0.003 represented a discount of 30.23% to the volume weighted average price of S\$0.0043 for trades done on 26 March 2021, being the market preceding the date on which the SPA was signed, it represented a discount of 9.09%, 23.08% and 23.08% to the volume weighted average price of S\$0.0033, S\$0.0039 and S\$0.0039 for the 6-month, 3-month and 1-month periods preceding the date on which the SPA was signed.

- (ii) The Audit Committee of the Company, having taken into consideration the following, is of the view that the Issue Price, when considered in the context of the Proposed Transaction is in the interest of the Company and its Shareholders:
- (a) the terms of the Proposed Transaction;
 - (b) the historical trading price of the Shares of the Company;
 - (c) the NTA per Share of the Company of S\$0.00118 as at 30 June 2020 (taking into account the completion of the Debt Conversion and Exercise of Options by Premier Equity Fund Sub Fund E); and
 - (d) the minimum bid size of S\$0.001 for the Shares due to the Shares trading below S\$0.20.

SGX Query 3:

Separately, on 29 March 2021, REA entered into a subscription agreement with the Vendor pursuant to which the Vendor will subscribe for 3,778,174 A (Ordinary) Shares in the REA for an aggregate consideration of S\$5,500,000, based on a valuation of S\$20,000,000 (“Wodabow Subscription”). The execution of the definitive agreement in relation to the Wodabow Subscription is a condition precedent of the Proposed Transaction.

Please provide a table on the respective shareholdings in REA of Dr Jean Michel-Paul (through the Vendor), Mr Yan Patrick Bo Hua and the Company, before and after the (1) Wodabow Subscription; and the (2) Proposed Transaction.

Response:

The shareholding (both economic and voting) of each of Dr. Jean-Michel Paul (through the Vendor), Mr Yan Patrick Bo Hua and the Company (i) as at the date of the Announcement, (ii) after completion of the Wodabow Subscription, and (iii) after completion of the Proposed Transaction are set out below.

	As at the date of the Announcement		After completion of the Wodabow Subscription		After Completion of the Proposed Transaction	
	Share-holding (Economic)% ⁽¹⁾	Share-holding (Voting)% ⁽¹⁾	Share-holding (Economic)% ⁽²⁾	Share-holding (Voting)% ⁽²⁾	Share-holding (Economic)% ⁽³⁾	Share-holding (Voting)% ⁽³⁾
Dr. Jean-Michel Paul (through the Vendor)	71.44%	87.54%	77.60%	87.98%	57.34%	84.68%
Mr Yan Patrick Bo Hua	7.27%	9.64%	5.71%	9.30%	5.71%	9.30%
Other REA shareholders⁽⁴⁾	21.29%	2.82%	16.69%	2.72%	16.70%	2.72%
Company	0.00%	0.00%	0.00%	0.00%	20.25%	3.30%

Notes:

- (1) Based on REA's share capital of 13,748,813 ordinary shares as at the date of the Announcement. The share capital comprises 3,748,813 A (Ordinary) Shares and 10,000,000 B (Founders) Shares, of which 9,000,000 B (Founders) Shares are held by Dr. Jean-Michel Paul (through the Vendor) and 1,000,000 B (Founders) Shares are held by Mr Yan Patrick Bo Hua. Each B (Founders) Share carry ten votes per share and for which transfers are subject to conditions under the terms of REA's constitution.
- (2) Based on REA's enlarged share capital of 17,526,987 ordinary shares comprising 7,526,987 A (Ordinary) Shares and 10,000,000 B (Founders) Shares following the issuance of 3,778,174 A (Ordinary) Shares to Wodabow pursuant to the Wodabow Subscription.
- (3) Based on REA's enlarged share capital of 17,526,987 ordinary shares comprising 7,526,987 A (Ordinary) Shares and 10,000,000 B (Founders) Shares.
- (4) None of the shareholders hold more than 5% of the economic rights or voting rights of REA.

SGX Query 4:

Notwithstanding that Ms Yao Jiajia is no longer a director or shareholder of REA nor is she involved in the operations of REA in any way since she resigned from REA in March 2020 to join the Company, given her familiarity with REA, will controlling shareholders Yao Capital Pte Ltd (55%, where Ms Yao's father Mr Yao Liang is founder and director) and Sheng Investment Pte Ltd (15.3%, where Ms Yao is a 1% shareholder and director) be abstaining from voting at the EGM on the Proposed Transaction?

Response:

The Directors are of the view that Yao Capital Pte. Ltd. ("**Yao Capital**") and Sheng Investment Pte. Ltd. ("**Sheng Investment**") are not required under the Catalist Rules to abstain from voting at the EGM on the Proposed Transaction based the following:

- (i) neither Yao Capital, Sheng Investment nor any of their associates is an interested person as defined under the Catalist Rules;
- (ii) the Consideration Shares will not be issued to Yao Capital, Sheng Investment or any of their associates; and
- (iii) there are no conflicts of interest involving Yao Capital or Sheng Investment that will arise as a result of the entry into the Proposed Transaction.

Further, as set out in section 4 of the Announcement, Ms Yao Jiajia was only involved in REA's business for about 1 year and is no longer a director or shareholder of REA nor has she been involved in the operations of REA since she left REA in March 2020 to join the Company.

SGX Query 5:

It was stated that on 30 September 2020, Shareholders approved the expansion of the Company's business to include engaging in financial investment activities as principal and undertaking the business of fund management. Since then, the Company's investment department has been investing mainly in equities and futures. The Proposed Transaction, as an investment into a data analytics start-up, will enable the Company to diversify its investment portfolio and risk-return profile.

- (i) **Please elaborate on the Company's investments in equities and futures thus far.**
- (ii) **Please explain how the Proposed Transaction falls into the newly diversified businesses of "engaging in financial investment activities as principal" and "undertaking the business of fund management". Please provide Sponsor's opinion on this as well.**

Response:

- (i) The Company, through its Investment Department has been trading in listed securities and futures, in particular commodities such as gold and rubber. All trades and investments are undertaken in accordance with an approved set of risk management policy implemented for the purpose of such investments.
- (ii) The following has been extracted from the circular to Shareholders dated 7 September 2021 (the "**Circular**"), detailing among others, the expansion of the Company's business to include engaging in financial investment activities as principal:

"It is intended that the Investment Business will encompass the following activities:

- (a) *trading and/or investing directly or indirectly in futures, commodities, bonds, notes, swaps, options, forwards, foreign exchange and real estate investment trusts (whether quoted or unquoted);*

- (b) *investing in funds, including but not limited to private equity funds and hedge funds; and*
- (c) *any other investment instruments and/or activity related to or ancillary to the above-mentioned activities.*

The Group does not currently intend to restrict the Investment Business to any specific business sector, industry or geographical market. However, in charting its investment strategy, the Group will remain prudent and take into consideration the financial position and cash flow requirements of the Group so as to ensure that the financial exposure of the Group is managed.”

The Directors are of the view that the Proposed Transaction, being an acquisition of shares in a private entity falls within “any other investment instruments and/or activity related to or ancillary to the abovementioned activities” (part (c)) of the scope of the Investment Business set out in the Circular. In particular, after the completion of the Proposed Transaction, while the Company’s economic interest in REA will be 20.25%, its voting rights is only 3.30%. Further, while the Company is entitled to nominate any one person as non-executive director to the board of REA, it will not be involved in the management of REA’s business. The Sponsor having considered the views of the Directors, concurred that the Proposed Transaction is within the scope of Investment Business set out in the Circular.

As at the date of this announcement, the Company has not diversified into the fund management business.

The Company will be seeking specific approval of Shareholders at the EGM for the Proposed Transaction and the allotment and issuance of the Consideration Shares to the Vendor pursuant to the terms of the Proposed Transaction. The Circular containing, *inter alia*, the notice of EGM and the details of the Proposed Transaction will be despatched to the Shareholders in due course.

BY ORDER OF THE BOARD

Yao Liang
Executive Director
5 April 2021

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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