NEW SILKROUTES GROUP LIMITED
(Incorporated in the Republic of Singapore)
(Company Registration No.: 199400571K)
(the "**Company**")

AGREEMENT IN RELATION TO THE PROPOSED DISPOSAL OF SHANGHAI FENGWEI

---

1. INTRODUCTION

1.1 Background information

The board of directors (the "**Board**" or "**Directors**") of the Company (and together with its subsidiaries, the "**Group**") refers to the Company's announcement dated 28 April 2023 in relation to the Proposed Disposal of Shanghai Fengwei Garment Accessory Co., Ltd. ("**SHFW**") (the "**Previous Announcement**").

Capitalised terms in this announcement (unless otherwise defined or the context otherwise requires) have the same meaning ascribed to them in the Previous Announcement.

The Board wishes to announce that on 21 July 2023, an Equity Transfer Agreement (the "**Agreement**") has been entered into between (i) New Silkroutes Capital Pte. Ltd. ("**NSC**"), which is a subsidiary of the Company, and (ii) Shanghai Yikang Non-Woven Fabric Co., Ltd. ("**SHYK**"), in relation to the Proposed Disposal.

1.2 Chapter 10 of the Listing Rules

The Proposed Disposal is considered a "major transaction" of the Company as defined under Chapter 10 of the Listing Rules and is subject to the approval of the Shareholders of the Company being obtained at an EGM to be convened. For further details on the relative figures in respect of the Proposed Disposal computed on the bases set out in Rule 1006 of the Listing Rules, please refer to Section 7 of this Announcement.

1.3 Rule 704(19) of the Listing Manual

Upon the completion of the Proposed Disposal, SHFW will cease to be a subsidiary of the Group.

2. INFORMATION ON SHYK AND SHFW

2.1 SHYK

The information on SHYK was provided by the SHYK and the contents of this announcement relating to the SHYK have been confirmed by the SHYK to be accurate. In respect of such information, the Company and the Directors have not independently verified the accuracy and correctness of the same and the sole responsibility of the Company and Directors is to ensure that such information has been accurately and correctly extracted and reproduced in this announcement in its proper form and context.

As at the date of this Announcement, the Purchaser is a limited liability company established in the PRC on 8 June 2004 and principally engaged in the business of non-woven fabrics, non-woven products, production and sale of bedding, cotton and chemical fibre processing, import and export of goods and import of technology, and road cargo transportation. The shareholders of SHYK are Shen Qirong and Shen Minjia.

2.2 SHFW

SHFW, a limited liability company established in the PRC, is a wholly-owned subsidiary of the Company through NSC. SHFW engages in the business of production and processing of non-

woven fabric, nonwoven converted products and polyester wadding to be used in, *inter alia*, the medical industry.

Based on the audited financial statements of SHFW as at 31 December 2022, the loss before tax of SHFW was RMB 7.5 million (approximately S$1.4 million[1]).

3. VALUATION

A valuation of SHFW was commissioned by SHFW and carried out by Zhongjing Asset Appraisal (Tianjin) Co., Ltd.. Pursuant to the appraisal report dated 29 May 2023 (the "**Appraisal Report**"), the book value of the net assets of SHFW is RMB 31.3 million (approximately S$5.8 million[1]), and the assessed value is RMB 60.1 million (approximately S$11.1 million[1]), on the basis of an asset-based approach.

4. PRINCIPAL TERMS OF THE AGREEMENT

4.1 Proposed Disposal of SHFW

Pursuant to the terms and subject to the conditions of the Agreement, NSC intends to sell to SHYK and SHYK intends to purchase from NSC, the Sale Shares, being 100% of the registered capital of SHFW, free from encumbrances.

4.2 Consideration

The consideration for the proposed disposal of SHFW is RMB 88.0 million (approximately S$16.3 million[1]) in cash (the "**Consideration**") (excluding the taxes and fees levied on the Proposed Disposal by the PRC tax authorities within the territory of the PRC).

The Consideration will be paid in the following three installments:

(1) *First installment of the Consideration.*

Upon:

(a) the execution of the MOU and approval of the MOU by the Company's Board; and

(b) the issuance of the letter of transfer of rights and obligations (the "**Letter**") by NSC to SHYK (effective after payment of the entire Consideration),

SHYK shall pay 30% of the Consideration (being RMB 26.4 million, approximately S$4.9 million[1]).

(2) *Second installment of the Consideration*.

After all the following conditions are met, on or before 31 October 2023, 50% of the Consideration (being RMB 44.0 million, approximately S$8.1 million[1]) shall be paid by SHYK:

(a) the Agreement has come into effect;

(b) the Parties have verified the completeness and accuracy of the materials in relation to the transfer of Sale Shares at the industrial and commercial registration department (excluding the signature of NSC); and

(c) NSC has issued to SHYK the financial statements of SHFW as of the day before the Delivery Date (as defined below) in accordance with the requirements of the Agreement.

[1] Based on the exchange rate of RMB100 : S$18.50 as at 21 July 2023 from the Monetary Authority of Singapore ("**MAS**")

On the date of receipt of the second installment of the Consideration (the "**Delivery Date**"), NSC shall carry out the transfer of Sale Shares in accordance with the Agreement and complete all delivery obligations under the Agreement ("**Delivery**").

(3) *Final installment of the Consideration*. After completion of the abovementioned two steps, SHYK shall pay the remaining 20% of the Consideration (being RMB 17.6 million, approximately S$3.3 million[2]) within three months of completion of Delivery.

The Consideration may be subject to adjustments in accordance with the Agreement.

The Consideration was arrived at by agreement between NSC and SHYK at arm's length, on a "willing-buyer, willing-seller" basis after taking into account the net asset value of the Sale Shares as well as the financial position and business prospects of SHFW.

4.4 Taxes

All taxes levied on the Proposed Disposal by the PRC tax authorities within the PRC shall be borne by SHYK.

4.5 Guarantee

A written guarantee letter (effective from the completion of Delivery) will be provided by a guarantor approved by NSC upon payment of the second installment of the Consideration to guarantee the payment of the final installment of the Consideration and taxes within the PRC to be borne by SHYK.

4.6 Validity of Contract

If the Proposed Disposal (i.e. the transfer of the Sale Shares) is not completed due to NSC's reasons by 31 October 2023 or such other date as may be agreed by the Parties in writing, the Agreement shall cease to have legal effect. NSC shall refund all the Consideration received to SHYK without interest on or before 31 November 2023. SHYK shall simultaneously return the Letter issued by NSC, as well as any other written letter issued by NSC or SHFW to SHYK or any third party pursuant to the Proposed Disposal, and shall return all materials related to the delivery of SHFW.

5. USE OF PROCEEDS

The proceeds from the Proposed Disposal will be used for working capital and restructuring purposes.

6. PROFIT FROM PROPOSED DISPOSAL

Based on the unaudited financial statements of SHFW as at 30 April 2023, the total Consideration of RMB 88.0 million (approximately S$16.3 million[2]) represents a profit of RMB 56.7 million (approximately S$10.5 million[2]) over the net book value of the Sale Shares of RMB 31.3 million (approximately S$5.8 million[2]).

7. RATIONALE FOR THE PROPOSED DISPOSAL

The Proposed Disposal is part of the business transition by the Group into new businesses to enhance income streams. The Proposed Disposal will streamline the Group's operations and facilitate the Group diversification into new businesses.

In view of the above, the Board is of the view that the Proposed Disposal is in the best interests of the Company and the Shareholders.

[2] Based on the exchange rate of RMB100 : S$18.50 as at 21 July 2023 from MAS

8. RELATIVE FIGURES COMPUTED ON THE BASES SET OUT IN RULE 1006 OF THE LISTING RULES

The relative figures computed on the relevant bases set out in Rule 1006 of the Listing Rules in respect of the Proposed Disposal and based on the unaudited financial statements of the Group as at 30 June 2022 (the "**Latest Accounts**") are as follows:

Rule 1006	Base	Relative figure
(a)	The net asset value of the assets to be disposed of, compared with the Group's net asset value. This basis is not applicable to an acquisition of assets.	-39%(1)
(b)	The net loss attributable to the assets acquired or disposed of, compared with the Group's net loss(2)	3%(2)
(c)	The aggregate value of the consideration given or received, compared with the Company's market capitalisation based on the total number of issued shares excluding treasury shares.	104%(3)
(d)	The number of equity securities issued by the Company as consideration for an acquisition, compared with the number of equity securities previously in issue.	Not applicable(4)
(e)	The aggregate volume or amount of proved and probable reserves to be disposed of, compared with the aggregate of the group's proved and probable reserves. This basis is applicable to a disposal of mineral, oil or gas assets by a mineral, oil and gas company, but not to an acquisition of such assets. If the reserves are not directly comparable, the Exchange may permit valuations to be used instead of volume or amount.	Not applicable(5)

Notes:

(1) Based on the unaudited net asset value of RMB 54.4 million (approximately S$11.3 million [3]) of the Sale Shares and the unaudited net asset value of the Group of -S$29.0 million, based on the Latest Accounts.

(2) Based on the unaudited loss of RMB 7.5 million (approximately S$1.6 million[3]) of SHFW and unaudited loss of the Group of approximately S$48.6 million, based on the Latest Accounts.

(3) Based on (i) the Consideration of RMB 88.0 million (approximately S$16.3 million[4]); and (ii) the Company's market capitalisation calculated based on 208,464,669 issued shares (excluding treasury shares) multiplied by S$0.075 (being the last traded price on 15 November 2021, the date on which the Company requested a trading halt).

[3] Based on the exchange rate of RMB100 : S$20.79 as at 30 June 2022 from MAS
[4] Based on the exchange rate of RMB100 : S$18.50 as at 21 July 2023 from MAS

(4) Rule 1006(d) of the Listing Rules is not applicable to a disposal of assets.

(5) Rule 1006(e) of the Listing Rules is not applicable as the Company is not a mineral, oil and gas company.

Pursuant to Practice Note 10.1 of the Listing Rules, in view of paragraphs 4.4(c) and 4.4(e) read with paragraph 4.6, the absolute figures computed on the basis of each of Rules 1006(a) and (c) exceeds 20%, the Proposed Disposal therefore constitutes a "major transaction" under Chapter 10 of the Listing Rules. Accordingly, Listing Rule 1014 applies to the Proposed Disposal and the Proposed Disposal is subject to the approval of Shareholders at the EGM.

9. FINANCIAL EFFECTS OF THE PROPOSED DISPOSALS

9.1 Bases and Assumptions

For the purposes of illustration only, the pro forma financial effects of the Proposed Disposal taken as a whole are set out below. The pro forma financial effects have been prepared based on the unaudited consolidated financial statements of the Group for the financial year ended 30 June 2022 and assuming the completion of the Proposed Disposal, as set out below. The pro forma financial effects are only presented for illustration purposes and are not intended to reflect the actual future financial position and performance of the Company or the Group after the Proposed Disposal.

9.2 Net Tangible Assets ("**NTA**")

Assuming that the Proposed Disposal were completed on 30 June 2022, the *pro forma* financial effects of the Proposed Disposal on the unaudited consolidated NTA of the Group are as follows:

	As at 30 June 2022	
	Before the Proposed Disposal	**After the Proposed Disposal**
NTL of the Group (S$'000)	20,869	27,032
Number of issued ordinary shares in the capital of the Group	208,464,669	208,464,669
NTL per share (cents)	(0.14)	(0.13)

9.3 Earnings Per Share ("**EPS**")

Assuming that the Proposed Disposal had been completed on 1 July 2021, the *pro forma* financial effects of the Proposed Disposal on the unaudited consolidated EPS of the Group are as follows:

	FY2022	
	Before the Proposed Disposal	**After the Proposed Disposal**
Loss after tax (S$'000)	(34,919)	(15,896)
Weighted average number of Shares	208,464,669	208,464,669
EPS (cents)	(0.17)	(0.08)

10. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

None of the Company's directors or controlling shareholders or their associates has any interest, direct or indirect, in the Proposed Disposal, other than through their respective shareholdings in the Company.

11. DIRECTORS' SERVICE CONTRACTS

No person is proposed to be appointed as a Director of the Company in connection with the Proposed Disposal. Accordingly, no service contract is proposed to be entered into between the Company and any such person.

12. EGM AND CIRCULAR TO SHAREHOLDERS

The Company will convene an EGM to seek the approval of the Shareholders for the Proposed Disposal and a circular (the "**Circular**") containing, *inter alia*, details thereof, together with the opinions and recommendations of the Directors in relation thereto and enclosing the notice of EGM in connection therewith, will be despatched to the Shareholders in due course.

13. DOCUMENTS AVAILABLE FOR INSPECTION

A copy of the Agreement and the Appraisal Report will be available for inspection during normal business hours at the Company's registered office at 456 Alexandra Road, #24-01, Fragrance Empire Building, Singapore 119962 for a period of three (3) months from the date of this Announcement.

14. DIRECTORS' 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 Proposed Disposal 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, 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.

15. FURTHER ANNOUNCEMENTS

The Company will make further announcements on the Proposed Disposal as appropriate or when there are further developments on the same.

16. CAUTION IN TRADING

Shareholders and potential investors are advised to exercise caution when dealing in the shares of the Company as completion is subject to the fulfilment of the conditions, and there is no certainty or assurance as at the date of this announcement that the Proposed Disposal will be completed. The Company will make the necessary announcements as and when there are further developments on the Proposed Disposal.

Shareholders and potential investors are advised to read this announcement and any further announcements and the Circular by the Company carefully. Shareholders and potential investors should consult their stockbrokers, bank managers, solicitors or other professional advisers if they have any doubt about the actions they should take.

FOR AND ON BEHALF OF THE BOARD

Mr Han Binke
Executive Director and CEO

21 July 2023