NEW SILKROUTES GROUP LIMITED

(Incorporated in the Republic of Singapore)
(Company Registration No. 199400571K)
(the "**Company**")

MEMORANDUM OF AGREEMENT WITH 2810198 ONTARIO INC.

The Board of Directors (the "**Board**") of the Company (together with its subsidiaries, the "**Group**") is pleased to announce that the Company has, on 24 May 2022, entered into a binding Memorandum of Agreement ("**MOA**") with 2810198 Ontario Inc. ("**Ontario**"), a company incorporated in Canada.

Information on Ontario

Ontario's principal business is investment holding and has investments in real estate. Ontario and its ultimate beneficial owner are independent third-parties to the Company, directors, its controlling shareholders and other connected persons of the Company.

Debt acquisition

Ontario conditionally agreed to acquire all rights to and interests in (1) the amounts owed by International Energy Group Pte. Ltd. (in creditor's winding up) to OCAP Management Pte. Ltd. (in compulsory winding up) ("**OCAP**") and the Company's corporate guarantee in favour of OCAP in connection with the loan facilities; and (2) the amounts owed by TXZ Tankers Pte. Ltd. (in creditors' voluntary winding up) to Iolani Shipping Limited ("**Iolani**") pursuant to a lease financing agreement and the Company's corporate guarantee in favour of Iolani in connection with the lease financing agreement (collectively, the "**Relevant Debts**"), subject to the terms of the sale and purchase deed between, among others, OCAP, Iolani and Ontario (the "**Debt Acquisition**").

Subject to completion of the acquisition of the Relevant Debts by Ontario and for so long as Ontario remains a creditor of any member of the Group, Ontario shall be entitled to nominate two candidates as directors of the Company (one of whom shall be an independent non-executive director).

Debt capitalisation

Pursuant to the MOA, it is proposed that subsequently, all of the Relevant Debts will, among others, be capitalised through the allotment and issuance of shares in the Company ("**Shares**") to the holder of the Relevant Debts (and/or its nominee(s)), at an applicable issue price (the "**Relevant Issue Price**") into Shares such that the full Relevant Debts, following the conversion, shall represent not less than 65% and not more than 70% of the total issued and paid up share capital of the Company (on a fully diluted and as converted basis) (the "**Debt Capitalisation**").

The Debt Capitalisation will be subject to the fulfillment (or waiver by Ontario) of certain condition precedents (the "**Conditions Precedent**") including, *inter alia*, approval of the Company's directors and the Company's shareholders (i) of the Debt Capitalisation, (ii) to allot and issue Shares pursuant to the Debt Capitalisation (the "**Debt Capitalisation Shares**"), (iii) to issue a controlling interest in the Company to Ontario, (iv) waiver of the Company shareholders of any right to receive a general offer from Ontario and parties acting or deemed acting in concert with it, (v) approval of the Securities Industry Council of any whitewash waiver, and (vi) approval of the Singapore Exchange Securities Trading Limited of the Debt Capitalisation and listing approval of the Debt Capitalisation Shares.

Disposal of Shanghai Fengwei

Subject to all applicable laws and regulations including the Listing Rules of SGX-ST and Section 160 of the Companies Act 1967 and the following arrangements not adversely impacting the Debt Capitalisation, in the interest of restructuring and/or rehabilitating the business of the Company, including to improve the cash flow position of the Company, the Company shall use all commercially reasonable efforts and at its own costs to (i) sign a legally binding agreement in relation to the bona fide disposal of all the equity interests of Shanghai Fengwei Garment Accessory Co., Ltd. ("**Shanghai Fengwei**") for cash consideration and (ii) procure the completion of the bona fide disposal of the entire equity interest of Shanghai Fengwei for cash consideration (the "**Disposal**") within 18 months from the date of completion of the Debt Acquisition.

If the Disposal occurs, then subject always to the applicable laws and regulations as applicable, the Company shall following completion of the Disposal declare and distribute a dividend in favour of the shareholders of the Company (i.e. shareholders of the Company following the Debt Capitalisation, which for the avoidance of doubt, shall include Ontario) in relation to the Disposal. Ontario shall be entitled to assign its rights to such person(s) as it may nominate (including without limitation OCAP and Iolani) in such proportion as notified by Ontario.

If the Disposal is not consummated by the aforesaid deadline, subject to the Company and Ontario's mutual agreement, and subject always to the applicable laws and regulations, the Company shall exercise its best endeavours to reach an agreement with Ontario on the treatment of Shanghai Fengwei and the relevant parties shall in any event reach such an agreement by no later than six (6) months thereafter. In this regard, where dividends are declared by the Company in relation to any profits (if any) derived from its equity interests in Shanghai Fengwei, Ontario shall be entitled to assign its rights to such person(s) as it may nominate (including without limitation OCAP and Iolani) in such proportion as notified by Ontario.

Working capital loan

Subject to the terms of the MOA which parties agree may be further documented by way of definitive documents, Ontario will also provide a certain working capital loan facility (the "**Working Capital Loan**") of not exceeding S$1,300,000 (or such other amount as the Company and Ontario may agree). The Company, as borrower, shall apply all amounts borrowed by it under the Working Capital Loan for the payment of Approved Invoices and Approved Amounts (as defined in the MOA) for the purpose of financing its working capital including its past and ongoing liabilities and the past and ongoing liabilities of the Group if they are guaranteed by the Company (subject to and on the conditions stipulated in the MOA) and/or the operations of the Company (and for the avoidance of doubt, not its subsidiaries) in the ordinary course of business, but for no other purposes.

The Working Capital Loan will bear interest at 8% per annum provided that if the Debt Capitalisation is duly authorised and completed on or before 31 October 2022 (or such other date as agreed between the Company and Ontario), such interest will be automatically reduced retroactively to 2.5% per annum.

The default interest applicable to the Working Capital Loan shall be at 10% per annum. If the Company fails to pay any amount payable by it under the MOA on its due date, interest shall accrue on the overdue amount from the due date up to the date of actual payment (both before and after judgment) at 10% per annum. Any interest accruing pursuant to the above shall be immediately payable by the Company on demand by Ontario.

Save as provided for in the MOA, the Working Capital Loan and all interest accrued thereon will be repayable on the date falling 6 months after the date of the MOA provided that if the Debt Capitalisation is duly authorised and completed on or before 31 October 2022 (or

such other date as agreed between the Company and Ontario), the repayment date shall be automatically extended to the second anniversary date of the MOA.

Ontario may by notice (the "**Conversion Notice**") elect to either receive repayment of the principal amount and interest payable in respect of the Working Capital Loan (1) in cash, or (2) by way of the allotment and issue of new Shares (the "**Loan Capitalisation Shares**") at a price no greater than the Relevant Issue Price (the "**Loan Capitalisation**"). If Ontario so elects, each Share to be allotted and issued to Ontario (or its nominee) shall be (i) fully paid up; (ii) fully fungible with all other Shares in existence as at the date of the Conversion Notice; (iii) free from any Encumbrance (as defined in the MOA), (iv) listed on any exchange on which any shares of the Company are listed as at the date of the Conversion Notice, and (v) freely transferable.

Should Ontario elect to receive repayment by way of the allotment and issue of new Shares, the Company shall use all commercially reasonable efforts, subject to applicable laws and regulations including the Listing Rules of SGX-ST and Section 160 of the Companies Act 1967, and the fulfilment of all applicable Conditions Precedent or such applicable Conditions Precedent being waived by Ontario, to procure, facilitate and complete the capitalisation of the Working Capital Loan at a price no greater than the Relevant Issue Price.

Effect of the Debt Capitalisation and Loan Capitalisation

Assuming that the Debt Capitalisation occurs (and the Relevant Debts are fully capitalised) and the Loan Capitalisation occurs (and the Working Capital Loan is fully drawn and fully capitalised), the Debt Capitalisation Shares and Loan Capitalisation Shares will represent approximately 233% of the Company's existing issued and paid up share capital of 208,464,669 Shares as at the date of this announcement. Upon completion of the Debt Capitalisation and Loan Capitalisation and assuming that there is no change to the number of shares in the Company's existing issued and paid up share capital, the issued and paid up share capital of the Company will increase to 694,072,219 Shares and the Debt Capitalisation Shares and Loan Capitalisation Shares will represent approximately 70% of the Company's enlarged issued and paid up share capital.

Financial effects of the Debt Capitalisation and the Loan Capitalisation

The pro forma financial effects of the Debt Capitalisation and the Loan Capitalisation on the Group are set forth below and have been computed based on the latest unaudited consolidated financial statements of the Group for the financial year ended 30 June 2021 ("**FY2021**"). The financial effects of the Debt Capitalisation and the Loan Capitalisation are based on the following assumptions:

1. the Relevant Debts and Working Capital Loan are fully capitalised;

2. the Working Capital Loan is fully drawn;

3. the estimated fees and expenses incurred by the Company in connection with the Debt Capitalisation and the Loan Capitalisation are approximately US$92,000;

4. the financial effect on the net asset value ("**NAV**") per Share is computed based on the assumption that the Debt Capitalisation and the Loan Capitalisation were completed on 30 June 2021; and

5. the financial effect on the earnings per Share ("**EPS**") is computed based on the assumption that the Debt Capitalisation and the Loan Capitalisation were completed on 1 July 2020.

The pro forma financial effects of the Debt Capitalisation and the Loan Capitalisation are presented solely for illustrative purposes and are not intended to be indicative or reflective of the actual financial position of the Group after the Debt Capitalisation and the Loan Capitalisation.

NAV

	Before the Debt Capitalisation and the Loan Capitalisation	**After the Debt Capitalisation and the Loan Capitalisation**
NAV attributable to the shareholders of the Company (US$'000)	14,222	14,130
Number of Shares (excluding treasury shares)	208,265,500	693,873,050
NAV per Share attributable to the shareholders of the Company (US$ cents)	6.83	2.04

Earnings per Share

	Before the Debt Capitalisation and the Loan Capitalisation	**After the Debt Capitalisation and the Loan Capitalisation**
Net earnings after tax attributable to the shareholders of the Company (US$'000)	(19,186)	(19,278)
Weighted average number of Shares	208,265,500	693,873,050
Earnings per Share (US$ cents)	(9.21)	(2.78)

General

Save for their interests in the Company, none of the Directors or controlling shareholders of the Company has any interest, direct or indirect, in the proposed transactions.

Shareholders are advised that there is no certainty or assurance that definitive agreement(s) will be entered into or the proposed transactions will be completed. Shareholders are advised to exercise caution in dealings with the shares, to read this announcement and any further update announcement(s) released by the Company carefully and should consult their stockbrokers, bank managers, solicitors or other professional advisers if they have any doubt about the actions they should take.

The Company will make further announcement(s) in relation to the MOA as and when there are any material developments on the same.

BY ORDER OF THE BOARD

Dr VicPearly Wong Hwei Pink
Executive Director and CEO

24 May 2022