

NEW SILKROUTES GROUP LIMITED

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

RESPONSES TO SGX QUERIES

The Board of Directors (the “**Board**”) of New Silkroutes Group Limited (the “**Company**” and together with its subsidiaries, the “**Group**”) wishes to announce the following in response to the queries raised by the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) in relation to the Company’s Annual Report for the financial year ended 30 June 2023 (the “**Annual Report**”).

SGX-ST’s query:

1. *It is disclosed in the Annual Report on page 33-40 that Mr Chua Siong Kiat Alex is seeking re-election as Independent Non-Executive Director in the upcoming AGM and concurrently holds Chief Financial Officer position in 1 other company and directorships in 8 other companies.*

Please disclose:

- (i) whether any of the companies listed under present principal commitments are active; and*
- (ii) the Board’s and Nominating Committee’s assessment on how Mr Chua will have sufficient time and bandwidth to fulfil his responsibilities as an Independent Non-Executive Director effectively in view of his concurrent appointments.*

Company’s response:

- (i) Mr Chua Siong Kiat Alex (“**Mr Chua**”) currently holds directorships in three listed companies as a Non-Executive Independent Director, namely Ever Glory United Holdings Limited, VCI Global Limited and UMS Integration Limited. His remaining directorships are in non-listed companies. Starwork Vision Pte. Ltd. (“**SV**”) and Robotic Vision Inc. Pte. Ltd (“**RV**”), a wholly owned subsidiary of SV, are dormant since 2022. Mr Chua is a non-executive director of both SV and RV to represent his minority equity investment in SV. Lighthouse Business Consulting Pte. Ltd. is not actively in operation since early 2023. It is further noted that Mr Chua has recently stepped down as a director of Heatec Jietong Holdings Limited with effect from 1 September 2024.
- (ii) The Board and the Nominating Committee, having considered Mr Chua’s continued contributions to the Company, have concluded that he is able to fulfil his responsibilities as an Independent Director of the Company effectively notwithstanding his time commitment in other appointments including his role as the Chief Financial Officer of Memiontec Holdings Ltd. After conducting reviews, the Board and Nominating Committee are satisfied that sufficient time and attention are being given by Mr Chua to the affairs of the Group and that Mr Chua has been adequately carrying out his duties as Director of the Company.

SGX-ST’s query:

2. *It is disclosed in the Annual Report on page 33-40 that Mr Lim Eng Seng is seeking re-election as Independent Non-Executive Director in the upcoming AGM and concurrently holds President position in 2 other companies and directorships in 11 other companies.*

Please disclose:

- (i) *whether any of the companies listed under present principal commitments are active; and*
- (ii) *the Board's and Nominating Committee's assessment on how Mr Lim will have sufficient time and bandwidth to fulfil his responsibilities as an Independent Non-Executive Director effectively in view of his concurrent appointments.*

Company's response:

- (i) Save for Clearwater Advisors Limited where Mr Lim Eng Seng ("**Mr Lim**") is the sole owner and director of his own advisory business, all of Mr Lim's other directorships are in subsidiaries of TW Pengu Holdings Limited. TW Pengu Holdings Limited is currently controlled by mid-market buyout specialist Templewater in Hong Kong with a minority investment by 65 Equity Partners in Singapore. Mr Lim is widely supported by both investment teams as he discharges his directorship responsibilities.
- (ii) The Board and the Nominating Committee, having considered Mr Lim's continued contributions to the Company, have concluded that he is able to fulfil his responsibilities as an Independent Director of the Company effectively notwithstanding his time commitment in other appointments. After conducting reviews, the Board and Nominating Committee are satisfied that sufficient time and attention are being given by Mr Lim to the affairs of the Group and that Mr Lim has been adequately carrying out his duties as Director of the Company.

SGX-ST's query:

3. Listing Rule 704(6) provides that an issuer must immediately announce if it has previously announced its preliminary full-year results, any material adjustments to its preliminary full-year results made subsequently by auditors. Please clarify whether and how Listing Rule 704(6) has been complied with.

Please also provide explanations for the following material variance in:

- (i) *net cash generated from operating activities from S\$5,368,000 in the FY2023 unaudited financial statements to S\$456,000 in the FY2023 Annual Report.*
- (ii) *net cash generated from investing activities from S\$1,244,000 in the FY2023 unaudited financial statements to S\$6,072,000 in the FY2023 Annual Report.*
- (iii) *net cash used in financing activities from S\$7,693,000 in the FY2023 unaudited financial statements to S\$7,063,000 in the FY2023 Annual Report.*

Company's response:

- (i) The difference is mainly caused by (a) advance receipt from disposal of subsidiary of S\$5,079,000 being classified in changes in working capital which was reclassified under investing activities; (b) advances from a creditor of S\$922,000 being classified in changes in working capital which was reclassified in financing activities.
- (ii) The difference is mainly caused by advance receipt from disposal of subsidiary of S\$5,079,000 being classified in changes in working capital which was reclassified under investing activities.

- (iii) The difference is mainly caused by advances from a creditor of S\$922,000 being classified in changes in working capital which was reclassified in financing activities.

SGX-ST's query:

4. Amongst others, we noted the following disclosures in the independent auditor's report:

a. Disposal group classified as held for sale and discontinued operation

We were unable to get access to the books and records of Shanghai Fengwei and thus unable to perform audit procedures which we consider necessary.

b. Disposals of subsidiaries

We were unable to obtain the underlying accounting records and supporting documents of the significant components making up the profit or loss items and the assets and liabilities of the disposed subsidiaries.

Please explain why the (i) books and records of Shanghai Fengwei and (ii) underlying accounting records and supporting documents of the disposed subsidiaries have not been provided to the auditors and the Company's efforts in obtaining the documents required by the auditors.

Company's response:

The Group is unable to obtain access to the accounting records of the disposed subsidiaries from the purchasers.

SGX-ST's query:

5. In view of the basis of disclaimer of opinion issued by the auditors from page 44 – 49 of the FY2023 annual report, please explain how the assurances from the CEO and the CFO that the financial records have been properly maintained and the financial statements give a true and fair view of the Company's operations and finances can be provided per page 24 of the annual report. Please specifically reference each item mentioned in the basis of the disclaimer of opinion in the auditor's report in the explanation.

Company's response:

- (i) Going concern assumptions

Whether the going assumptions are appropriate are dependent on the successful execution of the scheme of arrangement (the "**Scheme**") of the Company. The management believes that the Scheme can be executed successfully despite of the material uncertainties surrounding execution.

- (ii) The financial statements dated 31 August 2023 for the financial year ended 30 June 2022 contained a disclaimer of opinion on those financial statements

As the opening balances of the Group's consolidated accounts were qualified in last year's financial statements, it is impractical for the management to do anything about it.

- (iii) Financial impact related to independent review report and notice of compliance issued by Singapore Exchange Regulation

The Company has engaged Shook Lin & Bok LLP as legal advisors to review and advise on above. The review is in progress and the Company will continue to update shareholders as and when there are material developments, especially in relation to the financial impact.

- (iv) Financial guarantees and provisions in respect of banking facilities extended to its subsidiaries

The financial guarantee liabilities were not recorded in the Company's financial statements as the Company is undergoing the Scheme and the management is unable to reliably estimate the amount of contingent liabilities as at 30 June 2023.

For the provision related to the restructuring exercise, due to the inherent nature of the provision, the management is unable to reliably estimate the amount and timing of those contingent liabilities and estimate the liabilities.

- (v) Classification and appropriateness of the disposal group classified as held for sale and discontinued operation

Referring to the answer in question 4, the Group is unable to obtain access to the supporting documents related to the disposed subsidiary – Shanghai Fengwei Garment Accessory Co., Ltd. ("**Shanghai Fengwei**").

- (vi) Appropriateness of accounting for disposals of subsidiaries

Referring to the answer in question 4, the Group is unable to obtain access to the supporting documents related to the disposed subsidiaries – medical clinics and certain dental clinics.

- (vii) Appropriateness of accounting for disposal of businesses

Referring to the answer in question 4, the Group is unable to obtain access to the supporting documents related to the disposed businesses – certain dental clinics.

- (viii) Appropriateness of accounting for acquisition of Hidderton Limited and its subsidiaries

As Hidderton Limited is a dormant company, the management believes that the fair value approximates the book value. For the acquisition of Beijing Lunan Technology Co., Ltd. ("**Beijing Lunan**"), please refer to the answer in question 6.

- (ix) Appropriateness of the impairment loss recognised for the investments in subsidiaries

As the Company is undergoing restructuring, it is difficult to estimate the future cash flows of those subsidiaries to give a reliable valuation of those subsidiaries as at 30 June 2023.

SGX-ST's query:

6. With regard to the Company's acquisition of 100% equity interest of Beijing Lunan Technology Co., Ltd ("**Beijing Lunan**"), please disclose:

- i) the reason why purchase price allocation exercise has not been carried out by the Company;
- ii) the reasons which contributed to the impairment of goodwill subsequent to acquisition;
- iii) how was the Company first introduced to the acquiree;
- iv) what were the due diligence procedures (including feasibility studies or financial projections) undertaken prior to acquisition; and
- v) the reason for acquiring an entity in a net liability position.

Company's response:

- (i) The Company did not carry out a formal valuation but merely compared prices of the similar companies.
- (ii) The reason for the impairment is because Beijing Lunan did not carry out business or generate revenue in the financial year ended 30 June 2023.
- (iii) The purpose of purchasing Beijing Lunan was to acquire a Beijing license, to enable the Group to acquire a motor vehicle for business activities in China, which is difficult to bid for and non-transferrable. After comparison of similar companies holding such licenses, the Company found that Beijing Lunan's balance sheet was clean and less prone to debt issues. As such, the Company decided to purchase Beijing Lunan. The license would facilitate the Company's expansion of business in China.
- (iv) Please refer to answer (iii) above.
- (v) Beijing Lunan held a Beijing motor vehicle license at the time of acquisition.

SGX-ST's query:

7. It is disclosed that there were audit fees paid to other auditors (non-network firms) of \$55k. Please disclose (i) the identity of these other auditors; (ii) entities under the Group which have been subject to audit by these other auditors; and (ii) whether these entities are significant subsidiaries.

Company's response:

The fee is paid to the auditor of Shanghai Fengwei, a significant subsidiary of the Group, for local statutory audit for the financial year ended 31 December 2022.

BY ORDER OF THE BOARD

Mr Han Binke
Executive Director and Chief Executive Officer

16 September 2024