NEW SILKROUTES GROUP LIMITED

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

RESPONSES TO QUESTIONS FROM THE SECURITES INVESTORS ASSOCIATION (SINGAPORE)

The Board of Directors (the "**Board**") of New Silkroutes Group Limited (the "**Company**" and together with its subsidiaries, the "**Group**") refers to the queries from the Securities Investors Association (Singapore) ("**SIAS**") received on 27 August 2024, with reference to the Company's announcement dated 20 August 2024 on the Company's Annual Report for the financial year ended 30 June 2023 ("**FY2023**").

The Company's responses to the SIAS' queries are set out below:

<u>SIAS's question:</u>

Q1. The company's shares have been suspended from trading on the SGX-ST since 17 November 2021. In the independent auditor's report dated 20 August 2024, a disclaimer of opinion was issued on the financial statements for the financial year ended 30 June 2023. The basis for this disclaimer includes concerns over:

- **(i) use of going concern assumptions;**
- **(ii) opening balances and comparative information;**
- **(iii) independent review report and notice of compliance issued by the Singapore Exchange Regulation;**
- **(iv) financial guarantees and provisions;**
- **(v) disposal group classified as held for sale and discontinued operation;**
- **(vi) disposals of subsidiaries;**
- **(vii) disposal of businesses;**
- **(viii) Hidderton Limited and its subsidiaries; and**
- **(ix) investments in subsidiaries.**

An extract of the auditor's disclaimed of opinion can be read here: https://links.sgx.com/FileOpen/NSG%20Disclaimer_Extract.ashx?App=Announcement&Fil eID=816345

The company's proposed scheme of arrangement has been approved by all Class A scheme creditors and the court has sanctioned the scheme on 1 December 2023. The restructuring remains contingent upon several conditions precedents being met before December 2024, including approval from SGX-ST for the resumption of trading.

(i) What specific conditions precedent remain outstanding or have yet to be waived? How confident is the board in meeting these conditions within the required timeframe?

<u>Company's response:</u>

The High Court of the Republic of Singapore (the "**Court**") has approved the Company's proposed scheme of arrangement (the "**Scheme**"). The Scheme is subject to several conditions precedent being met prior to 1 December 2024, including obtaining the approval of the Singapore Exchange Securities Trading Limited ("**SGX-ST**") for the resumption of trading of the Company's shares on the Mainboard of the SGX-ST. The Company has made an application to the SGX-ST for the resumption of trading of its shares. SGX-ST is currently reviewing the Company's application and has made several queries, which the Company is addressing.

(ii) What has been the level of involvement of the independent directors in overseeing and guiding the company's restructuring process?

<u>Company's response:</u>

The Independent Directors are actively involved in maintaining a high level and standard of corporate governance by overseeing and guiding the Company's restructuring process, so as to protect the interests of shareholders and enhance shareholder's value in the long-term value.

(iii) Can the board or audit committee explain the factors that led to the independent external auditor's decision not to seek reappointment? Did the audit committee recommend the reappointment of Baker Tilly TFW LLP as the company's auditors? If not, what were the underlying concerns?

<u>Company's response:</u>

The Audit and Risk Committee recommended the re-appointment of the auditor. However, the auditor is not seeking re-appointment due to unable to reach a mutually agreeable audit fee.

(iv) With the resignation of the current auditors, could this significantly delay the FY2024 audit process? What is the expected timeline for finalising the financial statements for the year ended 30 June 2024, and when will the AGM be held?

<u>Company's response:</u>

Based on our discussion with prospective auditors, we plan to commence the audit in early October 2024 and target to complete the audit by November 2024. The AGM is estimated to be held in December 2024.

(v) How does the board plan to address the issues raised by the auditors in their disclaimer of opinion? What specific actions will be taken to ensure that these concerns are resolved satisfactorily?

<u>Company's response:</u>

The issues can generally be divided into two categories: 1. issues related to the past (e.g. opening balances and disposal of subsidiaries/business); and 2. issues related to future operations (e.g. going concern and acquisition of new subsidiaries). The management will focus on the category 2 issues and work with the incoming auditor for solutions to the issues.

(vi) Does the board have a clear and realistic timeline for the resumption of trading on SGX-ST? What steps are being prioritised to expedite this process?

<u>Company's response:</u>

The Company's Board has actively followed up on queries received from SGX-ST and will continue to update the shareholders in due course.

(vii) Separately, the company published the summary of the independent review by KPMG Services Pte. Ltd. on 1 December 2023. The 30-page executive summary could be read here:

https://links.sgx.com/FileOpen/Appendix%20I.ashx?App=Announcement&FileID=779820

SGX RegCo has noted that the actions of former directors and executive officers led to circumventions of rules and will be investigating into the potential breaches1. The company has also stated that it is seeking legal advice to determine the appropriate steps to be taken by the company2. Nevertheless, the board also noted that the independent review relates to companies which are no longer part of the group or are in the process of being divested.

While these issues highlighted in the KPMG review pertain to entities no longer part of the group or in the process of divestment, will the board pursue legal actions to hold responsible parties accountable, or is it the board's position that no further legal actions will be taken?

Company's response:

The Board has engaged legal advisors to advise on the independent report issued by KPMG and will continue to update the shareholders in due course.

SIAS's question:

Q2. Following a supplemental agreement signed on 10 October 2023, the group acquired 100% of the equity of Tianjin Zhoushun Logistics Co., Ltd. ("TJZS") which own 59% of the equity of Hequ Yuanyang Industrial Co., Ltd. ("HYI"). The purchase consideration was reduced from RMB11 million (S$2.06 million) to RMB4 million (S$0.75 million).

(i) Can management confirm the exact date of the acquisition of TJZS?

Company's response:

The acquisition of TJZS was completed in FY2024.

(ii) What is the current operational status of HYI? Please provide an update on its scale, financial performance, and any notable developments since the acquisition.

Company's response:

HYI's principal business activities include warehousing storage services for coal, the loading and unloading of coal. HYI has two railway platforms, each platform with a contracted customer on guaranteed shipment volume. Currently, HYI is progressing in improving the coal loading process and has plans for upgrades to the railway platform soon.

(iii) Given the accelerating shift towards renewable energy and the global push for carbon reduction, what is the long-term viability of HYI's business model centered on coal? How is HYI adapting its strategy to align with the company's overall sustainability objectives, particularly in the context of transitioning towards a low-carbon future?

Company's response:

This acquisition presents the Company with a strategic investment opportunity in the transportation industry within the highly developed market of the People's Republic of China.

(iv) What specific factors led to the significant reduction in the purchase price from RMB11 million to RMB4 million? Can the board elaborate on the due diligence process and any external inputs that led to this price adjustment? How did the independent directors ensure that the final consideration was both fair and aligned with shareholder interests?

Company's response:

Please refer to the Company's announcement dated 10 October 2023.

(v) Did the board commission an independent valuation of HYI prior to finalising the acquisition? If so, what were the key findings of that valuation, and how did it influence the final purchase price? How does the board ensure that such valuations are robust and reflective of the underlying business fundamentals?

Company's response:

The Company had appointed an independent valuer to perform an evaluation on HYI prior to the acquisition. The Board has performed the reasonable review on the acquisition.

SIAS's question:

Q3. At the annual general meeting scheduled to be held on 4 September 2024, the company is seeking shareholders' approval for the payment of directors' fees amounting to $180,000 for the financial year ending 30 June 2024 and $300,000 for the financial year ending 30 June 2025. The FY2025 fees will be paid to the directors of the company quarterly in arrears.

The annual report also notes that as part of the company's proposed scheme of arrangement, the directors have waived the outstanding amounts due to them as at 30 June 2023, including the directors' fees of $180,000 payable to the independent directors, and will instead participate in the scheme of arrangement's distributions.

(i) Could the company confirm whether the directors waived only the fees for FY2023 and prior years, or does this waiver extend to the directors' fees for FY2024 as well?

Company's response:

The Company confirms that directors fee waiver was for FY2023.

(ii) What justifies the significant increase in the proposed directors' fees for FY2025, representing a two-thirds increase? Given the independent auditor's report highlighting material uncertainties about the group's ability to continue as a going concern, would this increase place additional strain on the company's financial stability?

Company's response:

The Company would like to clarify that the proposed amount of Directors' fees payable to the current Independent Non-Executive Directors of the Company for FY2025 will remain unchanged at S$180,000. The additional amount of Directors' fees of up to S$300,000 for FY2025 takes into consideration the amount of Directors' fees payable to any new independent and/or non-executive Directors of the Company who may be appointed from time to time in FY2025.

(iii) In addition, why is the company proposing to shift the payment of directors' fees to a quarterly schedule, in arrears? Given the current financial constraints, wouldn't this change exacerbate the strain on the company's cash flow?

Company's response:

The payment schedule of quarterly in arrears is consistent with past years. The Company estimates that with the successful execution of the Scheme and the DIP facility support from Ontario, the Company believes that with the new business injection, the Company's cashflow will not have significant impact with the proposal of payment of directors' fees on quarterly basis.

(iv) Would the directors consider receiving their fees in the form of shares instead of cash? This approach would align the directors' interests more closely with those of the shareholders, while also conserving cash and demonstrating solidarity with long-suffering shareholders.

Company's response:

The Board will take into consideration the above.

BY ORDER OF THE BOARD

Mr Han Binke
Executive Director and CEO

4 September 2024