NEW SILKROUTES
GROUP LIMITED

NEW SILKROUTES GROUP LIMITED

(formerly known as Digiland International Limited)
(Incorporated in the Republic of Singapore on 25 January 1994)
(Company Registration Number 199400571K)

LETTER TO SHAREHOLDERS

Company Directors

Mr Cai Sui Xin	*(Chairman and Executive Director)*
Mr Lau Yu	*(Vice Chairman and Executive Director)*
Dr Goh Jin Hian	*(Executive Director and Chief Executive Officer)*
Mr Lee Soek Shen	*(Executive Director)*
Mr Ho Sheng	*(Independent and Non-Executive Director)*
Mr Frank Yu	*(Independent and Non-Executive Director)*
Ms Chen Chou Mei Mei Vivien	*(Independent and Non-Executive Director)*
Mr Oo Cheong Kwan Kelvyn	*(Independent and Non-Executive Director)*

Registered Office:
21 Serangoon North Avenue 5
Ban Teck Han Building
#05-02
Singapore 554864

Date 14 October 2016

To: The Shareholders of New Silkroutes Group Limited

Dear Sir/Madam

RENEWAL OF THE SHARE PURCHASE MANDATE (THE "SHARE PURCHASE MANDATE")

1. BACKGROUND

1.1 We refer to:

(a) the Notice of the Annual General Meeting of New Silkroutes Group Limited (the "**Company**") dated 14 October 2016 (the "**Notice**"), accompanying the Annual Report of the Company for its financial year ended 30 June 2016 (the "**Annual Report 2016**"), convening the Twenty Third Annual General Meeting of the Company ("**AGM**") which is scheduled to be held on 31 October 2016 at 10 a.m. at Temasek Club, 131 Rifle Range Road, Singapore 588406, Seletar Room; and

(b) the Ordinary Resolution in relation to the renewal of the Share Purchase Mandate under the heading "Special Business" set out in the Notice.

1.2 The purpose of this Letter is to provide the Shareholders with information pertaining to and reasons for the renewal of the Share Purchase Mandate proposed under the Ordinary Resolution 6 of the Notice.

1.3 The Singapore Exchange Securities Trading Limited ("**SGX-ST**") assumes no responsibility for the correctness of any of the statements made, reports contained or opinions expressed in this Letter.

1.4 **Shareholders who are in any doubt as to the action they should take should consult their stockbroker, bank manager, solicitor, accountant or other professional adviser immediately.**

2. THE PROPOSED RENEWAL OF THE SHARE PURCHASE MANDATE

2.1 The Existing Share Purchase Mandate

At the Extraordinary General Meeting of the Company held on 27 November 2015, the Shareholders of the Company had approved the grant of the Share Purchase Mandate to enable the Company to purchase or otherwise acquire the ordinary shares in the capital of the Company (the "**Shares**"). As the Share Purchase Mandate will expire on the date of the forthcoming AGM, the Directors propose that the Share Purchase Mandate be renewed at the Company's AGM.

2.2 Rationale for the Share Purchase Mandate

2.2.1 The approval of the Share Purchase Mandate authorising the Company to purchase or acquire its Shares would give the Company the flexibility to undertake Share purchases or acquisitions up to the limit described in paragraph 2.3 below at any time, subject to market conditions, during the period of which the Share Purchase Mandate is in force.

2.2.2 The rationale for the Company to undertake a purchase or acquisition of its Shares is as follows:

(a) The purchase by a company of its issued shares is one of the ways in which the return on equity of the company may be improved, thereby increasing shareholder value. By obtaining a Share Purchase Mandate, the Company will have the flexibility to undertake purchases of Shares at any time, subject to market conditions, during the period when the Share Purchase Mandate is in force.

(b) The Share Purchase Mandate will also facilitate the return to the Shareholders by the Company of surplus cash (if any) which is in excess of the Group's financial needs in an expedient and cost-effective manner.

(c) Share buybacks also allow the Directors to exercise control over the Company's share structure with a view to enhancing the earnings per share ("**EPS**") and/or the net tangible asset ("**NTA**") value per Share.

(d) The Directors further believe that Share purchases by the Company may help to mitigate short-term market volatility in the price of the Shares, off-set the effects of short-term speculation and bolster Shareholders' confidence.

2.2.3 If and when circumstances permit, the Directors will decide whether to effect the Share purchase or acquisition, after taking into account the relevant factors such as the financial resources available, the prevailing market conditions and the cost and timing involved. No purchase or acquisition of Shares will be made in circumstances which would have or may have a material adverse effect on the liquidity and capital adequacy position of the Group as a whole.

2.3 Authority and Limits of the Share Purchase Mandate

The authority and limitations placed on the purchases or acquisitions of Shares by the Company under the Share Purchase Mandate, if approved at the Company's AGM, are summarised below:

2.3.1 Maximum Number of Shares

(a) The total number of Shares which may be purchased or acquired by the Company pursuant to the Share Purchase Mandate is limited to that number of Shares representing not more than 10% of the number of the Company's issued Shares as at the date of the last Annual General Meeting held before the resolution authorising the Share Purchase Mandate is passed or as at the date on which the resolution authorising the Share Purchase Mandate is passed, whichever is the later unless the Company has effected a reduction of the share capital of the Company in accordance with the applicable provisions of the Companies Act, at any time during the Relevant Period, in which event the total number of Shares of the Company shall be taken to be the total number of Shares of the Company as altered.

(b) For the above purposes, "**Relevant Period**" means the period commencing from the date on which the resolution authorising the Share Purchase Mandate is passed, and expiring on the date the next Annual General Meeting of the Company is held or is required by law to be held, whichever is the earlier.

(c) Any Shares which are held as treasury shares will be disregarded for purposes of computing the 10% limit. As at the latest practicable date prior to printing of this Letter, being 20 September 2016 (the "**Latest Practicable Date**"), the Company holds 1,780,100 Shares as treasury shares.

(d) Solely for illustrative purposes, based on 124,280,227 Shares (excluding treasury shares) in issue as at the Latest Practicable Date, and assuming that no further Shares are issued on or prior to the Company's AGM, not more than 12,428,022 Shares (representing 10% of the Shares in issue as at that date less 1,780,100 treasury shares held by the Company as at that date) may be purchased or acquired by the Company pursuant to the Share Purchase Mandate.

2.3.2 Duration of Authority

(a) Purchases or acquisitions of Shares may be made, at any time and from time to time, by the Company on and from the date of the Company's AGM at which the Share Purchase Mandate is approved, up to the earliest of:

(i) the date on which the next Annual General Meeting of the Company is held or required by law to be held; or

(ii) the date on which the purchases or acquisitions of Shares pursuant to the Share Purchase Mandate are carried out to the full extent mandated; or

(iii) the date on which the authority conferred by the Share Purchase Mandate is revoked or varied by the Shareholders in general meeting.

(b) The Share Purchase Mandate may be renewed at subsequent Annual General Meetings or other general meetings of the Company.

2.3.3 Manner of purchases or acquisitions of Shares

Purchases or acquisitions of Shares may be effected by the Company by way of:

(i) on-market purchases ("**Market Purchases**"), transacted on SGX-ST through the ready market through one or more duly licensed dealers appointed by the Company for the purpose; and/or

(ii) off-market purchases ("**Off-Market Purchases**") (if effected otherwise than on the SGX-ST) in accordance with any equal access scheme(s) as may be determined or formulated by the Directors as they may consider fit, which scheme(s) shall satisfy all the conditions prescribed by the Companies Act and the rules of the Listing Manual.

In an Off-Market Purchase, the Directors may impose such terms and conditions which are not inconsistent with the Share Purchase Mandate, the Listing Manual and the Companies Act and other applicable laws and regulations, as they consider fit in the interests of the Company in connection with or in relation to any equal access scheme or schemes. An equal access scheme must, however, satisfy all the following conditions:

(aa) offers for the purchase or acquisition of Shares shall be made to every person who holds Shares to purchase or acquire the same percentage of their Shares;

(bb) all of those persons shall be given a reasonable opportunity to accept the offers made; and

(cc) the terms of all the offers are the same, except that there shall be disregarded (1) differences in consideration attributable to the fact that the offers may relate to Shares with different accrued dividend entitlements, (2) differences in consideration attributable to the fact that the offers may relate to Shares with different amounts remaining unpaid and (3) differences in the offers introduced solely to ensure that each person is left with a whole number of Shares.

Under Rule 885 of the Listing Manual, if the Company wishes to make an Off-Market Purchase in accordance with an equal access scheme, it will issue an offer document containing at least the following information:

(I) the terms and conditions of the offer;

(II) the period and procedures for acceptances;

(III) the reasons for the proposed purchase or acquisition of Shares;

(IV) the consequences, if any, of the purchase or acquisition of Shares that will arise under the Take-over Code or other applicable take-over rules;

(V) whether the purchase or acquisition of Shares, if made, could affect the listing of the Company's shares on the SGX-ST;

(VI) details of any share purchase made by the Company in the previous 12 months (whether Market Purchases or Off-Market Purchases), giving the total number of Shares purchased, the purchase price per Share or the highest and lowest prices paid for the purchases of Shares, where relevant, and the total consideration paid for the purchases; and

(VII) whether the shares purchased by the Company will be cancelled or kept as treasury shares.

2.3.4 Maximum purchase price

The purchase price (excluding related brokerage, commission, applicable goods and services tax, stamp duties, clearance fees and other related expenses) to be paid by the Company for the Shares as determined by the Directors must not exceed:

(a) in the case of a Market Purchase, 105% of the Average Closing Price (as defined hereinafter); and

(b) in the case of an Off-Market Purchase, 115% of the Average Closing Price (as defined hereinafter),

(each, the "**Maximum Price**").

For the above purposes:

"**Average Closing Price**" means the average of the closing market prices of a Share over the last five (5) Market Days, on which transactions in the Shares were recorded, immediately preceding the date of the Market Purchase by the Company or, as the case may be, the date of the making of the offer pursuant to the Off-Market Purchase, and deemed to be adjusted, in accordance with the rules of the SGX-ST, for any corporate action that occurs after the relevant five (5) day period; and

"**date of the making of the offer**" means the day on which the Company announces its intention to make an offer for the purchase of Shares from Shareholders, stating the purchase price (which shall not be more than the Maximum Price calculated on the foregoing basis) for each Share and the relevant terms of the equal access scheme for effecting the Off-Market Share Purchase.

2.4 **Status of Purchased Shares**

2.4.1 A Share purchased or acquired by the Company is deemed cancelled immediately on purchase or acquisition (and all rights and privileges attached to the Share will expire on such cancellation) unless such Share is held by the Company as a treasury share.

2.4.2 At the time of each purchase of Shares by the Company, the Directors will decide whether the Shares purchased will be cancelled or kept as treasury shares, or partly cancelled and partly kept as treasury shares, depending on the needs of the Company and as the Directors deem fit in the interests of the Company at that time.

2.4.3 Some of the provisions on treasury shares under the Companies Act are summarised below:

(a) *Maximum Holdings*

The maximum number of treasury shares which may be held by the Company is as follows:

(i) the Company if having only one class of shares shall not hold treasury shares exceeding 10% of the total number of such shares; or

(ii) the Company if having more than one class of shares shall not hold treasury shares of that class exceeding 10% of the total number of issued shares in that class at any time;

and in the event that the Company holds in its treasury more than 10% of the total number of issued shares in any class of its shares, it shall cancel the excess within six (6) months or such further period as the Registrar may allow.

(b) *Voting and Other Rights*

The Company cannot exercise any right in respect of treasury shares. In particular, the Company cannot exercise any right to attend or vote at meetings and for the purposes of the Companies Act, the Company shall be treated as having no right to vote and the treasury shares shall be treated as having no voting rights.

Further, no dividend may be paid, and no other distribution of the Company's assets may be made, to the Company in respect of treasury shares. However, the allotment of shares as fully paid bonus shares in respect of treasury shares is allowed. Also, a subdivision or consolidation of any treasury share into treasury shares of a smaller amount is allowed so long as the total value of the treasury shares after the subdivision or consolidation is the same as before.

(c) *Disposal and Cancellation*

Where Shares are held as treasury shares, the Company may at any time:

(i) sell the treasury shares for cash;

(ii) transfer the treasury shares for the purposes of or pursuant to an employees' share scheme;

(iii) transfer the treasury shares as consideration for the acquisition of shares in or assets of another company or assets of a person;

(iv) cancel the treasury shares; or

(v) sell, transfer or otherwise use the treasury shares for such other purposes as may be prescribed by the Minister for Finance.

2.4.4 Under Rule 704(28) of the Listing Manual, the Company must immediately announce any sale, transfer, cancellation and/or use of treasury shares, stating the following:

(a) date of the sale, transfer, cancellation and/or use;

(b) purpose of such sale, transfer, cancellation and/or use;

(c) number of treasury shares sold, transferred, cancelled and/or used;

(d) number of treasury shares before and after such sale, transfer, cancellation and/or use;

(e) percentage of the number of treasury shares against the total number of shares outstanding in a class that is listed before and after such sale, transfer, cancellation and/or use; and

(f) value of the treasury shares if they are used for a sale or transfer, or cancelled.

2.5 **Source of Funds**

2.5.1 The Companies Act permits any purchase or acquisition of shares to be made out of a company's capital or profits so long as the company is solvent. Such a payment shall include any expenses (including brokerage or commission) incurred directly in the purchase or acquisition of Shares.

For this purpose, a company is solvent:

(a) if there is no ground on which the company could be found to be unable to pay its debts;

(b) if:

(i) it is intended to commence winding up of the company within the period of 12 months immediately after the date of the payment, the company will be able to pay its debts in full within the period of 12 months after the date of commencement of the winding up; or

(ii) it is not intended so to commence winding up, the company will be able to pay its debts as they fall due during the period of 12 months immediately after the date of the payment; and

(c) if the value of the company's assets is not less than the value of its liabilities (including contingent liabilities) and will not after the proposed purchase or acquisition, become less than the value of its liabilities (including contingent liabilities).

2.5.2 The Company intends to use internal sources of funds or external borrowings or a combination of both to finance the Company's purchase or acquisition of the Shares pursuant to the Share Purchase Mandate. In purchasing or acquiring Shares pursuant to the Share Purchase Mandate, the Directors will, principally consider the availability of internal resources. In addition, the Directors will also consider the availability of external financing. However, in considering the option of external financing, the Directors will consider particularly the prevailing gearing level of the Group. The Directors will only make purchases or acquisitions pursuant to the Share Purchase Mandate in circumstances which they believe will not result in any material adverse effect to the financial position of the Company or the Group.

2.6 **Financial Effects**

2.6.1 The financial effects on the Company and the Group arising from purchases or acquisitions of Shares which may be made pursuant to the Share Purchase Mandate will depend on, *inter alia*, the aggregate number of Shares purchased or acquired, the price paid for such Shares, whether the purchase or acquisition was made out of profits and/or capital and whether the Shares purchased or acquired are held in treasury or cancelled.

2.6.2 <u>Purchase or acquisition made out of capital and/or profits</u>

Where the consideration paid by the Company for the purchase or acquisition of Shares is made out of profits, such consideration (excluding related brokerage, goods and services tax, stamp duties and clearance fees) will correspondingly reduce the amount available for the distribution of cash dividends by the Company.

Where the consideration paid by the Company for the purchase or acquisition of Shares is made out of capital, such consideration will correspondingly reduce the share capital of the Company but the amount available for the distribution of cash dividends by the Company will not be reduced.

2.6.3 Number of Shares purchased or acquired

For illustrative purposes only, on the basis of 124,280,227 Shares as at the Latest Practicable Date, assuming that no further Shares are issued on or prior to the Company's AGM, the purchase by the Company of 10% of its issued Shares will result in the purchase or acquisition of 12,428,022 Shares.

2.6.4 Maximum Price paid for Shares purchased or acquired

In the case of Market Purchase by the Company and assuming that the Company purchases or acquires 12,428,022 Shares at the Maximum Price of S$0.6027 per Share (being the price equivalent to 105% of the Average Closing Price of the Share traded on the SGX-ST for the five (5) Market Days, on which transactions in the Shares were recorded, immediately preceding the Latest Practicable Date), the maximum amount of funds required for the purchase or acquisition of the 12,428,022 Shares (excluding brokerage, stamp duties, commission, applicable goods and services tax and other related expenses) is approximately S$7,490,369.

In the case of an Off-Market Purchase by the Company and assuming that the Company purchases or acquires 12,428,022 Shares at the Maximum Price of S$0.6601 per Share (being the price equivalent to 115% of the Average Closing Price of the Share traded on the SGX-ST for the five (5) Market Days, on which transactions in the Shares were recorded, immediately preceding the Latest Practicable Date), the maximum amount of funds required for the purchase or acquisition of the 12,428,022 Shares (excluding brokerage, stamp duties, commission, applicable goods and services tax and other related expenses) is approximately S$8,203,737.

2.6.5 Illustrative Financial Effects

For illustrative purposes only, on the basis of the assumptions set out above and based on the audited financial statements of the Group for FY2016 and assuming that:

(i) the Share Purchase Mandate had been effective on 1 July 2015; and

(ii) the purchases or acquisitions of Shares are financed solely by internal resources,

the financial effects of the purchase or acquisition of such Shares by the Company on the audited financial statements of the Group for FY2016 would have been as follows:

30 June 2016	Before Share Purchase US$'000	After Share Purchase assuming Market Purchase US$'000		After Share Purchase assuming Off-Market Purchase US$'000	
		Shares cancelled	Shares held as treasury shares	Shares cancelled	Shares held as treasury shares
Capital and Reserves					
Share capital	63,958	58,528	63,958	58,011	63,958
Treasury shares	(322)	(322)	(5,752)	(322)	(6,269)
Other reserves	1,548	1,548	1,548	1,548	1,548
Retained earnings	(30,934)	(30,934)	(30,934)	(30,934)	(30,934)
Total Equity Attributable to Owners	34,250	28,820	28,820	28,303	28,303
Non-controlling interest	(43)	(43)	(43)	(43)	(43)
Total Equity	34,207	28,777	28,777	28,260	28,260
Current assets	45,255	39,825	39,825	39,308	39,308
Current liabilities	11,130	11,130	11,130	11,130	11,130
Total borrowings	3	3	3	3	3
Cash and cash equivalents	3,563	(1,867)	(1,867)	(2,384)	(2,384)
Number of issued Shares ('000)	124,570	112,142	112,142	112,142	112,142
Financial ratios					
Basic EPS (US cents)	(3.143)	(3.557)	(3.557)	(3.557)	(3.557)
NTA per Share[1] (US cents)	27.495	25.700	25.700	25.239	25.239
Current ratio	4.07	3.58	3.58	3.53	3.53
Gearing ratio[2]	0.00	0.00	0.00	0.00	0.00
Return on Equity[3]	(0.10)	(0.12)	(0.12)	(0.12)	(0.12)

Notes:

(1) "NTA per Share" is calculated based on the Net Tangible Assets (total assets less total liabilities, intangible assets and deferred tax assets, and adding back deferred tax liabilities).

(2) "Gearing ratio" is calculated using the ratio of total borrowings to total equity.

(3) "Return on Equity" is calculated based on the net profits attributable to owners of the Company and total equity less non-controlling interests.

SHAREHOLDERS SHOULD NOTE THAT ALTHOUGH THE SHARE PURCHASE MANDATE WOULD AUTHORISE THE COMPANY TO PURCHASE OR ACQUIRE UP TO 10% OF THE ISSUED SHARES, THE COMPANY MAY NOT NECESSARILY PURCHASE OR ACQUIRE OR BE ABLE TO PURCHASE OR ACQUIRE THE ENTIRE 10% OF THE ISSUED SHARES. IN PARTICULAR, THE MAXIMUM NUMBER OF SHARES THAT THE COMPANY MAY PURCHASE UNDER THE SHARE PURCHASE MANDATE IS LIMITED TO THE EXTENT THAT THE COMPANY WILL REMAIN SOLVENT. THE DIRECTORS DO NOT INTEND TO EXERCISE THE SHARE PURCHASE MANDATE UP TO THE MAXIMUM LIMIT IF SUCH EXERCISE WOULD MATERIALLY AND ADVERSELY AFFECT THE FINANCIAL POSITION OF THE GROUP.

Shareholders should also note that the financial effects set out above are for illustration purposes only (based on the aforementioned assumptions). The actual impact will depend on, *inter alia*, the number and price of the Shares purchased or acquired (if any). In particular, Shareholders should note that the above analysis is based on the audited financial statements of our Group for FY2016 and is not necessarily representative of future financial performance.

2.7 **Reporting Requirements**

The Companies Act and the Listing Manual require the Company to make reports in relation to the Share Purchase Mandate as follows:

(a) within 30 days of the passing of a Shareholders' resolution to approve purchases of Shares, the Company must lodge a copy of such resolution with the Accounting & Corporate Regulatory Authority ("**ACRA**");

(b) the Company must notify ACRA, within 30 days of a purchase of Shares on the SGX-ST or otherwise. Such notification in the form as may be prescribed by ACRA shall include details of the date of the repurchase, the total number of Shares purchased by the Company, the number of Shares cancelled, the number of Shares held as treasury shares, the Company's issued share capital before the purchase of Shares, the Company's issued share capital after the purchase of Shares, the amount of consideration paid by the Company for the purchase, whether the Shares were purchased out of profits or the capital of the Company and such other particulars as may be required;

(c) under Rule 886 of the Listing Manual, purchases of Shares must be reported to the SGX-ST in the forms prescribed by the Listing Manual and announced to the public in the case of Market Purchases, not later than 9.00 a.m. on the Market Day following the day of purchase of any of its Shares and in the case of Off-Market Share Purchases, not later than 9.00 a.m. on the second Market Day after the close of acceptances of the offer made by the Company; and

(d) in its annual report and accounts, the Company shall make disclosure of details pertaining to purchases of Shares made during the year, including the total number of Shares purchased during the financial year under review, the purchase price per Share or the highest and lowest prices paid for the purchases, and where relevant, the total consideration paid.

2.8 **Listing Rules**

2.8.1 While the Listing Manual does not expressly prohibit any purchase of shares by a listed company during any particular time or times, because the listed company would be regarded as an "insider" in relation to any proposed purchase or acquisition of its issued shares, the Company will not undertake any purchase or acquisition of Shares pursuant to the Share Purchase Mandate in any of the following circumstances:

(a) at any time after any matter or development of a price-sensitive nature has occurred or has been the subject of a decision of the Board of Directors until the price-sensitive information has been publicly announced; and

(b) during the period commencing one month immediately preceding the announcement of the Company's full-year results and the period of two weeks before the announcement of the Company's first quarter, second quarter and third quarter results.

2.8.2 The Listing Manual requires a listed company to ensure that at least 10% of any class of its listed securities must be held by Public Shareholders. As at the Latest Practicable Date, approximately 54.23% of the issued Shares are held by Public Shareholders. Assuming that the Company undertakes purchases or acquisitions of its Shares up to the full 10% limit permitted under the Share Purchase Mandate, approximately 49.14% of the issued Shares will be held by Public Shareholders. Accordingly, the Company is of the view that there is a sufficient number of the Shares in issue held by Public Shareholders which would permit the Company to undertake purchases or acquisitions of its Shares through Market Purchases up to the full 10% limit pursuant to the Share Purchase Mandate without affecting the listing status of the Shares on the SGX-ST, and that the number of Shares remaining in the hands of the public will not fall to such a level as to cause market illiquidity or to affect orderly trading.

2.9 **Take-over Implications**

2.9.1 Appendix 2 of the Take-over Code contains the Share Buy-Back Guidance Note applicable as at the Latest Practicable Date. The take-over implications arising from any purchase or acquisition by the Company of its Shares are set out below:

(a) *Obligation to make a Take-over Offer*

If, as a result of any purchase or acquisition by the Company of its Shares, a Shareholder's proportionate interest in the voting capital of the Company increases, such increase will be treated as an acquisition for the purposes of Rule 14 of the Take-over Code. If such increase results in a change of effective control, or, as a result of such increase, a Shareholder or group of Shareholders acting in concert obtains or consolidates effective control of the Company, such Shareholder or group of Shareholders acting in concert could become obliged to make a take-over offer for the Company under Rule 14 of the Take-over Code.

(b) *Persons Acting in Concert*

Under the Take-over Code, persons acting in concert comprise individuals or companies who, pursuant to an agreement or understanding (whether formal or informal), cooperate, through the acquisition by any of them of shares in a company, to obtain or consolidate effective control of that company.

Unless the contrary is established, the following persons will be presumed to be acting in concert:

(i) a company with any of its directors (together with their close relatives, related trusts as well as companies controlled by any of the directors, their close relatives and related trusts); and

(ii) a company, its parent, subsidiaries and fellow subsidiaries, and their associated companies and companies of which such companies are associated companies, all with each other. For this purpose, a company is an associated company of another company if the second company owns or controls at least 20% but not more than 50% of the voting rights of the first-mentioned company.

The circumstances under which Shareholders of the Company (including Directors of the Company) and persons acting in concert with them respectively will incur an obligation to make a take-over offer under Rule 14 after a purchase or acquisition of Shares by the Company are set out in Appendix 2 of the Take-over Code.

(c) *Effect of Rule 14 and Appendix 2 of the Take-over Code*

In general terms, the effect of Rule 14 and Appendix 2 is that, unless exempted, Directors of the Company and persons acting in concert with them will incur an obligation to make a take-over offer for the Company under Rule 14 if, as a result of the Company purchasing or acquiring its Shares, the voting rights of such Directors and their concert parties would increase to 30% or more, or if the voting rights of such Directors and their concert parties fall between 30% and 50% of the Company's voting rights, the voting rights of such Directors and their concert parties would increase by more than 1% in any period of 6 months.

Under Appendix 2, a Shareholder not acting in concert with the Directors of the Company will not be required to make a take-over offer under Rule 14 if, as a result of the Company purchasing or acquiring its Shares, the voting rights of such Shareholder in the Company would increase to 30% or more, or, if such Shareholder holds between 30% and 50% of the Company's voting rights, the voting rights of such Shareholder would increase by more than 1% in any period of six months. Such Shareholder need not abstain from voting in respect of the Ordinary Resolution authorising the Share Purchase Mandate.

2.9.2 The Directors are not aware of any fact(s) or factor(s) which suggest or imply that any particular person(s) and/or Shareholder(s) are, or may be regarded as, parties acting in concert such that their respective interests in voting Shares in the capital of the Company should or ought to be consolidated, and consequences under the Take-over Code would ensue, as a result of a purchase of Shares by the Company pursuant to the Share Purchase Mandate.

2.9.3 **The statements in this Letter do not purport to be a comprehensive or exhaustive description of all implications that may arise under the Take-over Code. Shareholders are advised to consult their professional advisers, the Securities Industry Council or other relevant authorities at the earliest opportunity as to whether an obligation to make a take-over offer would arise by reason of any purchase or acquisition of Shares by the Company.**

2.10 **Tax implications arising from Share Purchases**

Pursuant to Section 10J of the Income Tax Act, Chapter 134 of Singapore, where a company buys back its own shares and makes payment out of its contributed capital, it will not be regarded as a payment of dividend. Where a company buys back its own shares using its distributable profits, it is deemed as having paid a dividend to the shareholders from whom the shares are purchased or acquired.

Shareholders who are in doubt as to their respective tax positions or tax implications of Share Purchases by the Company, or who may be subject to tax whether in or outside Singapore, should consult their own professional advisers.

2.11 **Interested Persons**

The Company is prohibited from knowingly buying Shares on the Official List of SGX-ST from an interested person, that is, a Director, the chief executive of the Company or Controlling Shareholder of the Company or any of their Associates, and an interested person is prohibited from knowingly selling his Shares to the Company.

2.12 **Details of Previous Share Purchases within the last 12 months**

In the last 12 months, the Company has made Market Purchases of its Shares pursuant to the Share Purchase Mandate, details of which are set out below:

Date of Purchase	Total Number of Shares Purchased	Purchase Price per Share (SGD)	Highest Price paid per Share (SGD)	Lowest Price paid per Share (SGD)	Total Consideration Paid for the Shares Purchased[1] (SGD)
22/04/2016	38,000	0.335	–	–	12,803.56
25/04/2016	38,000	–	0.330	0.320	12,565.06
26/04/2016	38,000	–	0.330	0.325	12,441.62
27/04/2016	38,000	–	0.330	0.325	12,526.46
13/05/2016	47,600	–	0.280	0.260	13,014.82
16/05/2016	43,000	–	0.280	0.265	11,721.19
17/05/2016	43,000	–	0.280	0.270	11,952.58
18/05/2016	13,000	–	0.285	0.275	3,699.31
19/05/2016	14,100	–	0.290	0.285	4,132.97
20/05/2016	29,800	–	0.295	0.285	8,743.19
23/05/2016	21,000	0.300	–	–	6,345.49
25/05/2016	37,500	–	0.305	0.305	11,424.78
26/05/2016	47,000	–	0.310	0.305	14,473.14
27/05/2016	3,900	0.310	–	–	1,252.32

Date of Purchase	Total Number of Shares Purchased	Purchase Price per Share (SGD)	Highest Price paid per Share (SGD)	Lowest Price paid per Share (SGD)	Total Consideration Paid for the Shares Purchased[1] (SGD)
30/05/2016	24,600	0.320	–	–	7,918.16
31/05/2016	64,400	–	0.325	0.315	20,798.32
01/06/2016	38,600	–	0.325	0.315	12,398.91
02/06/2016	25,200	–	0.325	0.310	8,065.74
03/06/2016	77,200	–	0.325	0.315	24,798.60
06/06/2016	68,500	–	0.325	0.315	22,070.09
07/06/2016	43,300	–	0.325	0.315	13,947.81
08/06/2016	72,400	–	0.315	0.285	22,053.03
09/06/2016	36,600	–	0.315	0.295	11,064.42
10/06/2016	38,600	–	0.295	0.290	11,402.32
13/06/2016	59,400	–	0.300	0.290	17,902.05
14/06/2016	39,000	–	0.305	0.300	11,871.15
15/06/2016	39,100	–	0.305	0.300	11,989.29
16/06/2016	39,000	0.300	–	–	11,767.61
17/06/2016	43,900	–	0.305	0.290	13,120.70
23/06/2016	48,200	–	0.295	0.290	14,223.10
24/06/2016	47,700	–	0.290	0.285	13,815.05
27/06/2016	49,200	–	0.290	0.280	14,199.50
28/06/2016	48,400	0.295	–	–	14,360.49
29/06/2016	44,900	0.295	–	–	13,322.04
30/06/2016	41,600	–	0.300	0.295	12,408.60
01/07/2016	40,300	–	0.300	0.290	12,060.13
04/07/2016	44,100	–	0.295	0.290	13,009.26
05/07/2016	43,600	0.295	–	–	12,936.32
07/07/2016	43,800	–	0.300	0.295	13,190.82
08/07/2016	44,000	–	0.300	0.295	13,262.11
12/07/2016	38,600	–	0.310	0.305	11,989.71
16/09/2016	42,000	–	0.580	0.575	24,415.42
19/09/2016	42,000	–	0.590	0.585	24,827.29

Note:

(1) Total consideration paid for the Shares purchased includes brokerage, stamp duties, commission, applicable goods and services tax and other related expenses.

3. DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTERESTS

The interests of the Directors and the Substantial Shareholders in the share capital of the Company as at the Latest Practicable Date are set out below:

	Direct Interest		Deemed Interest	
	No. of Shares	(%)	No. of Shares	(%)
Director				
Mr Cai Sui Xin[(1)]	–	–	25,489,038	20.509
Mr Lau Yu	–	–	–	–
Dr Goh Jin Hian[(2)]	–	–	5,096,849	4.101
Mr Lee Soek Shen[(3)]	–	–	13,451,700	10.824
Mr Ho Sheng	–	–	–	–
Mr Frank Yu	–	–	–	–
Ms Chen Chou Mei Mei Vivien[(4)]	–	–	526,000	0.423
Mr Oo Cheong Kwan Kelvyn	–	–	–	–
Substantial Shareholders				
Mr Cai Sui Xin[(1)]	–	–	25,489,038	20.509
Fortune Woods Global Investment Limited	23,498,041	18.907	–	–
General Nice Resources (Hong Kong) Limited[(5)]	1,990,997	1.602	23,498,041	18.907
General Nice Development Ltd[(6)]	–	–	25,489,038	20.509
General Nice Investment (China) Limited[(7)]	–	–	25,489,038	20.509
General Nice Group Holdings Limited[(8)]	–	–	25,489,038	20.509
Smartful Global Holdings Limited	12,325,000	9.917	–	–
Xiao De[(9)]	–	–	12,325,000	9.917
Goodwood Associates Pte. Ltd.	13,451,700	10.824	–	–
Mr Lee Soek Shen[(3)]	–	–	13,451,700	10.824

Notes:

(1) Cai Sui Xin's deemed interest in the Company arises from his deemed interest in the Shares in respect of which General Nice Group Holdings Limited has a deemed interest, and also through his deemed and direct interests in General Nice Investment (China) Limited and General Nice Development Ltd.

(2) Dr Goh Jin Hian is deemed to be interested in the Shares held in the name of a nominee company.

(3) Lee Soek Shen's deemed interest in the Company arises from his interest in the Shares held by Goodwood Associates Pte. Ltd., as Lee Soek Shen is the sole shareholder of Goodwood Associates Pte. Ltd.

(4) Chen Chou Mei Mei Vivien is the sole shareholder of Avec Inc. which holds Shares in the Company, as such she is deemed to be interested in the Shares held by Avec Inc. Chen Chou Mei Mei has an interest in a family trust "Chow Wen Hsien Estate" which has Shares in the Company, as such she is deemed to be interested in the Shares held by the family trust. Chen Chou Mei Mei Vivien is deemed to be interested in Shares held in the name of a nominee.

(5) General Nice Resources (Hong Kong) Limited's deemed interest in the Company arises from its deemed interest in the Shares held by Fortune Woods Global Investment Limited.

(6) General Nice Development Ltd's deemed interest in the Company arises from its deemed interest in the Shares in respect of which General Nice Resources (Hong Kong) Limited has deemed or direct interest.

(7) General Nice Investment (China) Limited's deemed interest in the Company arises from its deemed interest in the Shares in respect of which General Nice Resources (Hong Kong) Limited has deemed or direct interest.

(8) General Nice Group Holdings Limited's deemed interest in the Company arises from its deemed interest in the Shares in respect of which General Nice Development Ltd and General Nice Investment (China) Limited have deemed interest.

(9) Xiao De's deemed interest in the Company arises from his deemed interest in the Shares held by Smartful Global Holdings Limited.

None of the Directors or Substantial Shareholders of the Company has any interest, direct or indirect, in the Share Purchase Mandate (other than through their shareholdings (if any) in the Company).

4. DIRECTORS' RECOMMENDATION

After having considered, amongst other things, the terms and/or rationale of the Share Purchase Mandate, the Directors are of the view that the Share Purchase Mandate is in the best interests of the Company and the Shareholders. Accordingly, the Directors recommend that the Shareholders vote in favour of the Ordinary Resolution pertaining to the Share Purchase Mandate to be proposed at the Company's AGM to be held on 31 October 2016 at 10 a.m. at Temasek Club, 131 Rifle Range Road, Singapore 588406, Seletar Room.

5. ADVICE TO SHAREHOLDERS

Shareholders, who are in any doubt as to the action they should take should consult their stockbroker, bank manager, solicitor, accountant or other professional adviser immediately.

6. RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Letter and confirm after making all reasonable enquiries that, to the best of their knowledge and belief, this Letter constitutes full and true disclosure of all material facts about the proposed renewal of the Share Purchase Mandate, the Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this Letter misleading. Where information in the Letter 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 the Letter in its proper form and context.

Yours faithfully

For and on behalf of the Board of Directors of
NEW SILKROUTES GROUP LIMITED

Dr Goh Jin Hian
Executive Director and Chief Executive Officer

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