

CIRCULAR DATED 22 JANUARY 2024

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

If you are in any doubt as to the action that you should take, you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser immediately.

If you have sold or transferred all your shares in the capital of New Silkroutes Group Limited (the “**Company**”) held through the Central Depository (Pte) Limited (“**CDP**”), you need not forward this Circular together with the Notice of Extraordinary General Meeting and the enclosed Proxy Form to the purchaser or transferee as CDP will arrange for a separate Circular together with the Notice of Extraordinary General Meeting and the enclosed Proxy Form to be sent to the purchaser or transferee. If you have sold or transferred all your shares in the capital of the Company represented by physical share certificate(s), please forward this Circular with the Notice of Extraordinary General Meeting and the attached Proxy Form, immediately to the purchaser or transferee or to the bank, stockbroker or agent through whom you effected the sale or transfer, for onward transmission to the purchaser or transferee.

The Singapore Exchange Securities Trading Limited assumes no responsibility for the contents of this Circular, including the accuracy, completeness or correctness of any of the information, statements made, reports contained or opinions expressed in this Circular.



NEW SILKROUTES GROUP LIMITED

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

CIRCULAR TO SHAREHOLDERS

IN RELATION TO

THE PROPOSED DISPOSAL OF 100% OF THE TOTAL ISSUED AND PAID-UP CAPITAL OF SHANGHAI FENGWEI GARMENT ACCESSORY CO., LTD. (上海枫围服装辅料有限公司)

IMPORTANT DATES AND TIMES:

Last date and time for lodgment of Proxy Form	:	4 February 2024 at 9.30 a.m.
Date and time of Extraordinary General Meeting	:	6 February 2024 at 9.30 a.m.
Place of Extraordinary General Meeting	:	Temasek Club, 131 Rifle Range Road, Singapore 588406

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DEFINITIONS

In this Circular, the following definitions shall apply throughout unless the context otherwise requires or otherwise stated:

- “Associate”** : (a) In relation to any director, chief executive officer, substantial shareholder or controlling shareholder (being an individual) means:
- (i) his immediate family;
 - (ii) the trustees of any trust of which he or his immediate family is a beneficiary or, in the case of a discretionary trust, is a discretionary object; and
 - (iii) any company in which he and his immediate family together (directly or indirectly) have an interest of 30% or more
- (b) In relation to a substantial shareholder or a controlling shareholder (being a company) means any other company which is its subsidiary or holding company or is a subsidiary of such holding company or one in the equity of which it and/or such other company or companies taken together (directly or indirectly) have an interest of 30% or more
- “Audit Committee”** : The audit committee of the Company
- “Base Profit”** : The monthly profit before tax (excluding non-operating income) between January 2020 and March 2020 pursuant to the MSA
- “Broker”** : Advanced Solutions Global Limited
- “CDP”** : The Central Depository (Pte) Limited
- “Circular”** : This circular to Shareholders dated 22 January 2024
- “Companies Act”** : The Companies Act 1967 of Singapore, as amended from time to time
- “Company”** : New Silkroutes Group Limited
- “Controlling Shareholder”** : A person who:
- (a) holds, directly or indirectly, 15% or more of the total number of voting Shares (excluding treasury shares) in the Company; or
 - (b) in fact exercises control over the Company

DEFINITIONS

“Delivery”	:	Has the meaning ascribed to it in Section 2.2.1 of this Circular
“Delivery Date”	:	The date of receipt of the second instalment of the SHFW Consideration by NSC from the Purchaser
“Directors”	:	The board of directors of the Company for the time being
“EGM”	:	The Extraordinary General Meeting of the Company, notice of which is set out on page 22 of this Circular
“EPS”	:	Earnings per Share
“FY”	:	Financial year ended or, as the case may be, ending 30 June
“FY2022”	:	Financial year ended 30 June 2022
“Group”	:	The Company and its subsidiaries
“Latest Practicable Date”	:	18 January 2024, being the latest practicable date prior to the date of this Circular
“Letter”	:	The letter of transfer of rights and obligations issued by NSC to the Purchaser on 28 April 2023, pursuant to which NSC shall unconditionally and irrevocably transfer all claims, debts, rights and obligations (including the right to pursue any civil, administrative and criminal liability of any subject) to the Purchaser upon NSC’s receipt of the entire SHFW Consideration
“Listing Manual”	:	The listing manual of the SGX-ST, as may be amended, varied or supplemented from time to time
“LPS”	:	Loss per Share
“MA”	:	The management agreement dated 18 April 2020 between the Company and Shanghai Minlin
“MA Consideration”	:	The consideration for the MA paid by Shanghai Minlin to the Company
“MA Period”	:	The period during which the management rights of SHFW were assigned to Shanghai Minlin by the Company, being 1 January 2020 to 31 December 2021
“MSA”	:	The management service agreement dated 18 April 2020 between SHFW and Shanghai Minlin
“MOU”	:	The memorandum of understanding entered into between NCS and SYN F on 28 April 2023, for the

DEFINITIONS

	Proposed Disposal by NSC of the Sale Shares to the Purchaser
“NAV”	: Net asset value
“NSC”	: New Silkroutes Capital Pte. Ltd.
“NTA”	: Net tangible assets
“NTL”	: Net tangible losses
“PRC”	: People’s Republic of China
“Proposed Disposal”	: The proposed disposal by NSC of the SHFW Sale Shares to SYN F
“Scheme”	: The scheme of arrangement proposed between the Company and its scheme creditors pursuant to Section 71 of the Insolvency, Restructuring and Dissolution Act 2018 of Singapore
“Securities Account”	: The securities account maintained by a Depositor with CDP (but does not include a securities sub-account maintained with a Depository Agent)
“SFA”	: The Securities and Futures Act 2001 of Singapore, as amended or modified from time to time
“SGX-ST”	: Singapore Exchange Securities Trading Limited
“Shanghai Minlin”	: Shanghai Minlin New Textile Materials Sales Centre
“Shareholders”	: Registered holders of the Shares except that where the registered holder is CDP, the term “Shareholders” shall, in relation to such Shares, mean the persons to whose Securities Accounts maintained with CDP are credited with the Shares
“Shares”	: Ordinary shares in the capital of the Company
“SHFW”	: Shanghai Fengwei Garment Accessory Co., Ltd. (上海枫围服装辅料有限公司)
“SHFW Appraisal Report”	: Has the meaning ascribed to it in Section 2.4 of this Circular
“SHFW Consideration”	: The aggregate sum of RMB 88.0 million, being the consideration for the SHFW Sale Shares, details of which are set out at Section 2.2.1 of this Circular
“SHFW Equity Transfer Agreement”	: The equity transfer agreement entered into between NSC and SYN F on 21 July 2023, for the Proposed Disposal by NSC of the SHFW Sale Shares to SYN F

DEFINITIONS

“SHFW Sale Shares”	:	100% of the registered capital of SHFW
“Substantial Shareholder”	:	A person (including a corporation) who holds, directly or indirectly, 5% or more of the total issued voting Shares of the Company
“SYNF” or “Purchaser”	:	Shanghai Yikang Non-Woven Fabric Co., Ltd. (上海益康无纺布有限公司)
“Valuer”	:	Zhongjing Asset Appraisal (Tianjin) Co., Ltd.

Currencies, units and others

“RMB”	:	Renminbi, being the lawful currency of the PRC
“S\$” and “cents”	:	Singapore dollars and cents, respectively
“%” or per cent	:	Percentage or per centum

DEFINITIONS

The terms “**Depositor**”, “**Depository Agent**” and “**Depository Register**” shall have the meanings ascribed to them, respectively, in Section 81F of the SFA. The term “**subsidiary**” shall have the meaning ascribed to it in Section 5 of the Companies Act.

Words importing the singular shall, where applicable, include the plural and *vice versa*. Words importing the masculine gender shall, where applicable, include the feminine and neuter genders and *vice versa*.

References to persons shall include corporations.

Any reference in this Circular to any statute or enactment is a reference to that statute or enactment as for the time being amended or re-enacted. Any word defined under the Companies Act, the SFA, the Listing Manual or any statutory modification thereof and not otherwise defined in this Circular shall have the same meaning assigned to it under the Companies Act, the SFA, the Listing Manual or any statutory modification thereof, as the case may be.

Any reference to a time of day and to dates in this Circular is made by reference to Singapore time and dates, unless otherwise stated.

Any discrepancies in figures included in this Circular between the amounts and totals thereof are due to rounding. Accordingly, figures shown as totals in this Circular may not be an arithmetic aggregation of the figures which precede them.

Shook Lin & Bok LLP has been appointed as the legal adviser to the Company in relation to the matters stated in this Circular.

LETTER TO SHAREHOLDERS

NEW SILKROUTES GROUP LIMITED

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

Directors:

Han Binke (Executive Director and Chief Executive Officer)
Lim Chee Lek Darrell (Independent Non-Executive Chairman)
Chua Siong Kiat Alex (Independent Non-Executive Director)
Lim Eng Seng (Independent Non-Executive Director)

Registered Office:

456 Alexandra Road
#24-01 Fragrance Empire Building
Singapore 119962

22 January 2024

To: The Shareholders of New Silkroutes Group Limited

Dear Sir/Madam

THE PROPOSED DISPOSAL OF 100% OF THE TOTAL ISSUED AND PAID-UP CAPITAL OF SHANGHAI FENGWEI GARMENT ACCESSORY CO., LTD. (上海枫围服装辅料有限公司)**1. INTRODUCTION**

On 21 July 2023, the Company announced that its wholly-owned subsidiary, New Silkroutes Capital Pte. Ltd. (“NSC”), had entered into an equity transfer agreement (the “**SHFW Equity Transfer Agreement**”) with Shanghai Yikang Non-Woven Fabric Co., Ltd. (上海益康无纺布有限公司) (the “SYNF”), in relation to the sale by NSC of the SHFW Sale Shares to SYNF (the “**Proposed Disposal**”). Upon completion of the Proposed Disposal, SHFW will cease to be a subsidiary of the Group. There is no relationship between NSC and SYNF.

The Directors are convening the EGM to be held on 6 February 2024 at 9.30 a.m. to seek Shareholders’ approval for the Proposed Disposal, as the Proposed Disposal would constitute a major transaction as defined under Chapter 10 of the Listing Manual.

The purpose of this Circular is to explain the rationale for, and to provide Shareholders with the relevant information relating to the Proposed Disposal to be tabled at the EGM.

Shareholders are advised that the SGX-ST assumes no responsibility for the contents of the Circular, including the accuracy or correctness of any of the statements made, opinions expressed or reports contained in this Circular.

2. PROPOSED DISPOSAL**2.1 Information on NSC, SHFW AND SYNF****2.1.1 Information on NSC and SHFW**

NSC, a wholly-owned subsidiary of the Company, was incorporated in Singapore on 1 October 2015. NSC is primarily engaged in the business of investment management.

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 producing and processing non-woven fabric, non-woven converted products and polyester wadding to be used in, *inter alia*, the medical industry.

The Company and its wholly-owned subsidiary, NSC, had on 13 August 2018, entered into a share sale and purchase agreement with Mr Shen Yuyun, Mr Shen Donghua, Mr Wang Xing and Ms Tang

LETTER TO SHAREHOLDERS

Meifang collectively to acquire 100% of the total registered and contributed/paid-up capital of SHFW, for an aggregate consideration of S\$12,500,000. No valuation was conducted on SHFW as the acquisition of SHFW was considered to be in the ordinary course of business of the Company.

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 million¹). Details of key financial information about SHFW can be found in the table below.

	Financial year ended 31 December 2022 RMB'000	Financial year ended 31 December 2021 RMB'000	Financial year ended 31 December 2020 RMB'000
Profit / (Loss) after tax	(7,455)	(1,499)	25,509 ²
Revenue	99,495	124,239	321,907
Equity	54,410	62,904	64,403

No impairment loss was recognised in the Company's books for SHFW.

The table below sets out the reconciliation of the figures stated in the table above and that stated in the SHFW Appraisal Report:

	Financial year ended 31 December 2022 RMB'000	Financial year ended 31 December 2021 RMB'000	Financial year ended 31 December 2020 RMB'000
Audited Profit / (Loss) after tax ("A")	(7,455)	(1,499)	25,509
Valuation Profit / (Loss) after tax ("B")	(5,789)	(5,177)	17,310
Difference between A and B³	(1,666)	3,678	8,199

Management agreement between the Company and Shanghai Minlin dated 18 April 2020

On 27 May 2020, the Company announced via SGXNet that it had entered into a management agreement dated 18 April 2020 ("**MA**"), pursuant to which the Company assigned Shanghai Minlin New Textile Materials Sales Centre ("**Shanghai Minlin**") the management rights of SHFW between 1 January 2020 and 31 December 2021 (the "**MA Period**"). Pursuant to the MA, all profits and losses during the MA Period were assigned to Shanghai Minlin, with the cumulative net profits to be distributed only at the end of the MA Period. In consideration of the assignment pursuant to the MA, Shanghai Minlin paid S\$4 million to the Company. The consideration amount for the MA was determined by the Company's previous management. The MA was not renewed subsequent to 31 December 2021.

Management service agreement between SHFW and Shanghai Minlin dated 18 April 2020

On 18 April 2020, SHFW and Shanghai Minlin executed a management service agreement ("**MSA**"). The Company was not a party to the MSA. Pursuant to the MSA, Shanghai Minlin agreed to provide management services to SHFW, including human resource management and marketing services, for the period between 1 April 2020 and 31 December 2020. In consideration of the management services provided by Shanghai Minlin, SHFW would, during the MSA Period, pay a monthly fee to Shanghai Minlin for profits above a certain amount. The base profit was the monthly profit before tax (excluding

¹ Based on the exchange rate of RMB 100 : S\$18.50 as at 21 July 2023 from the Monetary Authority of Singapore.

² The profit of RMB 25,509,000 contributed by SHFW to the Group's financial performance is net of the MSA fees of RMB 69,189,933.96 paid by SHFW.

³ The difference in figures is mainly due to the difference in assessment method applied by the Valuer and the previous management team of the Company. The Valuer had applied the fixed assets depreciation method whereas the previous management team of the Company had assessed the figures based on the actual situation of the fixed assets. There is no impact on the valuation arising from such differences.

LETTER TO SHAREHOLDERS

non-operating income) between January and March 2020 (the “**Base Profit**”) of RMB 1.1 million (approximately S\$203,500¹). If the monthly profit during the MSA Period was less than the Base Profit, Shanghai Minlin would pay SHFW the shortfall. The consideration amount for the MSA was determined by the Company’s previous management. The MSA was not renewed subsequent to 31 December 2020. The monthly fee paid by the Company to Shanghai Minlin for the period of May 2020 to January 2021 is as follows:

Month	Amount (RMB)
May 2020	10,600,000
June 2020	17,600,000
July 2020	15,299,500
August 2020	6,736,010
November 2020	2,649,750
December 2020	17,912,310
January 2021	2,543,760
Total	73,341,330⁴

Pursuant to the MA and MSA, the contribution from SHFW to the Group’s financial performance is as follows:

	FY2022 USD’000	FY2021 USD’000
SHFW Revenue	16,401	28,992
SHFW (Loss) / Profit	(2,940)	(240)
The Company’s (Loss)	(35,524)	(18,099)
Contribution percentage*	8.28%	-1.33%

*Contribution percentage is computed by dividing SHFW (Loss)/Profit by the Company’s (Loss).

Pursuant to the MA and MSA, the financial impact on the Group is tabulated below:

S/N	Transactions	Amount (RMB)
1	Contract fees of RMB 20 million received by the Company	20,000,000.00
2	MSA fees paid by SHFW	(69,189,933.96) ³
3	Amount paid to Shanghai Minlin pursuant to Clause 2 ⁵ and Clause 5 ⁶ of the MA	(20,000,000.00) ⁷
4	Remaining balance payable to Shanghai Minlin pursuant to Clause 2 ⁴ and Clause 5 ⁵ of the MA	(4,010,272.43) ⁶
Total		(73,200,206.39)

Intercompany balances between the Group and SHFW

As at the Latest Practicable Date, there is no existing intercompany balance between the Group and SHFW. Further, no corporate guarantees were provided by the Company or the Group to SHFW.

Special audit in relation to SHFW

SHFW was also the subject of a special audit. The scope of which includes, *inter alia*, the following

⁴ The total fees of RMB 73,341,330 paid by SHFW to Shanghai Minlin under the MSA comprise the net amount of RMB 69,189,933.96 for the period from May 2020 to January 2021 and the value-added tax payable in the PRC.

⁵ Clause 2 of the MA provides that the services to be provided by Shanghai Minlin to SHFW are management of operations, which include maintaining the financial record of SHFW’s accounts for two years.

⁶ Clause 5 of the MA provides that the “MA Period” is from 1 January 2020 to 31 December 2021.

⁷ On 27 May 2020 and 29 May 2020, the Company announced via SGXNet that it had entered into the MA dated 18 April 2020, pursuant to which the Company assigned to Shanghai Minlin the management rights of SHFW between 1 January 2020 and 31 December 2021. Pursuant to the MA, all profits and losses during the MA Period shall be assigned to Shanghai Minlin.

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processes:

- (a) as part of due diligence procedures, the special audit (i) obtained an understanding of the Group structure, key management and staff members of the Group from 2011 to 2020; and (ii) involved the performance of background searches using corporate registries, publicly available databases, social media platforms, subscriber databases and media sources;
- (b) as part of forensic technology procedures, the special audit (i) obtained an understanding of the Group's information technology infrastructure and assets; (ii) took forensic images of the computer systems and email archives assigned to key personnel; and (iii) involved the extraction and review of relevant data files (including the available deleted files) such as web-emails, internet chat records, documents and spreadsheets using keywords; and
- (c) as part of accounting and document review procedures pursuant to the MA and MSA matter, the special audit (i) obtained an understanding of the background of the MA and MSA Matter and management's corresponding responses; (ii) involved the review of relevant agreements, correspondence, minutes of meetings, and accounting and/or other relevant records (such as ledgers, invoices, vouchers, debit notes, credit notes, bank advices and bank statements); (iii) involved the review of internal processes of the Company and SHFW in relation to the approval of the MA and MSA including the identification and assessment of related party/ interested persons transactions, identification and assessment of adjustments to allowance for impairment of accounts receivable, procurement processes and payments, and approvals of significant transactions; (iv) established the chronology of events and circumstances of the negotiation and signing of the MA and MSA, the consideration for the MA paid by Shanghai Minlin to the Company (the "**MA Consideration**"), the Group's placement and acquisition of SHFW, the Group's due diligence and internal deliberation leading to the execution of the MA and MSA in April 2020, the payments to Shanghai Minlin (including computation of the amount payable to Shanghai Minlin under the MA and MSA) and the Group's use of the MA Consideration; (v) identified the parties involved and the relationships between them; (vi) identified the purported business rationale and commercial substance of the MA and MSA; (vii) determined the Group's control over SHFW in light of the arrangements of Shanghai Minlin; (viii) determined whether the Group had any potential tax exposures and financial impacts from the transactions arising from the MA and MSA; (ix) assessed whether the terms of the MA and MSA are on normal commercial terms; (x) reviewed the veracity of SHFW's sales from April 2020 to March 2021; (xi) reviewed the internal processes of the Company in relation to the MA and MSA Matter; and (xii) highlighted potential breaches of the listing rules, laws or regulations, or non-compliance with the Code of Corporate Governance governing the Company and its personnel.

The Company had, on 1 December 2023, released an announcement on the special audit report. Please refer to a copy of the executive summary of the special audit report which is annexed to this Circular as Appendix B.

2.1.2 Information on SYN F

The information on SYN F was provided by SYN F and the contents of this Circular relating to SYN F have been confirmed by SYN F 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 the Directors is to ensure that such information has been accurately and correctly extracted and reproduced in this Circular in its proper form and context.

As at the Latest Practicable Date, SYN F 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 SYN F are Shen Qirong and Shen Minjia. The sole director of SYN F is Shen Qirong.

LETTER TO SHAREHOLDERS

As at the Latest Practicable Date, SYN F and its ultimate beneficial shareholders do not have any shareholding interest, direct or indirect, in the Company, nor are SYN F and its ultimate beneficial shareholders related to any of the Directors, Substantial Shareholders of the Company or their respective Associates have any shareholding interests, direct or indirect, in the Purchaser, nor are any of the Directors, controlling shareholders of the Company and their respective Associates related to the Purchaser's directors, controlling shareholders, or their respective Associates. There is no connection (including business relationship) amongst the Broker, the Company, the Directors and the Substantial Shareholders of the Company with the Purchaser, the Purchaser's directors and the substantial shareholders of the Purchaser.

The Company conducted qualitative due diligence by meeting with the management of SYN F, and understanding their track record and means to close the deal. This process gave the Company the confidence that it needed to sign the MOU. Financial due diligence, however, could not be performed due to minimal disclosure from SYN F. In any case, the Audit Committee has considered the risk of non-receipt of the consideration from the Purchaser. In such event, the Company will not transfer the legal and beneficial ownership of the Sale Shares to the Purchaser and the legal and beneficial title to the Sale Shares will remain with the Company. In addition, such amounts that have been paid by the Purchaser to NSC (being the first instalment of the SHFW Consideration) shall be forfeited by the Purchaser in the event of non-payment of the remaining instalments of the SHFW Consideration.

While limited by financial due diligence, the Audit Committee considers other factors, such as: 1) compensating checks conducted by the management of the Company, 2) significant opportunity cost and time delay involved if the Company were to give this particular opportunity a miss, 3) the probability in seeking similar and possible disposal opportunities again in the declining and competitive business of producing and processing non-woven fabric, non-woven converted products and polyester wadding to be used in, *inter alia*, the medical industry, in the post Covid-19 period, and 4) personal guarantee by Mr. Shen Yuyun which is properly enforceable and executable. Based on these considerations, as well as the recourse available to the Company in the event of non-receipt of the consideration from the Purchaser as stated above, the Audit Committee is satisfied that it is in the interests of the Company to undertake the proposed disposal of SHFW.

SYN F was made known to the Company via its Broker, who subsequently facilitated the Proposed Disposal.

Save for the offer made by SYN F, the Company has not received other offers for SHFW.

2.2 Salient terms of the Proposed Disposal

2.2.1 SHFW Consideration

The consideration for the SHFW Sale Shares is RMB 88.0 million (approximately S\$16.3 million¹) in cash (the "**SHFW Consideration**") (excluding the taxes and fees levied on the Proposed Disposal by the PRC tax authorities within the territory of the PRC).

The SHFW Consideration will be paid in the following three instalments:

(1) First instalment of the SHFW Consideration

Upon:

- (a) the execution of the MOU and approval of the Directors in respect of the Proposed Disposal being obtained; and
- (b) the issuance of the Letter by NSC to SYN F (effective after payment of the entire SHFW Consideration),

LETTER TO SHAREHOLDERS

SYNF shall pay 30% of the SHFW Consideration (being RMB 26.4 million, approximately S\$4.9 million¹).

(2) Second instalment of the SHFW Consideration

After all of the following conditions are met, on or before 31 October 2023, 50% of the SHFW Consideration (being RMB 44.0 million, approximately S\$8.1 million¹) shall be paid by SYNF:

- (a) the SHFW Equity Transfer Agreement has come into effect, that is, the Proposed Disposal being approved by the Company's shareholders at an extraordinary general meeting;
- (b) NSC and SYNF have verified the completeness and accuracy of the materials in relation to the transfer of the SHFW Sale Shares at the industrial and commercial registration department (excluding the signature of NSC); and
- (c) NSC has issued to SYNF the financial statements of SHFW as of the day before the Delivery Date in accordance with the requirements of the SHFW Equity Transfer Agreement.

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

If the conditions are not met by 31 October 2023, the Company would have to negotiate with the Purchaser to extend the period. If mutual agreement cannot be reached, the Proposed Disposal would be terminated.

(3) Final instalment of the SHFW Consideration

After completion of the abovementioned two steps, SYNF shall pay the remaining 20% of the SHFW Consideration (being RMB 17.6 million, approximately S\$3.3 million¹) within three months of completion of Delivery.

The SHFW Consideration may be subject to adjustments in accordance with the SHFW Equity Transfer Agreement. From 28 June 2023 to the closing date of the Proposed Disposal, if SHFW enters into, amongst others, any transaction, including financial processing, profit distribution and account transactions without the written consent of SYNF, NSC shall be solely responsible for the transaction and SYNF shall have the right to recover from NSC any losses and/or deduct the corresponding amount from the balance payment arising from the aforementioned transaction.

The SHFW Consideration was arrived at by agreement between NSC and SYNF at arm's length, on a "willing-buyer, willing-seller" basis after taking into account the NAV of the SHFW Sale Shares as well as the financial position and business prospects of SHFW. As the final agreed transaction price for the Proposed Disposal is above net asset value and is, in fact, higher than initial expectations by both the management of the Company and the Directors, the Directors are of the opinion that the payment arrangement, including the final instalment to be made after the transfer of shares, is in the interest of the Company and its minority shareholders.

As at the Latest Practicable Date, 30% of the SHFW Consideration, amounting to RMB 2.64 million, representing the deposit for the Proposed Disposal, has been received. No conditions had to be fulfilled prior to the payment of the first instalment. Further, no voting undertakings were provided by any directors or shareholders in respect of the Proposed Disposal and no material conditions were attached to the transaction, including a put, call or other option. As at the Latest Practicable Date, none of the

LETTER TO SHAREHOLDERS

SHFW shares have been transferred to SYNFF. The Proposed Disposal does not cause any impact to the Group's bank covenants.

2.2.2 Taxes

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

2.2.3 Guarantee

A written guarantee letter (effective from the completion of Delivery) will be provided by a guarantor (whom the Company has identified to be Mr. Shen Yuyun) and approved by NSC upon payment of the second instalment of the SHFW Consideration to guarantee the payment of the final instalment of the SHFW Consideration and taxes within the PRC to be borne by SYNFF.

As a risk management measure, the Directors thought it was necessary to secure a personal guarantee from a third party covering the final tranche of 20% of the SHFW Consideration, which is payable after the transfer of shares. The Directors have instructed the management of the Company to ensure that the Company's contractual rights, including the personal guarantee, are protected and enforceable under relevant Chinese laws, and that all relevant documentation for the settlement process is properly prepared with the aid of onshore legal professionals.

Pursuant to the SHFW Equity Transfer Agreement, SYNFF had to provide a guarantor acceptable to NSC for the remaining 20% of the SHFW Consideration. When SYNFF proposed for Mr. Shen Yuyun to be its guarantor pursuant to the SHFW Equity Transfer Agreement, the Company was agreeable as Mr. Shen Yuyun was, at the material time, one of the Company's largest shareholders. Mr. Shen Yuyun's personal interests thereby aligned with the Company's interests for the Proposed Disposal to be completed. As Mr. Shen Yuyun was, at the material time, one of the Company's largest shareholders and the Company's former director, the Company had sufficient knowledge of his financial resources. As such, limited due diligence was conducted on his financial standing. In addition, there is no relationship between the outstanding loan of USD 2,779,707.06 from Mr. Shen Yuyun to the Company and the Proposed Disposal, which will be settled by way of the proposed Scheme. Following the Proposed Disposal, Mr. Shen Yuyun will not be a legal representative of SHFW.

In respect of minority Shareholders, the Board did consider alternative means to safeguard the interest of the Company and its minority Shareholders, including potentially agreeing to a lower sale price in return for full settlement before the transfer of shares, as well as other possible forms of guarantee before full settlement. Having considered the respective costs and benefits, as well as the feasibility of these options, the Board is satisfied that the management of the Company has performed its duties on this matter in a proper manner, in order to maximise Shareholders' returns and safeguard the interests of the Company and its minority Shareholders in the sale of this particular asset.

2.2.4 Validity of Contract

If the Proposed Disposal (i.e. the transfer of the SHFW Sale Shares) is not completed due to NSC's reasons (such reasons shall not include NSC's failure to obtain approval from the SGX-ST or the Company for the Proposed Disposal) by 31 October 2023 or such other date as may be agreed by NSC and SYNFF in writing, the SHFW Equity Transfer Agreement shall cease to have legal effect and be void *ab initio*. NSC shall refund all the SHFW Consideration received to SYNFF without interest on or before 31 November 2023. SYNFF shall simultaneously return the Letter issued by NSC, as well as any other written letter issued by NSC or SHFW to SYNFF or any third party pursuant to the Proposed Disposal and shall return all materials related to the Delivery of SHFW.

LETTER TO SHAREHOLDERS

2.3 Rationale for the Proposed Disposal

SHFW was acquired by the Company as the Directors, at the material time, believed that such a strategy was beneficial to the Company and its Shareholders due to the growth potential in the healthcare sector. The acquisition was made to reinforce the Company's earnings base and strengthen the Group's operations and financial position, enhancing the long-term interests of Shareholders. Subsequently, the composition of the management of the Company underwent significant changes. The new management of the Company was, however, not optimistic about the healthcare industry. It hence decided to commence the Proposed Disposal, amongst other disposals of the Company's business activities in the healthcare segment, in light of the Company's poor financial standing. The other disposals of the Company's business activities in the healthcare segment have not been completed and the Company will make further announcements to update shareholders in due course.

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's diversification into new businesses. Specifically, the Group is looking to diversify into the logistics industry, in hopes of benefitting from the traffic at Hegu Operation Railway Dispatching Station. The Company will be seeking Shareholders' approval for the diversification of its business in due course.

The Directors believe that the Proposed Disposal is in the best interests of the Group and Shareholders, as it will enable the Group to realise the value of its interest in SHFW at an attractive premium over the net book value of SHFW. The Directors are also of the view that it is essential that the Group undertakes the Proposed Disposal as it will strengthen the Group's balance sheet and provide further resources for the Group's restructuring purposes and future expansion.

2.4 Value of the SHFW Sale Shares

In connection with the Proposed Disposal, a valuation of SHFW was commissioned by SHFW and was conducted by Zhongjing Asset Appraisal (Tianjin) Co., Ltd. (the "Valuer") using an asset-based approach. Pursuant to the appraisal report dated 29 May 2023 (the "SHFW Appraisal Report"), the book value of the SHFW Sale Shares is RMB 31.3 million (approximately S\$5.8 million¹), and the assessed value is RMB 60.1 million (approximately S\$11.1 million¹), on the basis of an asset-based approach. The asset-based approach in the SHFW Appraisal Report refers to the appraisal method of determining the value of the appraisal object based on the balance sheet of the assets and liabilities outside the appraisal table and the appraisal base date of the evaluated unit. This project collects the data of all assets and liabilities within the scope of evaluation, and it is appropriate to evaluate the asset-based method, as stated on page 17 of the SHFW Appraisal Report. The valuation is premised on the assumption of the continued operation of the enterprise and the sustainable development according to the predetermined business objectives and scale as mentioned in part IX of the SHFW Appraisal Report. Further, the valuation is also based on the assumption that (1) the company operates with existing assets, regardless of additional investment, changes in production capacity, or the increase or decrease of sales outlets; and (2) all assets and liabilities are of open market value, excluding the impact of other transaction methods or the possible additional prices of special buyers on the assessed value. In the event that there are changes to the aforementioned conditions, the assessment results will generally fail as stated in part IV of the SHFW Appraisal Report.

There is no available open market valuation of the SHFW Sale Shares as they are not publicly traded. A copy of the English version of the SHFW Appraisal Report is annexed to this Circular as Appendix A. As the SHFW Appraisal Report was issued by the Valuer in Mandarin, in the event of any discrepancies between the Mandarin and English versions, the Mandarin version shall prevail. The document was translated by the Company's management and there is no significant deviation from the original version prepared in Mandarin. Given that the SHFW Appraisal Report is prepared pursuant to the regulations and practicing rules of the PRC, the Mandarin version shall prevail in the PRC and the English translated version is for ease of reference only and execution of the English translated version is not required. The SHFW Appraisal Report was prepared in accordance with the basic principles for asset evaluation issued by the Ministry of Finance and the asset evaluation professional and ethical standards issued by the China Asset Evaluation Association.

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The SHFW Appraisal Report was made on the assumptions used in valuation as stated in parts IX (Assess assumptions), IV (Special assumptions) and XI (Description of special matters) of the SHFW Appraisal Report, which were disclosed to draw attention to users that no proof of legal ownership of the house was provided given that it is under a lease agreement that is expiring as of 31 December 2024, the house is valued as of the valuation date based on the financial information of local management, and it is not the valuer's responsibility to validate the accuracy and truth of information provided. On the basis that the Valuer is an appraisal agency with professional qualifications in the PRC and the SHFW Appraisal Report is prepared in accordance with the basic principles for asset evaluation issued by the Ministry of Finance and the asset evaluation professional and ethical standards issued by the China Asset Evaluation Association, the Board confirms that (1) the key assumptions and estimates used for the valuation, such as forward-looking earnings or cash flow projections, and peer or reference companies are reasonable; and (2) the valuation conclusion and the limitation disclosed in the SHFW Appraisal Report are acceptable.

Based on the latest unaudited financial statements of SHFW as at 30 April 2023, the NTA value of the SHFW Sale Shares is RMB 54.4 million (approximately S\$11.3 million¹), which is also the latest NAV of SHFW. Further, the net profits attributable to the SHFW Sale Shares is RMB 56.7 million (approximately S\$10.5 million¹) over the net book value of the Sale Shares of RMB 31.3 million (approximately S\$5.8 million²).

The Valuer is a professional asset appraisal agency established with the approval of the Tianjin Municipal Finance Bureau in 2022. It has asset appraisal qualifications granted by the Ministry of Finance and is a member of the China Asset Appraisal Association, which qualifies it to engage in individual asset appraisals, asset portfolio appraisals, enterprise valuation assessment, other asset assessment and related consulting services in accordance with the law. The Valuer also has a professional team with rich experience, comprising registered asset appraisers, certified public accountants, certified tax agents, engineers and assessment associate staff. The professionals of the Valuer who issued the SHFW Appraisal Report were Zhang Jinquan, who is a certified valuer of the China Appraisal Society (中国资产评估协会) and Zhou Peijing, who is also a certified valuer of the China Appraisal Society (中国资产评估协会). They have been licensed valuers since 23 February 2000 and 14 September 2001 respectively and have undergone yearly reviews from the China Appraisal Society.

In its assessment of the valuation for this asset, the Directors relied primarily on the internal analysis by its management, as well as the SHFW Appraisal Report. The Directors have considered both the management's analysis and the SHFW Appraisal Report and opine that the valuation conclusion is reasonable and acceptable. The Directors are not aware of any material uncertainties belying the projections used in the SHFW Appraisal Report. The Directors are satisfied that the valuation performed by the Valuer in connection with the Proposed Disposal is in line with recognised valuation standards, such as the International Valuation Standards. The Company also confirms that the required valuation disclosures pursuant to Practice Note 2: Minimum Disclosure Requirements for Summary Valuation Letters issued by the Institute of Valuers and Appraisers have been made in the SHFW Appraisal Report. Notwithstanding the foregoing, the Directors also instructed the Company's management to do its best to secure the best sale price possible.

The Directors note that the final agreed transaction price for the asset is above NAV and third-party valuation and is in fact higher than initial expectations by both the management of the Company and the Directors based on internal analysis.

2.5 Use of proceeds

NSC expects to receive net proceeds of approximately RMB 74,010,000 million from the Proposed Disposal. In accordance with the proposed Scheme, 100% of the net proceeds from the Proposed Disposal will be distributed on a *pari passu* basis to the Class A scheme creditors based on the proportion of their approved claims pursuant to the Scheme. Specific details of the utilization of the net proceeds from the Proposed Disposal are as follows:

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	RMB'000
Proceeds from the Proposed Disposal	88,000
Estimated transaction cost	(7,500)
Repayment of Super Priority Loan (as defined in the Scheme)	(6,490)
Projected net proceeds from the Proposed Disposal	74,010

2.6 Financial effects of the Proposed Disposal

The *pro forma* financial effects of the Proposed Disposal on the Group as set out below are purely for illustrative purposes only and should not be taken as an indication of the actual financial performance or position of the Group following the completion of the Proposed Disposal.

Based on the Group's latest unaudited consolidated financial statements for the financial year ended 30 June 2022 ("FY2022"), the *pro forma* financial effects of the Proposed Disposal are as follows:

2.6.1 Effect on Group's NTA per Share

For illustrative purposes only, had the Proposed Disposal been completed on 30 June 2022 and based on the latest audited financial statements of the Group for FY2022 (being the end of the most recently completed financial year), the Proposed Disposal would have had the following impact on the Group's NTA per Share:

	Before the Proposed Disposal	After the Proposed Disposal
NTL ⁽¹⁾ (S\$'000)	29,854	41,166
Number of issued Shares (excluding treasury shares)	208,464,669	208,464,669
NTL per Share (cents)	(14.3)	(19.7)

Note:

(1) NTA is based on NAV of the Group before share of non-controlling interests.

2.6.2 Effect on EPS

For illustrative purposes only, had the Proposed Disposal been completed on 1 July 2021 and based on the latest audited financial statements of the Group for FY2022 (being the end of the most recently completed financial year), the Proposed Disposal would have had the following impact on the Group's EPS:

	Before the Proposed Disposal	After the Proposed Disposal
Profit/(Loss) ⁽¹⁾ after tax attributable to equity holders of the Company (S\$'000)	(49,442)	(47,883)
Weighted average number of Shares	208,464,669	208,464,669
EPS (cents)	(23.72)	(22.97)

Note:

(1) Net profits mean profit or loss including discontinued operations that have not been disposed and before income tax and non-controlling interests.

2.6.3 Gain on disposal

Pursuant to the Company's announcement to Shareholders dated 21 July 2023, the Proposed Disposal would cause the following gain on disposal to be recorded in the Group's books:

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	RMB'000
Consideration	88,000
Net book value of the Sale Shares	31,300
Gain on disposal	56,700

2.7 Relative figures computed based on Rule 1006 of the Listing Manual

Based on the latest announced consolidated accounts of the Group, being the unaudited financial statements of the Group for FY2022, the relative figures in relation to the Proposed Disposal computed on the applicable bases set out in Rule 1006 of the Listing Manual are as follows:

Rule	Bases of computation	Relative figures in respect of the Proposed Disposal
Rule 1006(a)	NAV ⁽¹⁾ of the assets to be disposed of, compared with the Group's NAV.	-39% ⁽⁴⁾
Rule 1006(b)	Net loss ⁽²⁾ attributable to the assets disposed of, compared with the Group's net loss.	3% ⁽⁵⁾
Rule 1006(c)	Aggregate value of the consideration received, compared with the issuer's market capitalization ⁽³⁾ based on the total number of issued shares excluding treasury shares.	104% ⁽⁶⁾
Rule 1006(d)	Number of equity securities issued by the issuer as consideration for an acquisition, compared with the number of equity securities previously in issue.	Not applicable ⁽⁷⁾
Rule 1006(e)	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 and gas assets by a mineral, oil and gas company, but not to an acquisition of such assets.	Not applicable ⁽⁸⁾

Notes:

- (1) Under Rule 1002(3)(a) of the Listing Manual, "net assets" means total assets less total liabilities.
- (2) Under Rule 1002(3)(b) of the Listing Manual, "net profits" means profit or loss including discontinued operations that have not been disposed of and before income tax and non-controlling interests.
- (3) Under Rule 1002(5) of the Listing Manual, "market capitalisation" of the Company is determined by multiplying 208,464,669 Shares in issue by S\$0.075, (being the last traded price on 15 November 2021, the date on which the Company requested a trading halt).
- (4) Based on the unaudited NAV of RMB 54.4 million (approximately S\$11.3 million⁸) of the SHFW Sale Shares and the unaudited NAV of the Group of -S\$29.0 million.
- (5) Based on the unaudited loss of RMB 7.5 million (approximately S\$1.6 million²) of SHFW and the unaudited loss of the Group of approximately S\$48.6 million.
- (6) Based on (i) the SHFW Consideration of RMB 88.0 million (approximately S\$16.3 million¹); 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).
- (7) This basis is not applicable as it is not an acquisition.
- (8) This basis is not applicable as it only applies to a disposal of mineral, oil and gas assets by a mineral, oil and gas company.

⁸ Based on the exchange rate of RMB 100 : S\$20.79 as at 30 June 2022 from the Monetary Authority of Singapore.

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As the absolute figures computed on the basis of each of Rules 1006(a) and (c) of the Listing Manual exceed 20%, the Proposed Disposal is a “major transaction” as defined in Rule 1014 of the Listing Manual. Accordingly, the approval of Shareholders at an EGM is required for the Proposed Disposal.

2.8 Updates to Shareholders

The Company will provide updates to Shareholders should the Company be aware of any other material conditions to be fulfilled for the Proposed Disposal.

Further, should the Proposed Disposal as a major transaction not be completed or is rescinded by any party to the transaction for any reason pursuant to Rule 1014(4) of the Listing Manual, the Company will release an update announcement.

As at the Latest Practicable Date, no SHFW shares have been transferred to SYNFF.

3. DIRECTORS’ SERVICE CONTRACTS

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

4. DIRECTORS’ AND SUBSTANTIAL SHAREHOLDERS’ INTERESTS

As at the Latest Practicable Date, the interests of the Directors and/or Substantial Shareholders in the Shares are set out below:

	Direct Interest Number of Shares	% ⁽¹⁾	Deemed Interest Number of Shares	% ⁽¹⁾
Directors				
Han Binke	-	-	-	-
Lim Chee Lek Darrell	-	-	-	-
Chua Siong Kiat Alex	-	-	-	-
Lim Eng Seng	-	-	-	-
Substantial Shareholders (other than Directors)				
SYF Capital Holdings Pte. Ltd.	29,614,035	14.21	-	-
Shen Yuyun	-	-	29,614,035 ⁽²⁾	14.21
Fortune Woods Global Investment Limited	18,798,433	9.02	1,751,608 ⁽³⁾	0.84
General Nice Resources (Hong Kong) Limited	-	-	22,541,038 ⁽⁴⁾	10.81
General Nice Investment (China) Limited	-	-	22,541,038 ⁽⁵⁾	10.81
General Nice Development Ltd	-	-	22,541,038 ⁽⁶⁾	10.81
General Nice Group Holdings Limited	-	-	22,541,038 ⁽⁷⁾	10.81
Cai Sui Xin	-	-	22,541,038 ⁽⁸⁾	10.81
Smartful Global Holdings Ltd	12,325,000	5.91	-	-
Xiao De	-	-	12,325,000	5.91
Chua Soon Kian Andrew	11,363,636	5.45	-	-

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Notes:

- (1) The percentage of Shares held is calculated based on 208,464,669 issued Shares as at the Latest Practicable Date.
- (2) Shen Yuyun's deemed interest in the Company arises from his deemed interest in the 29,614,035 Shares held by SYY Capital Holdings Pte. Ltd.
- (3) Fortune Woods Global Investment Limited is deemed to be interested in the 1,751,608 Shares held in the name of OCBC Securities Private Limited, a nominee company.
- (4) General Nice Resources (Hong Kong) Limited's deemed interest in the Company arises from its deemed interest in the 1,990,997 Shares held in the name of two nominee companies and the 20,550,041 Shares in respect of which Fortune Woods Global Investment Limited has deemed or direct interest.
- (5) General Nice Investment (China) Limited's deemed interest in the Company arises from its deemed interest in the 22,541,038 Shares in respect of which General Nice Resources (Hong Kong) Limited has deemed interest.
- (6) General Nice Development Ltd's deemed interest in the Company arises from its deemed interest in the 22,541,038 Shares in respect of which General Nice Resources (Hong Kong) Limited has deemed interest.
- (7) General Nice Group Holdings Limited's deemed interest in the Company arises from its deemed interest in the 22,541,038 Shares in respect of which General Nice Development Ltd and General Nice Investment (China) Limited have deemed interest.
- (8) Cai Sui Xin's deemed interest in the Company arises from his deemed interest in the 22,541,038 Shares in respect of which General Nice Group Holdings Limited has deemed interest, and also through his deemed and direct interests in General Nice Investment (China) Limited and General Nice Development Ltd.
- (9) Xiao De's deemed interest in the Company arises from his deemed interest in the 12,325,000 Shares held by Smartful Global Holdings Ltd.

None of the Directors or controlling shareholders of the Company has any direct or indirect interest in the Proposed Disposal, other than through their respective shareholding interests in the Company (if any).

5. DIRECTORS' RECOMMENDATIONS

Having fully considered the rationale for the Proposed Disposal and the terms thereof as set out in this Circular, the Directors believe that the Proposed Disposal is in the best interests of the Company. The Directors recommend that Shareholders vote in favour of the ordinary resolution to approve the Proposed Disposal.

6. EXTRAORDINARY GENERAL MEETING

The EGM, notice of which is set out on page 22 of this Circular, will be held at Temasek Club, 131 Rifle Range Road, Singapore 588406 on 6 February 2024 at 9.30 a.m., for the purpose of considering and, if thought fit, passing with or without modifications the resolution set out in the Notice of EGM.

7. ACTION TO BE TAKEN BY SHAREHOLDERS

Shareholders who are unable to attend the EGM and who wish to appoint a proxy or proxies to attend and vote on their behalf will find attached to this Circular, a Proxy Form which they are requested to complete, sign and return in accordance with the instructions printed thereon as soon as possible and, in any event, so as to arrive at the Company's registered office at 456 Alexandra Road, #24-01 Fragrance Empire Building, Singapore 119962 not less than 48 hours before the time appointed for the holding of the EGM. The completion and return of a proxy form by a Shareholder does not preclude him from attending and voting in person at the EGM if he subsequently wishes to do so in place of his proxy.

A Depositor shall not be regarded as a Shareholder entitled to attend the EGM and to speak and vote at the EGM unless he is shown to have Shares entered against his name in the Depository Register as at 72 hours before the time appointed for the EGM, as certified by CDP to the Company. Accordingly,

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even if such member deposits his/her proxy form forty-eight (48) hours before the EGM, the Chairman of the EGM who is appointed as his/her proxy will not be entitled to vote on his/her behalf at the EGM.

8. DIRECTORS' RESPONSIBILITY STATEMENT

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

9. DOCUMENTS AVAILABLE FOR INSPECTION

The following documents are available for inspection at the registered office of the Company at 456 Alexandra Road, #24-01 Fragrance Empire Building, Singapore 119962, during normal business hours from the date of this Circular up to the date of the EGM:

- (a) the SHFW Equity Transfer Agreement; and
- (b) the SHFW Appraisal Report.

Yours faithfully

Han Binke
Executive Director and Chief Executive Officer

For and on behalf of the Directors of
New Silkroutes Group Limited

APPENDIX A

English version of the SHFW Appraisal Report issued by the Valuer

As mentioned in Section 2.4 of the Circular, as the original SHFW Appraisal Report was issued in Mandarin, the Mandarin version of the SHFW Appraisal Report shall prevail in the event of discrepancies.

This asset appraisal report shall be prepared in accordance with the
China Asset Appraisal Standards

Shanghai Fengwei Garment accessories Co., LTD

**The value of all shareholders' equity involved in the proposed equity transfer
project**

Asset appraisal report

津中景评报字 [2023] No.012

(Volume One, Total One Volume)



Zhongjing Asset Appraisal (Tianjin) Co., LTD

May 29,2023

**Asset appraisal report
catalogue**

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statement

I. This asset evaluation report is prepared in accordance with the basic principles for asset evaluation issued by the Ministry of Finance and the asset evaluation professional and ethical standards issued by the China Asset Evaluation Association.

II. The principal or the user of other asset appraisal reports shall use the asset appraisal report in accordance with the provisions of laws and administrative regulations and the scope specified in the asset appraisal report; if the principal or other asset appraisal report violation of the asset appraisal report, the asset appraisal institution and the asset appraiser shall not be liable.

This asset appraisal report is only used by the principal, the user of other asset appraisal reports agreed in the asset appraisal commission contract and the user of the asset appraisal report stipulated by laws and administrative regulations; otherwise, no other institution or individual cannot be the user of this asset appraisal report.

The asset appraisal agency and the asset appraiser remind the user of the asset appraisal report that the appraisal conclusion should be correctly understood that , which is not equivalent to the realizable price of the appraisal object, and the appraisal conclusion should not be regarded as a guarantee of the realizable price of the appraisal object.

III. The asset appraisal agency and the asset appraiser shall abide by laws, administrative regulations and asset appraisal standards, adhere to the principles of independence, objectivity and impartiality, and be responsible for the asset appraisal report issued according to law.

IV. The list of assets and liabilities involved in the assessee shall be declared by the client and the assessee and confirmed by their signature, seals or other means permitted by law; the client and other relevant parties are responsible for the authenticity, integrity and legality of the materials they provide in accordance with law.

V. The asset appraisal agency and the asset appraiser have no existing or expected interest relationship with the assessee in the asset appraisal report; There is no existing or expected interest relationship with the relevant parties, and there is no prejudice against the relevant parties.

VI. The asset appraiser has conducted on-site investigation of the appraisal objects and the assets involved in the asset appraisal report; has paid necessary attention to the legal ownership of the assessed objects and the assets involved, examined the legal ownership data of the appraisal objects and the assets involved, truthfully disclosed the

problems discovered, and requested the client and other relevant parties to improve the property rights to meet the requirements of issuing the asset appraisal report. However, we do not make any form of guarantee on the legal ownership of the appraisal object;

VII. The analysis, judgment and results in the asset appraisal report issued by the asset appraisal agency are subject to the assumptions and constraints in the asset appraisal report, and the user of the asset appraisal report shall fully consider the assumptions, constraints, special matters and their impact on the appraisal conclusions contained in the asset appraisal report.

Shanghai Fengwei Garment accessories Co., LTD

The value of all shareholders' equity involved in the proposed equity transfer project

Summary of the asset appraisal report

津中景评报字【2023】第012号

I. The client and the evaluated unit: both are Shanghai Fengwei Garment Accessories Co., Ltd

II. Evaluation purpose: To provide the value reference basis for the proposed equity transfer of the client.

III. Evaluation object and evaluation scope:

The assessment object is the value of all the shareholders' equity of Shanghai Fengwei Garment Accessories Co., Ltd. declared by the client, and the scope of assessment is all the assets and liabilities involved in the assessment object, of which: the book value of assets is RMB 73.8297 million; The carrying amount of liabilities was RMB42.4922 million; The carrying value of the owner's equity was RMB31.3375 million.

IV. The type of appraisal value : market value.

V. Assessment reference date : April 30,2023.

VI. Evaluation method: asset-based method and income method.

The asset-based approach and income approach were used in this assessment. According to the purpose of this evaluation, the asset-based method was finally selected as the evaluation conclusion.

VII. Evaluation conclusion and its validity period

(1) Conclusion of the asset-based approach assessment

Under the premise of continuing operations as of April 30, 2023, the carrying value of the assets entrusted for appraisal is RMB73.8297 million, the appraised value is RMB102.5966 million, and the appreciation is RMB28.7669 million, with an appreciation rate of 38.96%; The carrying amount of liabilities was RMB42.4922 million, and the appraised value was RMB42.4922 million, with no increase or decrease in appraisal; The carrying value of the owner's equity was RMB31.3375 million, the appraised value was RMB60.1044 million, and the appreciation is RMB28.7669 million, with an appreciation rate of 91.80%.

Unit of amount: RMB 10,000

Item	Book value	Appraised value	Increase or decrease the value	Value-added rate (%)	
	A	B	C=B-A	D=C/A×100%	
1	Liquid asset	6,174.90	6,153.94	-20.96	-0.34
2	Non-current assets	1,208.07	4,105.72	2,897.65	239.86
3	Including: fixed assets	1,085.67	4,097.95	3,012.28	277.46
4	intangible asset		0.5	0.5	
5	Long-term amortized expenses	122.40	7.27	-115.13	-94.06
6	Total assets	7,382.97	10,259.66	2,876.69	38.96
7	Current liabilities	4,249.22	4,249.22		
8	Non-current liability				
9	Total liabilities	4,249.22	4,249.22		
10	Net assets (owners' equity)	3,133.75	6,010.44	2,876.69	91.80

(II) Evaluation conclusion of the income method

Under the premise of continuing operation on April 30,2023, the base date of appraisal, the book value of the owner's equity included in the appraisal scope is RMB 31,337,500, the appraisal value of all shareholders' equity is RMB 9,422,100 , the appraisal impairment is RMB 21,915,400 , and the impairment rate is 69.93%.

(III) Conclusion of this evaluation

Due to the impact of the epidemic in recent years, the production capacity of the non-woven fabric industry has increased, resulting in oversupply in the market, intensified competition, low product profits, and significant changes in the market compared with before. The income method is based on the historical business conditions of enterprises in recent years to predict the future cash flow, and due to the influence of uncertain factors in the future, the valuation conclusion of the income method may not reflect the actual value

of the assets, so the asset-based method is finally selected as the evaluation conclusion.

VIII. Description of special matters

(I)according to the lease agreement provided by the principal, the principal premises use land for lease, lease term since January 1, 2022 to December 31, 2024, the lease agreement, the lease expires after renewal, the client under the same priority, the impact of the above-mentioned matters on the valuation conclusion has not been considered in this instance.

The client did not provide proof of legal ownership of the property. At the same time, the area of the property involved in this assessment was obtained by the client and the appraiser according to the on-site survey and measurement, and was only used for this assessment.

(II) The “appraisal value” mentioned in this report refers to our fair valuation opinion of the appraisal assets for the purposes of the appraisal base date under the condition of the appraisal base date and the external economic environment; and the impact of the appraisal value.

(III)This report is made on the basis of the relevant accounting information provided by the client and the assessee, and the authenticity, reliability and comprehensiveness of these relevant information are the responsibility of the client; The relevant data used in this report relies heavily on this information, and the conclusion of this assessment is made on the basis of the assumption that the above information is true and complete, and the company will not be liable for any deviation in the evaluation conclusion due to errors or falsehoods in such information.

(IV)The appraisal agency and the appraiser shall not be liable for any defects that may affect the appraised value of the assets without special explanation by the assessee and the appraiser generally cannot be informed based on his professional experience and performance of the appraisal procedures.

The findings of the assessment revealed in this report are valid only for the purposes of this evaluation. The conclusions of the assessment are valid for one year, i.e. from April 30, 2023 to April 29, 2024.

Users of the assessment report should be aware of the impact of the above special

matters on the assessment conclusions.

The above content is extracted from the body of the evaluation report. In order to understand the details of the evaluation business and the reasonable understanding of the evaluation conclusion, you should read the body of the evaluation report. Please pay special attention to the "special note" and "restrictions on the use of evaluation report" and other important contents.

Shanghai Fengwei Garment accessories Co., LTD

The value of all shareholders' equity involved in the proposed equity transfer project

Asset appraisal report

津中景评报字【2023】第012号

Shanghai Fengwei Garment Accessories Co., Ltd.:

Zhongjing assets appraisal (Tianjin) co., LTD., accept your company, in accordance with the relevant laws, administrative regulations and asset appraisal criteria, adhere to the principle of independence, objectivity and justice, using the asset base method, income method, according to the necessary evaluation procedures, for your company to equity transfer behavior (matters) involving all shareholders equity value on April 30,2023, the market value of evaluation. The asset appraisal situation is now reported as follows:

I .The client, the evaluated unit and other evaluation report users other than the client

(I)The client and the evaluated unit

1. Company name: Shanghai Fengwei Garment Accessories Co., Ltd
- 2、 Unified social credit code: 913101161342301431
- 3、 Address: No.8256, Tingfeng Road, Fengjing Town, Jinshan District, Shanghai
- 4、 Legal representative: Qiu Shuyuan
- 5、 Registered capital: RMB 25.3 million
- 6、 Economic nature: Limited liability company (wholly owned by a foreign legal person)
- 7、 Date: November 17,1990
- 8、 Term of operation: May 24,1996 to 23,202 2
- 9、 Business scope: production and processing of non-woven fabrics and products, sales of products produced by the company, road goods transportation (general goods, except hazardous chemicals).[For projects subject to approval according to law, business activities can be carried out only after being approved by relevant departments]

Shanghai Fengwei Garment accessories Co., Ltd. is located in the southwest gateway

of Shanghai, located at the exit of Shanghai-Hangzhou Expressway, with convenient transportation and superior geographical location.

Founded in 1980, the company is a key enterprise and star enterprise in Shanghai. From 1999 to 2011, the PP spunbond non-woven fabric produced by the company was recommended as a famous brand product in Shanghai for 7 consecutive years, and "Fengxue brand" has been rated as a "famous trademark" in Shanghai for two consecutive years; In 2001, it was awarded the 26th Geneva International Quality Gold Star Award by the International BID Organization, and passed the ISO quality system certification in 2001.

The company covers an area of 68,000 square meters and currently has 150 employees and more than 100 million yuan in fixed assets. The company has successively introduced the PP spunbond production line of the German "Reifenhäuscher" company, three domestic advanced PP spunbond production lines and a number of domestic non-woven production lines. At present, the production of spunbond non-woven fabrics is 15,000 tons/year, so that the company has maintained a leading position in the non-woven industry.

The company's main products are PP spunbond non-woven fabrics, all kinds of non-woven products, spray cotton, non-adhesive cotton. The products are widely used in agricultural harvest cloth; disposable products for medical and industrial use; Furniture linings, gift wraps, shopping bags and clothing accessories. Products are exported to Europe, America, Japan and Southeast Asia.

According to the "Explanation" provided by the client, the client intends to carry out equity transfer, and in order to meet the management needs, it is decided to entrust an asset appraisal company to evaluate the value of all shareholders' equity with April 30, 2023 as the base date.

11. The balance sheet of the last three years and the base date of appraisal is as follows:

Unit of amount: RMB 10,000 yuan

project	2020.12.31	2021.12.31	2022.12.31	2023.4.30
monetary resources	3,307.26	3,197.80	1,203.43	458.01
Notes receivable and	4,106.94	2,729.87	2,702.94	2,045.65

accounts receivable				
Among them: Notes receivable	814.39	552.59	348.44	102.49
accounts receivable	3,292.56	2,177.28	2,354.50	1,943.16
prepayment accounts receivable-other	309.19	282.40	524.40	518.41
stock	1,363.55	1,034.75	2,639.67	2,616.08
Total current assets	311.80	1,068.69	811.52	536.75
fixed assets	9,398.73	8,313.52	7,881.96	0.00
construction in process	1,780.68	1,155.13	1,051.48	1,085.67
Long-term amortized expenses		3.89	24.99	
Total of non-current assets	212.20	190.82	134.64	122.40
Total assets	1,992.88	1,349.84	1,211.12	0.00
money borrowed for short time	11,391.61	9,663.36	9,093.07	7,382.97
debit balance in suppliers'account	4,867.65	4,150.00	4,140.00	1,980.00
employee pay payable	453.43	193.58	232.88	68.15
tax payable	293.79	110.34	147.76	76.05
accounts payable-others	93.17	85.35	111.76	19.00
Total current liabilities	47.69	46.94	66.32	
Total of non-current liabilities	5,755.73	4,586.21	4,698.72	4,249.22
Total liabilities				
Total of the owner's equity	5,755.73	4,586.21	4,698.72	4,249.22
	5635.88	5077.15	4394.36	3,133.75

The profit statements for the last three years and the base date of appraisal are as follows:

Unit of amount: RMB 10,000 yuan

project	In 2020,	In 2021,	In 2022,	January-April, 2023
1. operating receipt	32,190.71	12,423.87	9,949.51	2,060.25
Reduced: operating costs	20,673.66	11,017.54	8,710.85	1,775.25
Business tax and surcharge	66.92	29.87	25.60	0.55
selling expenses	1,153.00	344.71	263.13	32.10
general expenses	8,893.11	1,791.22	1,485.12	635.64
cost of financing	178.11	173.81	161.77	41.10
Plus: investment income	82.65	44.52	10.52	2.22
2. operating profit	1,308.56	-888.77	-686.44	-422.19

Plus: non-operating income	889.03	371.04	108.01	31.37
Less: non-operating expenses	200.81	0.00	0.47	0.00
3. total profit	1,996.79	-517.73	-578.91	-390.82
4. net margin	1,731.02	-517.73	-578.91	-390.82

The above financial data are extracted from the unaudited financial statements provided by the enterprise.

(II) Users of other possible evaluation reports

The user of this evaluation report is the client.

Unless otherwise provided for by national laws and regulations, any institution or individual that has not been confirmed by the evaluation agency or the client shall not become a user of the evaluation report due to the receipt of the evaluation report.

The purpose of this report is to provide a value reference basis for the client's proposed equity transfer behavior (matters). During the realization of this action, it is not excluded that other relevant parties will read this evaluation report, but we shall not take any responsibility for the third party's understanding of the report based on their own position.

II. Assessment objective:

According to the Instructions provided by the Client, the Client intends to transfer the equity. In order to meet the management needs, the client decides to take April 30,2023 as the base date to entrust the asset appraisal company to evaluate the value of all the equity of shareholders. The purpose of this evaluation is to provide a value reference basis for the proposed equity transfer of the client.

III. Evaluation object and evaluation scope

The appraisal object is the total equity value of the shareholders of Shanghai Fengwei Garment Auxiliary Material Co., Ltd., and the appraisal scope is all the assets and liabilities involved in the appraisal object.

(I)The book value of current assets is RMB 61,7490 million, of which:

1. Monetary funds: the book value is RMB 4,580,100 yuan, mainly for cash and bank

deposits;

2. Notes receivable; the book value is RMB 1,024,900, mainly for the bank acceptance bill paid for goods;

3. Accounts receivable; book value is RMB 19,431,600, mainly accounts receivable for foreign sales;

4. Prepayment; the book value is RMB 5,184,100, mainly for the purchase of raw materials;

5. Other receivables: the book value is RMB 26,160,800 yuan, mainly for capital demolition loans, personal loans, margin, etc.;

6. Inventory: The book value is RMB 5,367,500 yuan, mainly for raw materials for production and inventory commodities to be sold.

(II) The book value of non-current assets is RMB 12,080,700 Yuan, of which:

1. Fixed assets: mainly for buildings, machinery and equipment, vehicles.

(1)The total area of the house is 18,277.22 square meters, and the client did not provide the legal ownership certificate of the house, and according to the Lease Agreement provided by the client, the land use right of the house was obtained by the client by lease.

name of buildings	structure	Built in the year	area of structure (square meter)	cost unit price (Yuan / m2)	book value	
					original value	net worth
Office building and warehouse	Steel mix	96.12	5,651.50	1,358.49	2,191,100.00	21,911.00
Plant and warehouse	Steel mix	96.12			2,177,200.00	21,772.00
Plant (JJ / G7)	Steel mix	96.12			3,309,226.99	33,092.27
Plant (Line G1 / Line G8)	Steel mix	03.03	1,800.00	620.51	1,116,913.54	11,169.14
Plant (Line G2)	Steel mix	04.01	896.00	1,635.77	1,465,649.00	83,542.20
Plant (Line G6)	Steel mix	04.01			267,497.62	15,247.42
Plant (G3 / G4)	Steel mix	04.01	903.00	361.36	326,305.34	18,599.84
Plant (Line G5)	Steel mix	05.02	2,400.00	633.33	1,520,000.00	49,248.00
Corridor shed	steel	05.06	210.50	857.50	180,503.20	22,870.42

name of buildings	structure	Built in the year	area of structure (square meter)	cost unit price (Yuan / m2)	book value	
					original value	net worth
(G1-G2)	frame					
Plant building (G3-G4)	Steel mix	05.06			266,623.00	33,782.05
machine repair shop	Steel mix	96.12	227.24	1,648.04	374,500.00	3,745.00
entrance guard	Steel mix	94.12	18.08	30,431.42	550,200.00	5,502.00
Lounge (former Business Department)	Steel mix	96.12	61.00	4,840.98	295,300.00	2,953.00
Factory road surface	concrete	97.03	454.00	12.33	5,600.00	56.00
lavatory	Steel mix	96.12	65.00	1,864.62	121,200.00	1,212.00
Car shed (car and bicycle)	Color steel	05.06	610.90	129.22	78,940.90	10,001.32
Office building decoration	ornament	05.06			1,515,489.00	192,013.50
Plant (Line G8)	Steel mix	08.12	4,980.00	25.13	125,169.00	37,413.51

(2) The vehicle is 4 vehicles for the production and management of the enterprise.

Original book value: 1.7699 million yuan, net book value of 1.1895 million yuan.

Vehicle number	Vehicle name and specification and model	manufacturer	date of acquisition	book value	
				original value	net worth
Shanghai FJ2588	5 Tons of board truck	China FaW Group Co., Ltd	21.11	151,868.87	108,753.30
Shanghai FQ1601	5 Tons of board truck	China FaW Group Co., Ltd	22.08	141,238.52	122,369.08
Shanghai AHV932	Lincoln sedan	Ford Motor Company	20.12	1,080,159.45	575,076.97
Shanghai C815QC	Audi car	FAW-Volkswagen Automobile Co., Ltd	23.02	396,592.92	383,346.72

(3) There are a total of 85 items of machinery and equipment (including equipment foundation), mainly for the production of non-woven production lines. The original book value was 108.6067 million yuan, and the net book value was 9.103 million yuan.

2.Long-term deferred expenses: the book value is RMB 1.224,000 yuan, mainly for the insurance costs of fixed assets / inventory, as well as house repair costs and large machine repair costs.

(III) The book value of current liabilities is RMB 42,4922 million, of which:

1.The book value of the short-term loan is RMB 19,80.00 million, which is borrowed from Fengjing Sub-branch of Agricultural Bank of China Co., Ltd., Shanghai;

2.The book value of the accounts payable is RMB 681,500 yuan, which is the material payment;

3.Salary payable: the book value is RMB 760,500 yuan, including salary, bonus, allowance and subsidy;

4.Taxes payable: the book value is RMB 190,000, for value-added tax, individual income tax, urban construction tax, rural education surcharge, local education surcharge, etc.;

5.Other payables: the book value is RMB 21,060,200 yuan, mainly for interest payable, loans, dividends, etc.;

(IV)The type and quantity of off-balance sheet assets within the scope of assessment.

On December 14, 2003, the company obtained the registered trademark "Fengxue", and according to the renewal announcement, the term of the exclusive right to use the trademark is from December 14, 2013 to December 13, 2023.

The above-mentioned entrusted assessment objects and assessment scope are consistent with the assessment objects and assessment scope involved in economic behaviors.

IV. Value types and their definitions

According to the evaluation purpose, evaluation object, market conditions, evaluation assumptions, this evaluation report, the value of the market value, the market value refers to the voluntary buyer and voluntary seller in their respective rational and without any coercion, the appraisal date of normal fair trading value estimated amount.

The reason for choosing the type of market value is that the asset appraisal business has no special restrictions on the market conditions or the own conditions and purpose of the appraisal object.

V. Base date of evaluation

The base date of evaluation of this project is April 30,2023.

The base date of the assessment is determined by the client according to the nature of the economic behavior. It is mainly considered from three aspects: first, choose a time point that is close to the realization date of economic behavior; second, it can obtain more complete accounting information; Third, it is relatively easy to obtain relevant information, which is convenient for evaluation and operation.

VI. Evaluation basis

The laws and regulations of countries, local governments and relevant departments that we follow in the asset appraisal work, as well as the reference documents in the appraisal work mainly include:

(I)The basis of economic behavior

Explanation provided by Shanghai Fengwei Garment Accessories Co., Ltd. on April 26, 2023

(II)Basis of laws and regulations

1、 Asset Appraisal Law of the People's Republic of China (adopted at the 21st Session of the Standing Committee of the 12th National People's Congress on July 2,2016);

2、 The Civil Code of the People's Republic of China (adopted at the Third Session of the 13th National People's Congress on May 28,2020);

3、 The Company Law of the People's Republic of China (revised at the 6th Session of the Standing Committee of the 13th National People's Congress on October 26,2018);

4、 Relevant accounting laws and regulations, tax laws, etc.

(III) Standard basis

1、 Basic Standards for Asset Appraisal, Ministry of Finance "No.43,2017";

2、 No.30, Asset Appraisal Code of Professional Ethics, 2017;

3、 Practice Standards of Asset Appraisal- -Asset Appraisal Procedure No.36,2018;

4、 No.35 of Asset Appraisal- -Asset Appraisal Report;

5、 "Asset Appraisal Practice Standards- -Asset Appraisal Agency Contract" No.33,2017;

- 6、 Practice Standards of Asset Appraisal-Asset Appraisal Method No.35,2019;
 - 7、 The Practice Standards of Asset Appraisal- -Asset Appraisal Archives No.37,2018;
 - 8、 Practice Standards of Asset Appraisal- -Enterprise Value No.38,2018;
 - 9、 Practice Standards of Asset Appraisal- -Real Estate, 2017;
 - 10、 No.39,2017
 - 11、 Trademark Asset Appraisal Guidelines, No.51,2017;
 - 12、 The Business Quality Control Guide of Asset Appraisal Institutions, No.46,2017;
 - 13、 No.47 of Asset Appraisal Value Type Guidelines, 2017;
 - 14、 Guidance on Legal Ownership of Asset Appraisal Objects No.48,2017;
- (IV) the basis of ownership
1. Motor vehicle driving permit;
 2. Purchase contract or certificate of important assets;
 3. Other contracts, accounting vouchers, accounting statements and other materials related to the acquisition and use of enterprise assets.
- (V) Price-taking basis
- 1、 Manual of Common Methods and Parameters for Asset Appraisal (first edition, 2011);
 - 2、 All kinds of information related to the evaluation collected by the assessors and other information related to the evaluation provided by the evaluated unit;
 - 3、 Code for Valuation of Bill of Quantities of Construction Projects (GB50500-2013);
 - 4、 Shanghai municipal construction of market information service platform;
 - 5、 Leasing price and index of main construction machinery for construction projects in three provinces and one city in the Yangtze River Delta region;
 - 6、 Price and comprehensive index of construction and installation labor market in the three provinces and one city in the Yangtze River Delta region;
 - 7、 Prices and indexes of main building materials in the three provinces and one

- city in the Yangtze River Delta region;
- 8、 Financial statements and financial ledger of the base date of evaluation and the previous three years;
 - 9、 Information on the financial management and operation provided by the enterprise;
 - 10、 The RMB loan interest rate of financial institutions valid on the base date of evaluation published by the People's Bank of China;
 - 11、 Machine price network (www.mepprice.com);
 - 12、 Make inquiries to the relevant manufacturers and suppliers;
 - 13、 On-site survey and appraisal records of buildings and equipment;
 - 14、 Documents related to the pricing of other assets and liabilities.

(VI) Reference materials and others

- 1、 Important business contracts provided by the enterprise;
- 2、 List of assets and appraisal returns provided by the enterprise;
- 3、 Relevant materials provided by relevant departments and personnel of the enterprise;
- 4、 Other information related to the asset appraisal.

VII. Evaluation method

(I) Introduction of evaluation methods

There are usually three methods for enterprise value evaluation, namely, income method, market method and cost method (cost plus sum method, asset-based method).

1.The income method refers to the valuation method of capitalizing or discounting the expected income to determine the value of the appraisal object. The specific methods commonly used are the discounted dividend method and the discounted cash flow method.

2.The market approach refers to the valuation method that compares the assessee with comparable listed companies or comparable transaction cases to determine the value of the appellee. The commonly used specific methods are the method of comparison of listed companies and the method of comparison of transaction cases.

3. The cost method, also known as the cost sum method and the asset-based method,

refers to the evaluation method that determines the value of the assets and liabilities in the evaluation sheet based on the balance sheet on the basis date of the evaluated unit.

(II) Selection of evaluation method

According to the evaluation purpose of this project, the scope of the evaluation involves all the assets and liabilities of the enterprise. According to the "Basic Standards of Asset Appraisal" and "Practice Standards of Asset Appraisal- -Enterprise Value" and other relevant asset appraisal standards, the basic evaluation method of asset appraisal can choose the market method, income method and cost method (asset-based method).

1.The market method in enterprise valuation refers to the valuation method that compares the appraisal object with comparable listed companies or comparable transaction cases to determine the value of the appraisal object. The two specific methods commonly used in the market approach are the comparative approach of listed companies and the comparative method of transaction cases. Considering the current development of China's property rights market, the specific situation of the assessed enterprises and the restrictions of market information conditions, it is difficult for us to find similar references and transactions in the market as the assessed enterprises. Therefore, the market approach was not used in this assessment.

2.The income method in enterprise value evaluation refers to the evaluation method of capitalizing or discount the expected income to determine the value of the evaluation object. The specific methods commonly used in the income method include the dividend discount method and the cash flow discount method. Dividend discount method is a specific method to discount the expected dividend to determine the value of the appraisal object. Cash flow discount method usually includes enterprise free cash flow discount model and equity free cash flow discount model.

The evaluated enterprise meets the assumption of going concern, that is, the enterprise can continue to operate according to the current situation, can judge the future income period of the enterprise, predict the future income of the enterprise, quantify the future risk of the enterprise, and it is appropriate to use the income method for evaluation.

3.The asset-based method in the enterprise value appraisal refers to the appraisal method of determining the value of the appraisal object based on the balance sheet of the

assets and liabilities outside the appraisal table and the appraisal base date of the evaluated unit. This project collects the data of all assets and liabilities within the scope of evaluation, and it is appropriate to evaluate the asset-based method.

(III) The specific evaluation methods of the assets and liabilities of the asset-based method are as follows:

1、 Monetary fund: assessors determine the book amount according to the schedule of monetary fund inventory, bank statement, bank deposit balance adjustment table, relevant accounting books, accounting vouchers and other documents; check the actual amount of cash through cash inventory; check the actual amount of bank deposits by consulting bank statement and bank balance adjustment table. On the basis of inventory and verification, the verified book value of monetary funds shall be taken as the assessed value of monetary funds.

2、 Notes receivable: assessors with the aid of historical data and evaluation investigation, by checking the subsidiary accounts, verification books, original vouchers, perform alternative procedures to verify the detail, on the basis of the economic content and aging analysis, unless there is definite evidence cannot be recovered, according to the book value after verification.

3、 Accounts receivable: for Shanghai maple wai clothing accessories co., LTD., assessors using historical data and evaluation investigation, by checking the subsidiary accounts, check the books, original vouchers, perform alternative procedures to verify the details, on the basis of economic content and aging analysis, unless there is definite evidence to recover, according to the book value after verification.

4、 Prepayment: mainly for prepaid materials, etc., assessors according to the prepaid accounts inventory list with the general ledger, subsidiary ledger and audit statements to verify, and then understand and analyze each business time, business content, payment amount, business object and enterprise management of receivables. On the basis of verifying the book value, the assessed value shall be determined according to the amount that may be recovered from each payment.

5、 Other receivables: mainly for borrowing, assessors according to other receivables inventory list with the general ledger, subsidiary ledger and audit statements to

verify, and then understand and analyze each business time, business content, payment amount, business object and enterprise management of receivables, and the balance of larger debt unit spot check related voucher verification. On the basis of verifying the book value, the assessed value shall be determined according to the amount that may be recovered from each payment.

6、 Inventory: for raw materials and finished products, appraisers verify the books, interview relevant departments, conduct spot check and inventory, pay attention to their formation and property status; review and check the actual amount of inventory through spot check of accounting vouchers.

7.Fixed assets: including buildings, machinery, equipment and vehicles, this evaluation is evaluated by the replacement cost method. The formula is: evaluation value = reset full valence to new rate

(1) Evaluation of building, buildings and pipe trenches

① Reset full price (excluding tax) = construction and installation project cost + early stage and other expenses + management expenses + capital cost

A. Determination of the construction and installation project cost

According to the relevant construction cost cases provided by Shanghai Construction Market Information Service Platform, the price index of the main construction machinery leasing in the construction project and the main construction materials in the Yangtze market market.

B. Determination of upfront and other expenses

According to the amount of the project construction investment and the local government regulations and industry standards of the evaluated unit.

C. general expenses

According to the [2016] No.504 document "Construction Cost Management Regulations of Capital Construction Projects" standard and the project construction scale, the management expenses include the personnel salaries, office expenses, travel expenses of the development and construction units, etc. According to the survey, the management cost is generally 1% -3% of the development cost.

D. Determination of the capital cost

Capital cost = (construction and installation project cost (tax) + early and other expenses (tax) + administrative expenses) reasonable construction period loan benchmark interest rate

② Determination of the new formation rate

The new rate of building (structure) is determined by combining the age method with the new rate of field investigation.

A. Calculation of the new rate by the age method

New rate of age = (economic life life-used life) / economic life life 100%

B. Determination of the new rate of the scene investigation

The new rate of field investigation = scoring weight of the structure part + scoring weight of the decoration and decoration part + scoring weight of the equipment part

C. Comprehensive new formation rate

Comprehensive new rate = age method new rate 40% + field exploration new rate 60%

(2) Evaluation of machinery, equipment and vehicles

① The determination of the reset full price

A. For the machinery and equipment, the current market price published by consulting the manufacturer or distributor or the price inquiry website and other quotation materials. For non-standard equipment and equipment that has been eliminated, manufacturers no longer produce, the market has no longer circulating, use the method of calculating the standard price to determine its current market price.

For the equipment to be transported and adjusted, installed and adjusted, the appropriate transportation and miscellaneous expenses shall be taken on the basis of the equipment purchase price, according to the characteristics, weight and installation difficulty of the equipment, and according to the different installation and debugging rates. For small equipment that does not need to be installed, the installation and debugging fee are not considered.

The formula is: equipment replacement value = current market price + installation and debugging fee + transportation and miscellaneous expenses.

B. For vehicles, the current market price of the vehicle shall be determined according

to the quotation manual and other quotation data. If the vehicle has been eliminated, the manufacturer is no longer producing and the market is no longer circulating, the replacement price shall be determined by the method of calculating the standard price. The full price of the vehicle shall be determined on the basis of the current market price or purchase price and other expenses such as vehicle purchase tax and license fee.

② Determination of the new formation rate

A. For the machine equipment (excluding computer equipment), through the field survey of the equipment, considering the economic life status of the relevant equipment and the service life of the equipment, and the review of the operation condition of the relevant equipment, the main technical indicators and the data, the comprehensive formation rate of the equipment is determined by combining two factors.

For computer equipment, due to its rapid update, but the current use of equipment can generally meet the use requirements, according to its special attributes, in the case can be normal use no longer consider the survey correction coefficient, only the age method of new rate to replace the comprehensive new rate.

Comprehensive new rate = new rate of maturity method * survey correction coefficient * 100%

B, for the vehicle, first, Considering the economic life years of the vehicle, And factors such as the service life of the vehicle, Determine the theoretical formation rate of the vehicle estimated according to the age method; next, According to the vehicle's mileage and the mileage, Determine the theoretical formation rate of the vehicle estimated according to the mileage method; third, Determine the principle of the formation rate estimated according to the age rate method and the new rate estimated according to the mileage method; fourth, After a field investigation, Considering whether the vehicle has had traffic accidents and maintenance conditions, Determine the correction coefficient of field survey for various vehicles, Thus integrating four factors to determine the comprehensive new rate of vehicles.

Comprehensive new rate = theoretical new rate survey correction coefficient of 100%

8、 Long-term deferred expenses: for property insurance, house repair and machine

overhaul, assessors in the assessment has house repair and machine overhaul assessment value respectively into buildings, machinery and equipment, solid here assessment value is 0, insurance cost monthly provision amortization, so after the verification of property insurance book value as a long assessment of stand cost.

9、 Short-term loan: short-term loan of Fengjing Branch of Agricultural Bank of China, with interest provision monthly. The assessors follow the formation and property right of the short-term loan contract and check the actual amount of short-term loan by spot checking accounting vouchers. On the basis of inventory and verification, the verified book value of short-term borrowing is taken as the assessed value of accounts payable.

10、 Accounts payable: materials. The assessors pay attention to the formation and property rights according to the accounts payable inventory list and relevant accounting books, accounting vouchers and other documents; review and check the actual amount of accounts payable by spot check of accounting vouchers. On the basis of inventory and verification, the verified book value of accounts payable shall be taken as the assessed value of accounts payable.

11、 Employee payable salary: assessors pay attention to the formation and property rights according to the list of payable salary inventory and relevant accounting books and accounting vouchers; review and check the actual amount of advance received by spot checking accounting vouchers. On the basis of inventory and verification, the verified book value of the payable employee compensation shall be taken as the appraisal value of the payable employee compensation.

12、 Taxes payable: the assessors shall pay attention to the formation and property rights according to the list of tax payable, tax declaration materials, relevant accounting books and accounting vouchers; and check the actual amount of taxes payable through the sampling of accounting vouchers. On the basis of inventory and verification, the book value of the tax payable after verification serves as the assessed value of the tax payable.

13、 Other payables: mainly the loan of Shanghai YiKang Non-woven Co., Ltd. The assessors pay attention to the formation and property rights according to other payables and relevant accounting books and accounting vouchers; and check the actual

amount of other payables by checking accounting vouchers. On the basis of inventory and verification, the verified book value of other payables shall be taken as the assessed value of other payables.

(IV) The specific evaluation methods of the income method are as follows

The income method refers to the evaluation idea of capitalizing the value of the evaluated object by capitalization or discount the expected income of the evaluated enterprise. The two specific methods commonly used in income method are income capitalization method and future income discount method. The future income discount method is adopted in this evaluation.

1.the basic idea of the evaluation is based on the enterprise accounting data to estimate the equity capital value, namely the first way using cash flow discount method (DCF), estimate the value of the operating assets, plus the base date of other non-operational or surplus assets value, to evaluate the enterprise value, and by the enterprise value after the deduction interest debt value, to get all the equity capital value of enterprise shareholders.

2.The specific ideas of this appraisal are as follows: According to the due diligence of the appraisal objects, the asset composition and the main business characteristics, the basic appraisal ideas of this appraisal are:

(1) For the assets and main businesses included in the scope of the statement, estimate the expected income (net cash flow) according to the changing trend of the historical operating conditions in recent years, and discount the value of the operating assets;

(2) Cash assets and liabilities such as monetary funds, receivables and dividends payable on the base date that will be included in the statement but not considered in the estimation of expected income (net cash flow); sluggish or idle equipment, defined as surplus or non-operating assets (liabilities) existing on the base date, and separately estimate their value;

(3) The enterprise value of the appraisal object is obtained from the sum of the value of the above assets and liabilities, and the value of the equity capital (all shareholders' equity) of the appraisal object is obtained after deducting the value of the interest-paying

debt.

3. Assess the model

The basic model for this evaluation is:

$$E = B - D \quad (1)$$

In formula:

E: The value of the equity capital (all shareholders' equity) of the appraisal object;

B: The enterprise value of the appraisal object;

$$B = P + \sum C_i \quad (2)$$

P: The value of the operating assets of the appraisal object;

$$P = \sum_{i=1}^n \frac{R_i}{(1+r)^i} \quad (3)$$

In formula:

R_i: the expected income of the evaluation target in the next-year I (free cash flow);

r: discount rate;

n: The future operating period of the evaluated object.

Σ C_i: the value of other non-operating or surplus assets existing on the base date of the appraisal object.

$$C_i = C_1 + C_2 + C_3 \quad (4)$$

In formula:

C₁: Value of cash assets (liabilities) on the base date;

C₂: the value of the project under construction without calculated profit and loss on the base date;

C₃: dull or idle equipment on the base date; value of the property;

D: The value of the interest-paying debt of the appraisal object;

$$D = \sum_{i=1}^n \frac{(d_i + D_i)}{(1+r_d)^i} \quad (5)$$

In formula:

D_i: net income of creditors in the next year i (after-tax interest);

R_d: Interest payment interest rate after income tax;

$$r_d = r_o \times (1-t) \quad (6)$$

R₀: interest-payment debt interest rate before income tax;

T: Applicable income tax rate;

Di: The principal of the debt payable in the next year.

VIII. Implementation process and situation of the evaluation procedures

This evaluation begins on May 15,2023 and ends on May 29,2023. The main evaluation process is performed as follows:

(I) Clarify the basic matters of the appraisal business, and sign the entrustment contract of asset appraisal

Appraisal preliminary understanding is evaluated unit and entrust appraisal assets, clear report users, evaluation purpose, evaluation object and scope, value type, agreed appraisal base date, the use of assets evaluation report, evaluation report submission period and way, total service amount, payment time and way, the principal and assessors work cooperate and assist other important matters, etc. According to the specific situation of the evaluation business, the evaluation agency will conduct a comprehensive analysis and evaluation of their own professional competence, independence and business risks, and decide whether to undertake the evaluation business.

After deciding to undertake the appraisal business, the appraisal agency shall sign the Asset Appraisal Agency Contract with the client. If the purpose of appraisal, the object of appraisal and the base date of appraisal change, or the scope of appraisal changes significantly, the appraisal agency shall sign a supplementary contract with the client or re-sign the Entrusted Contract of Asset Appraisal.

(II) Preparation of an asset appraisal plan

After accepting the commission, according to the asset types and characteristics of the appraisal, the relevant professionals were organized to set up an asset appraisal team and formulate the relevant appraisal plan. The content of the evaluation plan covers the whole process of evaluation business implementation, such as field investigation, collection of evaluation data, evaluation and estimation, preparation and submission of evaluation reports. It usually includes the specific steps, time schedule, personnel arrangement and technical scheme of the evaluation. The evaluation plan can be adjusted according to the changes during the implementation of the evaluation business.

The evaluation plan prepared shall be submitted to the relevant person in charge of the evaluation institution for review and approval.

(Ⅲ) Evaluation of the field investigation

The client and the relevant personnel of the evaluated unit shall first provide the detailed information concerning the evaluation object and the evaluation scope required for the evaluation, and confirm the evaluation schedule and relevant supporting materials provided by them by signature, seal or other means.

On the basis of the information provided by the client and the evaluated unit, the appraiser shall first review the appraisal schedule of the entrusted appraisal assets and other materials filled in by the client and the evaluated unit. Given that local management provided accurate underlying information, with the relevant personnel assistance from the evaluated unit or assets target, according to the requirements of the evaluation criteria, the valuer has obtained the fundamental information as to the purpose of valuation, understood the situation of valuation targets and focused on the legitimate ownership of targets, by means of inquiring, interviewing, checking, inspecting plate, exploration and field investigation. If it is impossible or unfavorable to carry out on-site investigation on all the relevant contents of the assets within the evaluation scope, the investigation may be conducted by sampling or other means according to its importance. The on-site investigation shall be supplemented or adjusted in time according to the needs of the evaluation business and the changes in the implementation process of the evaluation business.

(Ⅳ) Collect and sort out the evaluation data

The appraiser shall collect the evaluation data according to the specific situation of the evaluation business, including the data obtained from the client or the relevant parties, as well as the data obtained from the government departments, various professional institutions and the market channels. And according to the evaluation business needs and the implementation of the process of the timely supplementary collection of evaluation data. The data used in the asset appraisal activities shall be verified and verified in accordance with the law, and the methods of verification and verification usually include observation, inquiry, written examination, field investigation, inquiry, review, etc.

The assessors shall make the analysis, induction and arrangement of the collected evaluation data according to the specific situation of the evaluation business to form the basis for the evaluation and estimation.

(V) Evaluation and estimation to form a conclusion

Asset appraisal team members first allocated staff resources to conduct field survey, market research based on the scope of valuation targets, value type, data collection conditions, then selected the appropriate valuation method based on analysis of market method, income method and cost method of asset evaluation method.

According to the evaluation method adopted, the evaluators select the corresponding formulas and parameters for analysis, calculation and judgment, draw up the sub-evaluation instructions, and finally work together for analysis and summary, and obtain the evaluation results. According to the summary plan of the later stage of the evaluation and the evaluation schedule, the unified specification is formulated from the specification of the table to the determination of the evaluation value to ensure the unity of the method standards and parameter values, based on which the assets are evaluated and estimated to form a preliminary evaluation conclusion.

The asset appraiser shall make a comprehensive analysis of the preliminary evaluation conclusion and form the final evaluation conclusion. If it is necessary to adopt multiple evaluation methods for the same evaluation object, the preliminary evaluation conclusions formed by the evaluation of various methods shall be analyzed and compared to determine the final evaluation conclusions.

(VI) Prepare and issue an evaluation report

The appraiser shall write the asset inventory appraisal instructions according to the preliminary appraisal results of the assets. The project leader shall review, analyze and identify the preliminary asset appraisal results and the inventory appraisal instructions, and write the asset appraisal report.

The secondary reviewer shall review and analyze the appraisal results, the inventory and appraisal instructions, and the asset appraisal report, and put forward the audit opinions, and then submit them to the final review personnel for review. The problems found in the audit shall be returned to the relevant evaluators for correction.

After determining the evaluation result, meet with the client or the relevant parties agreed with him to hear his opinions without affecting the independent judgment on the final evaluation conclusion. The reasonable opinions proposed by the principal shall be adopted and amended. Submit the revised asset appraisal report.

IX. Assess assumptions

(I) Assessment assumptions

1. This evaluation is based on the premise of the continued operation of the enterprise and the sustainable development according to the predetermined business objectives and scale.

2. The economic behavior corresponding to the purpose of the evaluation shall remain unchanged, that is, this evaluation report only serves the economic behavior corresponding to the purpose of the evaluation, and shall not be used for other purposes;

3. The authenticity, legality and completeness of all the materials required for the evaluation provided by the client and the evaluated unit are the basis of the whole evaluation work. If the materials are inconsistent with the facts or there are major omissions, if there are litigation, disputes and pending matters that substantially affect the results of the evaluation, the evaluation will fail.

(II) The assumptions of the business environment

This evaluation only takes into account the social and economic environment of the countries and regions, the national macroeconomic control and microeconomic policies, the industry policies, the management system and the relevant regulations, the tax policies, and the credit interest rates related to the base date of evaluation, and does not consider the impact on the evaluation results when the above environment changes after the base date of evaluation.

(III) The assumptions of the market environment

1. Compared with the base date of evaluation, there is no unpredictable change in the market environment of the future operation of the evaluated unit, that is, it is assumed that the future market is the continuation of the present;

2, the assessment only consider the assessment base date and enterprise expenses,

project related countries and regions of the social public consumption ability and its social national economic growth rate, price index, exchange rate, the relationship between the current level, not considering the assessment base date after the market environment changes on the influence of the assessment results.

(IV) Special assumptions

1. Assumptions about the assessee: The company operates with existing existing assets, regardless of additional investment, changes in production capacity, or the increase or decrease of sales outlets.

2. Relevant transaction assumptions: all assets and liabilities are of open market value, excluding the impact of other transaction methods or the possible additional prices of special buyers on the assessed value.

When the aforementioned conditions change, the assessment results will generally fail.

X. Evaluation conclusion

On the premise of continuing operation on April 30,2023, the base date of evaluation, The book value of the entrusted assets is RMB 73,829,700 yuan , the assessed value is RMB 102,596,600 yuan, the appraised value was 28,766,900 yuan Value-added rate was 38.96%; The book value of the liabilities is RMB 42,492,200 yuan, The assessed value is RMB 42,492,200 yuan, No increase or decrease in the evaluation; The book value of the net assets is RMB 31,337,500 yuan, The assessed value is RMB 60,104,400 yuan, the appraised value was 28,766,900 yuan, Value-added rate is 91.80%.

Unit of amount: RMB 10,000 yuan

project	book value	assessed valuation value	Increase or decrease the value	appreciation rate (%)
	A	B	C=B-A	$D=C/A \times 100$ %
1 circulating assets	6,174.90	6,153.94	-20.96	-0.34
2 non-current assets	1,208.07	4,105.72	2,897.65	239.86

	project	book value	assessed valuation value	Increase or decrease the value	appreciation rate (%)
		A	B	C=B-A	$D=C/A \times 100\%$
3	Including: fixed assets	1,085.67	4,097.95	3,012.28	277.46
4	immaterial assets		0.5	0.5	
5	Long-term amortized expenses	122.40	7.27	-115.13	-94.06
6	Total assets	7,382.97	10,259.66	2,876.69	38.96
7	cash liabilities	4,249.22	4,249.22		
8	non-current liability				
9	Total liabilities	4,249.22	4,249.22		
10	Net assets (owners' equity)	3,133.75	6,010.44	2,876.69	91.80

(I) Evaluation conclusion of the income method

Under the premise of continuing operation on April 30,2023, the base date of appraisal, the book value of the owner's equity included in the appraisal scope is RMB 31,337,500 yuan, the appraisal value of all shareholders' equity is RMB 9,422,100 yuan, the appraisal impairment is RMB 21,915,400 yuan, and the impairment rate is 69.93%.

(II) Conclusion of this evaluation

Due to the impact of the epidemic in recent years, the production capacity of the non-woven fabric industry has increased, leading to the market oversupply, intensified competition, low product profits, and the market has undergone significant changes compared with the previous one. The income method is to forecast the future cash flow according to the historical operating conditions of enterprises in recent years. Affected by the uncertain factors in the future, the evaluation conclusion of the income method may not reflect the actual value of the assets, so the asset-based method is finally chosen as the evaluation conclusion in this evaluation.

XI. Description of special matters

(I) according to the lease agreement provided by the principal, the principal premises use land for lease, lease term since January 1,2022 to December 31,2024, the lease agreement, the lease expires after renewal, the client under the same priority, this did not consider the influence of the assessment conclusion.

The client did not provide proof of legal ownership of the house. At the same time, the area of the house involved in this assessment was obtained by the client and the appraiser according to the on-site survey and measurement, and was only used for this assessment.

(II) For the purposes of this report, "Appraisal Value" refers to our fair valuation opinion on the Assessed Assets for the purposes set out in this Appraisal Report under the condition of the Valuation Base Date and the external economic environment as of the current use and continuing operation, as well as the conditions and external economic environment as at the Valuation Base Date. The impact of the appraised value, such as the price that may be paid by the special trading method, on the appraised value is not considered.

(III) This report is made on the basis of the relevant accounting information provided by the client and the assessee, and the authenticity, reliability and comprehensiveness of these relevant information are the responsibility of the client; The relevant data used in this report relies heavily on this information, and the conclusion of this assessment is made on the basis of the assumption that the above information is true and complete, and the Company will not be liable for any deviation in the evaluation conclusion due to errors or falsehoods in such information.

(IV) The appraisal agency and the appraiser shall not be liable for any defects that may affect the appraised value of the assets without special explanation by the assessee and the appraiser generally cannot be informed based on his professional experience and performance of the appraisal procedures.

The evaluation conclusions revealed in this report are only valid for the purpose of this evaluation. The validity period of the evaluation conclusions is one year, namely from

April 30,2023 to April 29,2024.

The user of the assessment report should pay attention to the impact of the above special matters on the assessment conclusions.

XII. Description of the restrictions on the use of asset appraisal reports

(I) Scope of use; this appraisal report is only for the client and the relevant administrative department for the appraisal purpose during the effective use period of the appraisal conclusion;

(II) If the client or other user of the asset appraisal report fails to use the asset appraisal report in accordance with the provisions of laws, administrative regulations and the scope of use specified in the asset appraisal report, the asset appraisal institution and its asset appraiser shall not be liable ;

(III) Except for the client, other users of asset appraisal reports agreed in the asset appraisal entrustment contract and the users of asset appraisal reports as stipulated by laws and administrative regulations, no other institutions or individuals can become users of asset appraisal reports ;

(IV) Asset evaluation report users should correctly understand the evaluation conclusion. The evaluation conclusion is not equivalent to the achievable price of the evaluation object, and should not be considered as a guarantee for the achievable price of the evaluation object;

(V) Without the written consent of Zhongjing Asset Appraisal (Tianjin) Co., Ltd., which issued this appraisal report, all or part of the content of the appraisal report shall not be excerpted, quoted or disclosed in the public media, unless otherwise agreed by laws, regulations and relevant parties;

(VI) The validity period of the assessment report; This assessment report is valid for one year from the base date of the assessment, i.e. **from April 30, 2023 to April 29, 2024**. After one year, the asset appraisal needs to be re-evaluated

XIII. Asset appraisal report date

The date for the appraiser to form the final professional opinion is May 29, 2023

Asset appraiser: Zhongjing Asset Appraisal (Tianjin) Co., Ltd

Asset appraiser: May 29,2023

Attachment to the asset appraisal report

(I) Copy of the economic behavior documents

April 26,2023, Shanghai Fengwei Garment Accessories Co., LTD

(II) Copy of the client's business license

(III) road-worthiness certificate

(IV) Commitment letter of the client and the evaluated unit

(V) Letter of commitment from the asset appraiser

(VI) Copy of announcement of Tianjin Municipal Bureau of Finance (Official Letter No.: Tianjin Review 2022018)

(VII) Copy of the business license of Zhongjing Asset Appraisal (Tianjin) Co., LTD

(VIII) Copy of the qualification certificate of the personnel participating in this evaluation project

APPENDIX B

Executive Summary of the Special Audit Report

2 Executive summary

2.1 Introduction

2.1.1 KPMG Forensic, a division of KPMG Services Pte. Ltd. (“**KPMG**”), was engaged on 18 December 2020 to conduct an independent review of New Silkroutes Group Limited (the “**Company**”) and its subsidiaries (the “**Group**”), with focus on the matters set out below (the “**Independent Review**”).

2.2 Background on the Matters

2.2.1 On 14 October 2020, Deloitte issued a disclaimer of audit opinion on the financial statements of the Group for the financial year ended (“**FY**”) 30 June 2020. The following two matters were qualified (the “**Matters**”):

- The “**Shanghai Fengwei Matter**” – The tripartite Management Agreement dated 18 April 2020 between the Company, Shanghai Fengwei Garment Accessory Co., Ltd (“**Shanghai Fengwei**”), a wholly owned subsidiary of the Company, and a third party, Shanghai Minlin New Textile Materials Sales Centre (“**Shanghai Minlin**”) (the “**MA**”) and the Management Services Agreement dated 18 April 2020 between Shanghai Fengwei and Shanghai Minlin (the “**MSA**”); and
- The “**Thai GNCC Matter**” – The valuation of the Group's 4.534% equity interest in Thai General Nice Coal and Coke Co., Ltd (“**Thai GNCC**”).

2.3 Objective and scope of work

2.3.1 With respect to the Matters, the objectives of our Independent Review are to:

- investigate the circumstances leading to the Matters;
- review the Company's internal controls and governance structure;
- assess the impact of the Matters on the Company's financials, if any;
- establish whether *prima facie* evidence of improprieties in respect of the Matters exists; and
- identify additional issues in respect of the Matters, if any (e.g. potential breaches of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) Listing Manual (the “**Listing Manual**”).

2.3.2 The scope of our work to achieve the objectives is summarised below:

- Obtained an understanding of the background of the Matters and management's responses to the Matters.

- Reviewed the supporting documents, including agreements, minutes of meetings, and accounting books and records in connection with the Matters to establish the chronology of events and circumstances of the Matters.
- Reviewed the internal policies and procedures in relation to the Matters.
- Performed background search procedures on selected corporate entities and individuals.
- Acquired and analysed the forensic images of the computer systems assigned to selected key personnel to identify prima facie evidence of improprieties in connection with the Matters.
- Conducted interviews with relevant parties.
- Performed a “maxwellisation” of our findings with the relevant persons referenced. We considered the comments raised by each of the relevant persons, and made necessary amendments to our report, if deemed valid.

2.4 Limitations of our observations

- 2.4.1 We did not access the Company’s statutory auditors’ and legal representatives’ workpapers. Accordingly, we cannot comment on or assess the statutory audits of the Company and/or legal advice provided to the Company with respect to the Matters.
- 2.4.2 The starting date of our review period was dependent on the substance of the Matters and our review period ended at 31 March 2021, unless where stated.
- 2.4.3 The relevant time period for the Matters span from 2010 to date, with multiple changes in the composition of the Company’s Board and key management. We outline the Company’s directors and key management during the relevant period at Appendix A.1.
- 2.4.4 Our observations on the shareholdings and directorships of the relevant entities to the Matters are based on publicly available records, which may not include all historical changes in key corporate information, including fluctuations in beneficial ownership, shareholdings, directorships and key corporate personnel positions.
- 2.4.5 Due to the Company’s email retention policies, the Company’s IT representatives advised that the email archives of personnel who resigned prior to 2018 were unavailable for our review.
- 2.4.6 Our findings in relation to the Thai GNCC Matter are largely based on documents and correspondence made available for our Independent Review, as we were not able to complete formal interviews with key individuals who may have relevant knowledge on the Thai GNCC Matter and its related transactions, but either did not respond to or

declined our request for a formal interview, or on the advice of the Company's counsel we did not proceed to interview.

- 2.4.7 Our Maxwellisation process was performed between September 2021 and October 2021. As part of our Maxwellisation process, we contacted 27 individuals, and we did not receive responses from all individuals contacted. All findings or inferences in this Report in relation to individuals and / or entities should be read subject to these limitations.

2.5 The Thai GNCC Matter

2.5.1 Background and current status of the Thai GNCC Acquisition

- 2.5.1.1 On 13 May 2011, the Company executed a sale and purchase agreement with Tianjin General Nice Coke & Chemicals Co., Ltd. ("**Tianjin GNCC**") to acquire a 15% equity interest in Thai GNCC (the "**Thai GNCC SPA**")³ (the "**Thai GNCC Acquisition**"), which was in the business of processing coking coal into coke, with a coke processing plant in Rayong in southern Thailand (the "**Plant**"). The executed sale and purchase agreement states that the purchase consideration shall be an amount equivalent to the Singapore Dollar equivalent of 15% of the fair market value of Thai GNCC set out in a valuation report to be obtained from an approved independent valuer by Tianjin GNCC and the Company. For the Thai GNCC Acquisition, the Company paid two deposits totalling USD 13,757,384 and accrued interest of USD 4,002,612 thereon. The Company made an announcement in relation to the Thai GNCC Acquisition on the same day.
- 2.5.1.2 There were six extensions of its completion date and two amendments to reduce the Company's acquisition stake, and the Thai GNCC Acquisition was completed in May 2017 (the "**Thai GNCC Completion**"). All but one of the extensions of the Thai GNCC Completion date were announced by the Company, with justifications including Thai GNCC requiring time to develop the Plant's facilities and delays in obtaining the relevant approvals to operate the Plant. Section 2.5.4 details the findings on the Thai GNCC Completion.
- 2.5.1.3 Upon the Thai GNCC Completion, the Company acquired a 2.82% equity interest in Thai GNCC through its subsidiary International Energy Group Pte Ltd ("**IEG**") reduced from the 15% equity interest stated in the Company's initial announcement of the Thai GNCC Acquisition, for a purchase consideration of USD 14,090,000.

³ The Thai GNCC SPA was signed by the then CEO of the Company, on behalf of the Company and Ms. Cai Sui Rong, on behalf of the Tianjin GNCC.

- 2.5.1.4 In June 2018, through IEG, the Company acquired, an additional 1.714% equity interest in Thai GNCC from Tianjin GNCC as full settlement of debts totaling USD 8,569,996 owing by Tianjin GNCC to the Company (the “**Tianjin GNCC Debt Repayment**”). The debts comprised the excess of the total deposits paid by the Company and accrued interest for the Thai GNCC Acquisition (i.e. USD 3,669,996), and prepayments of USD 4,900,000 made by the Company’s subsidiaries, Top Post Enterprises Limited (“**Top Post**”) and Baling (China) Investment Limited (“**Baling**”). Accordingly, the total cost of the Company’s 4.534% equity interest in Thai GNCC as of 30 June 2018 was USD 22,659,996. The Tianjin GNCC Debt Repayment was not announced by the Company.
- 2.5.1.5 The Group’s FY2021 annual report states that as of FY2021, Thai GNCC has yet to commence its operations and the Group has no visibility to Thai GNCC’s future nor access to its records. The Company’s investment in Thai GNCC was deconsolidated from the Group upon the commencement of IEG’s liquidation process on 5 January 2021.

2.5.2 Key findings of the Thai GNCC Acquisition

Source of funds for the Thai GNCC Acquisition

- 2.5.2.1 On 23 February 2011, the Company completed a private share placement to two investors, Fortune Woods Global Investment Limited (“**Fortune Woods**”) and Smartful Global Holdings Ltd (“**Smartful**”) (the “**2011 Placement**”), with proceeds raised totalling SGD 8,525,995. Fortune Woods and Smartful became the Company’s two largest shareholders upon the completion of 2011 Placement, holding 10.80% and 5.86% of the Company’s shares, respectively. Of the total proceeds raised, SGD 5,000,000 (USD 4,046,289) was paid to Tianjin GNCC as deposit for the Thai GNCC Acquisition (the “**First Deposit**”).
- 2.5.2.2 On 5 December 2012, the Company completed a rights issue which raised SGD 20,462,392.23 (the “**2012 Rights Issue**”). Of the total proceeds raised, an additional deposit of SGD 12,000,000 (USD 9,711,095) was paid by the Company for the Thai GNCC Acquisition (the “**Additional Deposit**”).

Relationships identified between the 2011 Placement investors and the Thai GNCC Acquisition parties

- 2.5.2.3 Documents identified in relation to the 2011 Placement investors indicate that:
- The sole shareholder of Fortune Woods is General Nice Resources (Hong Kong) Limited (“**GNR HK**”), and that Mr. Cai Sui Xin (“**Mr. Cai**”) is the ultimate beneficial owner of Fortune Woods and GNR HK.

- The sole shareholder of Smartful, a company incorporated in British Virgin Islands on 8 October 2010, four months before the completion of 2011 Placement was Mr. Xiao De (“**Mr. Xiao**”).

2.5.2.4 Background searches and email correspondence identified links between the ultimate beneficial owner of 2011 Placement’s investors (i.e. Mr. Xiao and Mr. Cai), and the parties of the Thai GNCC Acquisition via direct and indirect shareholdings and directorships before the execution of the Thai GNCC SPA, including:

- From March 2011, Mr. Xiao held an indirect shareholding in Tianjin GNCC. From June 2012, Mr. Xiao held a deemed interest in Tianjin GNCC.⁴
- Mr. Cai is Tianjin GNCC’s Legal Representative⁵ since its incorporation on 10 May 1994.
- Ms. Cai Sui Rong, sister of Mr. Cai Sui Xin (“**Ms. Cai**”) was a Director of Tianjin GNCC between 1994 and 2015.

2.5.2.5 As part of the Company’s application to seek approvals from the SGX-ST for the 2011 Placement, the Company represented that Fortune Woods and Smartful were unrelated.⁶ However, email correspondence indicates that:

- The intended investor for the 2011 Placement was GNR HK.
- The 2011 Placement, in which Fortune Woods and Smartful collectively acquired 16.67% of the enlarged share capital in the Company, was structured such that neither Fortune Woods nor Smartful would hold a controlling shareholding (i.e. 15% in the Company as defined in the Listing Manual).
- Prior to the Company’s approval application for the 2011 Placement, the Company was aware of the transaction structure above (i.e. such that neither Fortune Woods nor Smartful would hold a controlling shareholding) and viewed Fortune Woods, GNR HK and Smartful as a single group.

2.5.2.6 If the 2011 Placement proceeded with Fortune Woods as the sole investor, the 2011 Placement would have been subject to Rule 803⁷ of the Listing Manual and upon the completion of 2011 Placement, Mr. Cai would be deemed as a controlling shareholder of the Company and any subsequent transaction entered into with Mr. Cai or his associates would be regarded as interested party transaction under Chapter 9 of the

⁴ From March 2011, Mr. Xiao held a 5.8% indirect shareholding in Tianjin GNCC. Pursuant to Sections 7(4) and (4A) of the Companies Act 1967, he held a deemed interest of 89.02% in Tianjin GNCC from June 2012.

⁵ A Legal Representative is the individual who serves as the legal embodiment of the company’s interests for purposes of the People’s Republic of China Government. Their name appears on the company’s business license and, under People’s Republic of China law, the Legal Representative is responsible for the company and all of its operations.

⁶ On 31 January 2011, the Company provided a response to SGX-ST stating “The Placees have confirmed to the Company that they have no connections (including any business relationship) directly or indirectly with each other.”

⁷ Rule 803 of the Listing Manual states that an issuer must not issue securities to transfer a controlling interest without prior approval of shareholders in general meeting.

Listing Manual. Further, for the potential misrepresentations by the Company in relation to the 2011 Placement that Fortune Woods and Smartful were unrelated parties, the SGX-ST may not have taken the same course of action in granting the relevant approvals for 2011 Placement or may have applied additional conditions.

- 2.5.2.7 Consequently, as part of the Company's application to seek approvals from the Securities Industry Council (the "**SIC**") for the 2012 Rights Issue and the corresponding whitewash waiver,⁸ the Company also represented that Fortune Woods and Smartful were unrelated and not acting in concert as defined in the Singapore Code on Takeovers and Mergers (the "**Takeover Code**") and excluded Smartful and Mr. Xiao from its definition of the Concert Party Group.
- 2.5.2.8 Our findings referred to at sections 2.5.2.4 and 2.5.2.5 contradict with the Company's representation to SIC. Given the broad definition of "acting in concert", the SIC may not have taken the same course of action in granting the whitewash waiver for the 2012 Rights Issue pursuant to Rule 14 of the Takeover Code, if the Company included Smartful and Mr. Xiao in the Concert Party Group for the 2012 Rights Issue, pursuant to the definition of "acting in concert" in the Takeover Code.
- 2.5.2.9 The 2012 Rights Issue increased Fortune Woods' shareholding in the Company from 10.8% to 22.15%, resulting in Fortune Woods becoming a controlling shareholder of the Company.

Appointments of GNR HK related individuals to the Company's Board and staff

- 2.5.2.10 SGX-ST's in-principle approval dated 14 February 2011 for the 2011 Placement was subject to the condition of "*a written confirmation from the Company that the Investors will not have Board or management representation as a result of the Placement to them*". However, email correspondence indicates that prior to the 2011 Placement, GNR HK had requested to have control of the Board after the 2011 Placement, to which the Board⁹ at the material time agreed, and the CEO and CFO at the material time¹⁰ planned the sequence of these appointments to avoid queries from the SGX-ST.

⁸ Pursuant to Rule 14.1 of the Takeover Code, the 2012 Rights Issue may have resulted in Fortune Woods and its concert parties to make a mandatory general offer, as their aggregate voting rights in the Company may have increased to 30% or more based on their enlarged issued share capital. The Company proposed to apply to the SIC for a waiver of the obligation for Fortune Woods and its concert parties to make a general offer for the Company under Rule 14 of the Takeover Code.

⁹ Based on an email correspondence between 8 December 2010 and 30 December 2010 involving Mr. Teo Chee Hong (former Executive Director and CEO), Mr. Lim Koon Hock (former CFO and Joint Secretary), Dr. Robert Henry Keith Sloan (former Independent and Non-Executive Director), Dr. Poh Siew Chuan, Philip (former Executive Director) and Ms. Ong Beng Hong (former Independent and Non-Executive Director).

¹⁰ Based on email correspondence dated 3 August 2011 between Mr. Teo Chee Hong (Former Executive Director and CEO) and Mr. Lim Koon Hock (Former CFO and Joint Secretary).

2.5.2.11 After the 2011 Placement, individuals linked to Mr. Cai, GNR HK and Fortune Woods were employed by the Company or appointed to the Company's Board of Directors in the following sequence:

- Mr. Desmond Yong was employed by the Company as Business Advisor from 1 February 2011 to 31 January 2013. Documents identified that he was employed by Abterra Limited (“**Abterra**”) as its Corporate Finance Manager, during which Mr. Cai was Abterra's Director and Chairman.
- Mr. Ted Wong Tat Hei (“**Mr. Ted**”) was nominated by a substantial shareholder¹¹ and appointed as Independent and Non-Executive Director on 1 June 2011. He was identified as the 2011 Placement consultant for Fortune Wood and Smartful.
- Mr. Frank Yu (“**Mr. Frank**”) was appointed as a Non-Executive Director¹² of the Company on 1 March 2012. Documents identified indicate Mr. Frank was a party known to Mr. Cai and liaison for Fortune Woods.

2.5.2.12 The Company's representation to the SGX-ST, an approved exchange under the Securities and Futures Act 2001 that Fortune Woods and Smartful were not related and that there would be no Board or management representation by them as a result of the 2011 Placement, may potentially be in breach Section 330(1)¹³ of the Securities and Futures Act 2001.

2.5.2.13 On 20 July 2012, between the date of the first announcement of the 2012 Rights Issue and the completion of the 2012 Rights Issue, the following individuals were appointed to the Company's Board:

- Mr. Cai was appointed as an Executive Director and Chairman; and
- Mr. Jaffe Lau Yu (“**Mr. Jaffe**”), Director of Fortune Woods, and Director and shareholder of GNR HK, was appointed as the Executive Director and Vice Chairman of the Board.

2.5.2.14 Upon the completion of 2012 Rights Issue on 5 December 2012, the Board of the Company comprised of five individuals, four of whom were potentially related to GNR HK.

¹¹ As at 30 June 2011, the Company's only substantial shareholders, holding a shareholding of at least 5%, were Fortune Woods and Smartful.

¹² On 16 August 2013, Mr Frank was re-designated from Non-Executive Director to Independent and Non-Executive Director -

<https://links.sgx.com/FileOpen/AnnouncementRedesignationofDirector.ashx?App=ArchiveAnnouncement&FileID=36074&AnncID=15D576C0099A8C8648257BC9003317F4>

¹³ Section 330(1) of the Securities and Futures Act 2001 sets out the duty on persons not to furnish false statements to approved exchanges and the SIC.

Introduction of the Thai GNCC Acquisition to the Company

- 2.5.2.15 In late April 2011, approximately two months after the 2011 Placement, email correspondence and documents identified indicates that:
- Mr. Desmond provided the background of Thai GNCC Acquisition and introduced the working group for the Thai GNCC Acquisition, which included Mr. Jaffe (Director of Fortune Woods, and Director and shareholder of GNR HK), and the Company's CEO and CFO at the material time.
 - The Board discussed the affordability and suitability of the Thai GNCC Acquisition, given that the Company was not in the business of coke processing, and on the methods to safeguard the deposit paid for the Thai GNCC Acquisition. To address the issue of affordability, Board meeting minutes indicate that Fortune Woods agreed to provide a deed of support to commit that it would contribute to the Company its share in the Company's funding of the Thai GNCC Acquisition.

Potential failure to disclose Directors' interests in the Thai GNCC Acquisition

- 2.5.2.16 The Company's announcement dated 13 May 2011¹⁴ states "*The Vendor [Tianjin GNCC] owns 85% of the total share capital of Thai GNC. Porntanapat Intertrade Co., Ltd, a company established in Thailand, ("PIC") owns 14.99% of the Company [Thai GNCC]. The remaining 0.011% is held by an individual, Ms. Cai Sui Rong... Cai Sui Rong is the sister of Cai Sui Xin*".
- 2.5.2.17 The Company's announcements on 5 July 2013 and 2 August 2013 states "*None of the directors of the Company and/or their respective associates have any interest, direct and/or indirect, in the Proposed Acquisition [i.e. the Thai GNCC Acquisition]. None of the Directors of the Company and/or their respective associates are related, directly or indirectly, to Thai GNCC, its shareholders and/or directors*".
- 2.5.2.18 However, background searches and email correspondence identified potential direct and indirect interests held by Mr. Cai, a Company director.¹⁵
- Since its incorporation in 1994, Mr. Cai has been Tianjin GNCC's Legal Representative (refer to section 2.5.2.4).
 - The sister of Mr. Cai was a director of Tianjin GNCC, a director and shareholder of Thai GNCC, and also a director and shareholder of Porntanapat Intertrade Co. Ltd ("**PIC**"), the registered owner of the land on which the Plant is constructed. Although the Company announced on 13 May 2011 that Ms. Cai was a shareholder in Thai GNCC and that she is the sister of Mr. Cai, it did not announce Ms. Cai's shareholdings and directorships in Tianjin GNCC nor PIC.

¹⁴ Refer to section 2.5.1.1 on details of the Thai GNCC Acquisition.

¹⁵ Mr. Cai was appointed as the Company's Executive Director and Chairman from 20 July 2012 to 31 October 2016 and Non-Executive Director and Chairman from 31 October 2016 to 8 December 2016.

- Mr. Xiao, one of the ultimate beneficial owners of Tianjin GNCC was potentially related to Mr. Cai (refer to section 2.5.2.4).

2.5.2.19 At the points of the announcements dated 5 July 2013 and 2 August 2013, Mr. Cai was an Executive Director and Chairman of the Company. However, the announcements did not include the potential direct and indirect interest held by Mr. Cai¹⁶ as described in paragraph 2.5.2.18, resulting in a potential breach of Rule 703(4)(a) of the Listing Manual read with paragraph 25(a) of Appendix 7.1 in connection with the disclosure requirements pursuant to Rule 1010(11)¹⁷ of the Listing Manual.

2.5.2.20 The Thai GNCC Acquisition may be a related party transaction (“RPT”) pursuant to Singapore Financial Reporting Standards (International) 24: Related Party Disclosures (“SFRS(I) 24”),¹⁸ as summarized below:

- At the time of the 2011 Placement, Mr. Cai may be regarded a controlling shareholder of the Company.
- Between 20 July 2012 and 8 December 2016, Mr. Cai was also an Executive Director of the Company.
- Mr. Cai was the Legal Representative of Tianjin GNCC, which in turn held 85% of shares in Thai GNCC. Further, Ms. Cai, the sibling of Mr. Cai, was on the Thai GNCC SPA date, a director of Tianjin GNCC, a director and shareholder of Thai GNCC holding four shares, and a director and shareholder of PIC holding an 18% interest¹⁹.

2.5.2.21 Pursuant to Sections 201(2) and 201(5) of the Companies Act, Directors are responsible to present financial statements that comply with Accounting Standards issued by the Accounting Standards Council and give a true and fair view of the financial position and performance of the company. The Company did not disclose the Thai GNCC Acquisition as a RPT in its annual report, potentially in breach of Sections 201(2) and 201(5) of the Companies Act.

¹⁶ We did not identify email correspondence on the rationale to not include Mr. Cai’s potential direct and indirect interest in the Thai GNCC Acquisition. We did not receive a response from the key personnel who were involved in the Thai GNCC Acquisition to our interview request and during the Maxwellisation process.

¹⁷ Rule 1010(11) of the Listing Manual states: “Where any of the relative figures computed on the bases set out in Rule 1006 exceeds 5%, an issuer must, after terms have been agreed, immediately announce the following: Whether any director or controlling shareholder has any interest, direct or indirect, in the transaction and the nature of such interests.”

¹⁸ Paragraphs 9(a)(i) and 9(b)(vi) of Singapore Financial Reporting Standards (International) (“SFRS(I)”) 1-24 Related Party Disclosures states that an entity is related to a reporting entity if a person who controls or jointly controls the reporting entity also has significant influence over the entity. Paragraph 9(b)(viii) of SFRS(I) 1-24 Related Party Disclosures states that an entity is related to a reporting entity if the entity provides key management personnel (“KMP”) services to the reporting entity. KMP are individuals with the authority and responsibility for planning, directing and controlling the activities of the Company. Directors and members of the management team are considered to be KMP.

¹⁹ Thai GNCC holds approximately 82% shareholdings in PIC.

Subsequent resignations of the GNR HK related individuals from the Company's Board

2.5.2.22 On 31 October 2016, the Company announced that Mr. Jaffe and Mr. Frank ceased as Directors of the Company, effective 31 October 2016. On 7 December 2016, the Company announced the cessation of Mr. Cai as the Non-Executive Director and Chairman of the Board, effective 8 December 2016. At the cessation dates of Mr. Cai, Mr. Jaffe and Mr. Frank as the Directors of the Company, the Thai GNCC Acquisition had not yet completed.

Lack of safeguards on the refundability of Thai GNCC Acquisition deposits

2.5.2.23 On 23 May 2011, the First Deposit was paid by the Company to Tianjin GNCC's nominee, pursuant to the Thai GNCC SPA. Email correspondence indicate that the First Deposit was intended to be collateralised with part of the land on which the Plant was built. However, the executed Thai GNCC SPA did not include a clause to include the land as collateral for the First Deposit. We did not identify evidence to explain why the collateral was not included in the executed Thai GNCC SPA nor how the Company satisfied itself to safeguard the recoverability of the First Deposit paid.

2.5.2.24 On 23 June 2013, the Additional Deposit was paid by Company to General Nice Coke & Chemicals (Hong Kong) Company Limited, an entity wholly owned by Tianjin GNCC, with Ms. Cai listed as a Director. Email correspondence and draft amendments to the Thai GNCC SPA indicates that the Company proposed to pay the Additional Deposit with an interest rate of 10% p.a. and that the Company would hold a charge over Thai GNCC's assets for up to the amount of the deposits. However, the executed amendment to the Thai GNCC SPA did not include a clause for Tianjin GNCC to provide the Company a charge over Thai GNCC's assets for the Deposit and Additional Deposit paid. We did not identify evidence to explain how the Additional Deposit amount was determined, nor the rationale to remove the clause that Tianjin GNCC would pledge Thai GNCC's assets to the value of the First Deposit and the Additional Deposit.

Lack of due diligence prior to the Thai GNCC Acquisition deposits

2.5.2.25 No formal due diligence by external advisors was performed on the Thai GNCC Acquisition prior to the payments of the First Deposit and the Additional Deposit. The Company's announcement on 5 July 2013, after the Additional Deposit was paid, states that *"The due diligence investigations on Thai GNCC are in progress."* Financial due diligence performed by an external advisor appointed by the Company in 2015 includes an assessment of the independent valuation report of Thai GNCC. The assessment concluded that the fair market value of Thai GNCC as at 30 June 2015 of USD 508.5 million *"does not appear to be unreasonable."*

The Thai GNCC Valuations

- 2.5.2.26 The Independent Review's key findings with respect to the historical Thai GNCC independent valuations (the "**Thai GNCC Valuations**") are:
- Potential anomalies identified include identical valuation reports prepared by purportedly unrelated independent valuers.
 - The income approach based on discounted cash flow was used by the independent valuers (i.e., Asset Appraisal Limited ("**AAL**"), Grandmax Surveyor Limited and Jones Lang LaSalle Corporate Appraisal and Advisory Limited) to perform the Thai GNCC Valuations between 2012 and 2020. The approach may be inappropriate given that the Plant was not operating commercially as at various valuation dates and there were multiple delays in obtaining relevant approvals and commissioning the Plant. We were not provided with responses to our queries related to the basis of key inputs used in the valuation analysis such as those related to forecast assumptions. As we have not been provided with the data requested, we cannot conclude on the reasonableness of the current valuation of Thai GNCC.
 - With respect to the valuation of Thai GNCC for the Group's audited financial statement audit FY2017, an interviewee represented that the FY2017 auditors accepted the 2017 Thai GNCC Valuation based on a transaction in September 2017, wherein Tianjin GNCC sold a 5% equity interest in Thai GNCC to a purported third party, Techno Elite International Holdings Limited ("**Techno Elite**") for a consideration of USD 25 million (the "**Techno Elite Transaction**"). Thai GNCC's corporate registration information as of 8 November 2018 (i.e. after the Techno Elite Transaction) did not include Techno Elite as a shareholder, instead, Tianjin GNCC was recorded as the shareholder with 85% shareholding, indicating that the Techno Elite Transaction did not occur.
- 2.5.2.27 Based on our factual findings on the lack of formal due diligence performed by the Company prior to the payments of the deposits, the lack of safeguards on the refundability of the deposits, potential undisclosed relationships with the Thai GNCC Acquisition parties, potential anomalies in the Thai GNCC Valuations and potential regulatory breaches identified above, we recommend that the Company consult with its legal counsel in light of the potential breaches of fiduciary duties of the Board at the material times pursuant to section 157 of the Companies Act 1967 and the duty on persons not to furnish false statements to approved exchanges and SIC pursuant to Section 330(1) of the Securities and Futures Act 2001.

2.5.3 The Top Post and Baling transactions

- 2.5.3.1 On 20 December 2012, the Company announced via *SGXNet* the incorporation of Top Post as a wholly owned subsidiary of the Company (the “**Top Post Incorporation**”).²⁰
- 2.5.3.2 On 19 February 2016, the Company announced via *SGXNet* that Top Post had subscribed for 99.97% of the shares in Baling (the “**Baling Subscription**”) for a consideration of HKD 35 million, which was funded by the proceeds of a rights issue by the Company in 2014 (the “**2014 Rights Issue**”).²¹ No formal due diligence was performed by the Company on Baling prior to the Baling Subscription.
- 2.5.3.3 Between February and March 2016, Top Post and Baling made prepayments of USD 500,000 and USD 4,400,000, respectively, to Assure Win International Holdings Limited (“**Assure Win**”) to purchase iron ore fines (the “**Assure Win Transactions**”). In March 2016, Baling paid USD 90,000 to Sure Vantage Limited (“**Sure Vantage**”) for “*consultancy fees*” (the “**Sure Vantage Transaction**”). A copy of the cheque identified indicates that the prepayment of USD 500,000 was jointly signed by Mr. Jaffe and Mr. Frank. We did not identify the approver for the remaining payments. As delivery of the iron ore fines did not take place under the Assure Win Transactions and the prepayments could not be refunded, the Company agreed with Mr. Cai to convert the prepayments of USD 4,900,000 into additional shares in Thai GNCC as part of the Tianjin GNCC Debt Repayment in June 2018. Interviewees represented that the Company was “compensated” by Mr. Cai for the Assure Win Transactions as part of the 2018 Tianjin GNCC Debt Repayment. Mr. Cai had agreed to convert the Assure Win Transactions into an equity interest in Thai GNCC to compensate the Company for the non-delivery of the iron ore fines, notwithstanding that Mr. Cai was purportedly unrelated to the parties of the Assure Win Transactions and Tianjin GNCC. Section 2.5.4 details the findings on the Tianjin GNCC Debt Repayment.
- 2.5.3.4 Assure Win’s signatory on the Assure Win Transaction agreements appears to be Mr. Xiao, based on a visual comparison of his signatures on identified documents. Our background searches did not identify the shareholders and directorship of Assure Win and Sure Vantage.
- 2.5.3.5 The Assure Win Transactions and the Sure Vantage Transaction were primarily funded by the 2014 Rights Issue proceeds and a payment made by a GNR HK related entity to Top Post, for “Project Sanguo” on 7 October 2014, a project relating to Information

²⁰

<https://links.sgx.com/FileOpen/AnnouncementIncorpofBVIsusid.ashx?App=ArchiveAnnouncement&FileID=53177>

²¹ https://links.sgx.com/FileOpen/Announcement_subscription%20of%20shares%20in%20Baling%20-19.2.16.ashx?App=Announcement&FileID=390198

Technology (“IT”) services provided by the Company to Tianjin GNCC. Top Post subsequently transferred USD 4,491,140 to Baling, of which USD 4,400,000 was paid to Assure Win and USD 90,000 was used to finance the payment for the Sure Vantage Transaction.

2.5.3.6 The Independent Review’s key findings on the Top Post Incorporation and the Baling Subscription and its related transactions are:

- The Company announced via *SGXNet* that the Baling Subscription constitutes a discloseable transaction pursuant to Rule 1010 of the Listing Manual. Email correspondence indicates that the Baling Subscription was initiated by Mr. Jaffe and the relevant documents of Baling and the consideration for Baling Subscription were provided to the Company by Mr. Jaffe. We did not identify evidence to explain how the Company satisfied itself of the accuracy of its representation that Baling engaged in the international trading of natural resources, given that Baling was a dormant company upon the Baling Subscription.
- Background searches performed on the parties of the Baling Subscription identified that on 5 February 2016 (i.e. two weeks before the completion of the Baling Subscription), Baling’s entire shareholding was transferred from an entity, Sure Vantage Limited to Mr. Wilson Tang. We did not identify the shareholders or directors of Sure Vantage to confirm whether this entity was the same entity involved in the Sure Vantage Transaction. However, email correspondence indicates that Mr. Jaffe was involved in the Sure Vantage Transaction. Further, background searches identified that Mr. Frank, Mr. Jaffe and Mr. Wilson Tang, the former sole shareholder of Baling, have a common direct shareholding in a Hong Kong entity.
- During the material times of the Top Post Incorporation, the Baling Subscription, and the Assure Win and Sure Vantage Transactions, Mr. Cai, Mr. Jaffe and Mr. Frank, individuals connected with GNR HK and Fortune Woods, were Directors of the Company. Documents identified indicate that after the completion of the Baling Subscription, the Directors of Top Post and Baling were Mr. Cai and Mr. Jaffe, and that the authorised bank signatories of the Top Post and Baling’s bank accounts were Mr. Cai, Mr. Jaffe and Mr. Frank. Any two of the authorised signatories could approve bank transactions, with no transaction limits.
- Email correspondence indicates that after the completion of the Baling Subscription, GNR HK employees, not the Company’s employees, maintained the Top Post and Baling accounting books and records and bank accounts. Although GNR HK employees periodically sent these records to the Company for its required reporting and consolidations, we did not identify service agreements that govern the maintenance of Top Post and Baling’s books and records by non-Company personnel.

- Notwithstanding the Company was Top Post's sole shareholder, email correspondence and interviewees represented that Top Post and Baling were effectively controlled by Mr. Cai, Mr. Jaffe and Mr. Frank. Email correspondence and interview representations below indicate that the other Company personnel were unable to influence Top Post and Baling's management decisions and operate their bank accounts. We did not identify evidence of the Company enforcing its rights as Top Post's sole shareholder to effect the change in the authorised signatories of the bank account of Top Post.
- Audit Committee meeting minutes and the Company's annual reports indicate that from its incorporation to its disposal, Top Post's principal activities were those of investment holdings, and was a dormant company. We did not identify evidence to explain why Top Post, being a dormant company, entered into one of the Assure Win Transactions.
- Email correspondence indicate that the other Company personnel was not aware of the Assure Win Transactions and the Sure Vantage Transaction upon their execution, until they received the bank statements of Top Post and Baling from GNR HK personnel. Email correspondence further indicate that there were delays in the Company obtaining the supporting documentation and explanations on the nature and purpose of the Assure Win Transactions and the Sure Vantage Transaction. Supporting documentation was provided to the Company by GNR HK employees under the instruction of Mr. Jaffe, with explanations provided by Mr. Jaffe that they were "*purely commercial decisions*", without further details provided.
- The agreements for the Assure Win Transactions specified the total prepayment amount but did not specify the unit price of the iron ore fines and the total purchase consideration. The prepayments were paid directly to Assure Win without any safeguards to protect the Group's interests.
- Email correspondence indicates that the Company did not appear to be aware of the identities of the signatories representing Top Post and Baling on the Assure Win Transaction agreements, notwithstanding that they were the Company's subsidiaries.
- Assure Win's signatory on the Assure Win Transaction agreements appears to be Mr. Xiao (i.e. Smartful's sole shareholder), based on a visual comparison of his signatures on identified documents. We could not identify the shareholders or directors of Assure Win as the information is not publicly available for a BVI entity.
- We have not identified evidence of the consultancy services being provided by Sure Vantage to Baling pursuant to the Sure Vantage Transaction. The format of the invoice purportedly issued by Sure Vantage to Baling for the Sure Vantage Transaction is identical to the format of a credit note and an invoice issued by Baling, suggesting that they may be created by the same source.
- On 20 May 2019, an agreement was executed between the Company and Ms. Choi Lai Kuen ("**Ms. Choi**") to transfer 100% of the share capital in Top Post to Ms. Choi for a consideration of USD 100 (the "**Top Post Disposal**"). Following the Top Post Disposal, Top Post and Baling ceased to be subsidiaries of the Company.

- Email correspondence in 2019 indicates that Ms. Choi was introduced to the Company by Mr. Cai and that she had no prior dealings with the Company. However, documents identified indicate that Ms. Choi and Mr. Cai may have a common directorship in an entity which granted a loan to a Director of the Company in 2015, suggesting that the Company may be aware of a potential relationship between Ms. Choi and Mr. Cai. Background searches also identified that Ms. Choi was a Director and shareholder of an entity which entered into a transaction with Abterra Limited, a SGX-ST Mainboard listed entity in which Mr. Cai was a Director.
- Email correspondence indicated and interviewees represented that the Top Post Disposal was part of a clean-up of the Group's dormant entities, and that the consideration of USD 100 was a nominal sum based on USD 1 per share in Top Post, notwithstanding that the bank balances of Top Post and Baling totaled USD 145,197 as at the Top Post Disposal. Interviewees represented that due to the Company's lack of control of the Top Post and Baling bank accounts, the balances therein totaling USD 145,197 were not recovered by the Company upon the Top Post Disposal.
- At the date of Top Post Disposal, the Company derecognised its investment in Top Post of USD 100 and recorded a loss from the Top Post Disposal of USD 100, indicating that the consideration of USD 100 was not received by the Company. An intercompany loan owing by Top Post to the Company of USD 1,163,954, which had been provided as loss allowance by the Company between FY2016 and FY2019, was wholly written off by the Company on 31 May 2019 in its accounts. Accordingly, there was no material financial impact for the Company arising from the Top Post Disposal in FY2019. In its FY2019 consolidated financial statements, the Company disclosed that the net cash outflow arising on the Top Post Disposal was USD 145,197, comprising the bank balances of Top Post and Baling as at 31 May 2019. The source of funds of these bank balances was the intercompany loans provided by the Company. We did not identify evidence to explain why the Top Post Disposal did not require the repayment of Top Post's outstanding intercompany loan as part of the purchase consideration.
- Project Sanguo refers to an agreement dated 21 March 2014 for the provision of IT system and integration services from the Company to Tianjin GNCC (the "**Project Sanguo Agreement**"). A total of USD 1.3 million was invoiced by the Company to Tianjin GNCC. The Company's books and records show USD 400,000 was not paid by Tianjin GNCC, but by its wholly owned subsidiary, General Nice Coke & Chemicals (Hong Kong) Company Limited ("**GNCC HK**"), with the outstanding receivable balance of USD 900,000 being written off by the Company in FY2018. At the time of the execution of the Project Sanguo Agreement, Mr. Cai was the Company's Chairman and Director, and was also the Legal Representative of Tianjin GNCC, the counterparty to the Project Sanguo agreement. Accordingly, the Project Sanguo transactions may be regarded as a RPT pursuant to SFRS(I) 24, which was not disclosed by the Company. The Company did not disclose the Project Sanguo Agreement as a RPT in its annual report, potentially in breach of Sections 201(2) and 201(5) of the Companies Act.
- At the time of the Baling Subscription, the Assure Win and Sure Vantage Transactions, Mr. Cai, Mr. Jaffe and Mr. Frank were Directors of the Company, and accordingly "related parties". Given that Mr. Cai may be a controlling shareholder of

the Company as of the 2011 Placement as detailed at section 2.5.2.6 , Mr. Cai was potentially a controlling shareholder of the Company upon the Top Post Disposal²², and accordingly, an interested person. Although we have not identified specific evidence to indicate the Baling Subscription, the Assure Win and Sure Vantage Transactions and the Top Post Disposal to be IPTs (i.e. we did not identify evidence to indicate that Mr. Cai, Mr. Jaffe and Mr. Frank each holds more than 30% shareholding in Assure Win and/or Sure Vantage), these transactions may be RPTs pursuant to SFRS(I) 24 given the circumstantial evidence, namely that the decisions and bank accounts of Top Post and Baling were effectively controlled by Mr. Cai, Mr. Jaffe and Mr. Frank, with its books and records maintained by GNR HK rather than Company personnel, the potential anomalies that Mr. Cai “compensated” the Company for the non-delivery of the iron ore fines by Assure Win into an equity interest in Thai GNCC, which purportedly is unrelated to Mr. Cai and relationships identified indicating that that Mr. Cai may have significant influence over Tianjin GNCC, Thai GNCC and Assure Win. As of the date of this Report, the Company has not disclosed the Baling Subscription, the Assure Win and Sure Vantage Transactions and the Top Post Disposal as RPTs. The Company did not disclose the Baling Subscription, the Assure Win and Sure Vantage Transactions and the Top Post Disposal as a RPT in its annual report, potentially in breach of Sections 201(2) and 201(5) of the Companies Act.

2.5.3.7 Based on the potential anomalies in the Top Post and Baling related transactions and potential regulatory breaches identified above, we recommend that the Company consult with its external legal counsel in light of the potential breaches of fiduciary duties of the Board pursuant to section 157 of the Companies Act 1967.

2.5.4 The Thai GNCC Completion and Tianjin GNCC Debt Repayment

2.5.4.1 A Supplemental Agreement dated 17 February 2017 (the “**Supplemental Agreement**”) was executed between the Company and Tianjin GNCC to effect the acquisition of the 2.82% equity interest in Thai GNCC. According to the initial Thai GNCC SPA, the purchase consideration was based on an independent valuation of Thai GNCC, whose main asset is the Plant. However, the Supplemental Agreement replaced clause 3.2 of the Thai GNCC SPA from “*The Purchase Consideration shall be an amount equivalent to the S\$ equivalent of 15% of the Valuation Amount...*” to “*The Purchase Consideration shall be US\$ 14,090,000*”, with an implied valuation of Thai GNCC at USD 500 million. We did not identify an independent valuation report of Thai GNCC for USD 500 million. An interviewee represented that the valuation of USD 500 million was determined by Mr. Cai, the Legal Representative of Tianjin GNCC. Email correspondence indicates that the

²² “Controlling shareholder” is defined in the Listing Manual as “a person who: (a) holds directly or indirectly 15% or more of the nominal amount of all voting shares in the company. The Exchange may determine that a person who satisfies this paragraph is not a controlling shareholder; or (b) in fact exercises control over a company”.

latest independent valuation of Thai GNCC prior to the Thai GNCC Completion was USD 478 million.

- 2.5.4.2 Upon the Thai GNCC Completion, there was an excess of USD 3,669,996, being the difference between the First Deposit and Additional Deposit paid by the Company and accrued interest thereon (i.e. USD 17,759,996) and the purchase consideration of USD 14,090,000 (the “**Excess Deposit**”). The Excess Deposit was converted into a non-interest-bearing loan from the Company to Tianjin GNCC upon the Thai GNCC Completion. The Excess Deposit comprised the portion of the accrued interest from the deposits paid, which remained outstanding from Tianjin GNCC to the Company. The Company did not announce the conversion of the Excess Deposit into a loan granted to Tianjin GNCC.
- 2.5.4.3 Email correspondence identified indicates the Board discussed and approved the 2.82% equity interest acquisition in Thai GNCC and the conversion of Excess Deposit into a non-interest-bearing loan from the Company to Tianjin GNCC upon the Thai GNCC Completion. Interviewees represented the Company could not recover the Deposit and Additional Deposit from Tianjin GNCC as in or around 2015, Mr. Cai informed them that the First Deposit and the Additional Deposit had been fully utilised to build the Plant. Interviewee represented that a conversion of the First Deposit and Additional Deposit into equity in Thai GNCC was the best available option to recover the deposits made. The Company partially converted the First Deposit and Additional Deposit into an equity interest in Thai GNCC (i.e. the 2.82% equity interest), with the Excess Deposit into a loan which was ultimately converted into an additional equity interest in Thai GNCC. During the period between the conversion of the Excess Deposit from a loan to an equity interest in Thai GNCC, the Company sought Thai GNCC to obtain the necessary licenses to operationalize the Plant to justify the Excess Deposit’s conversion of loan into an additional equity interest in Thai GNCC.
- 2.5.4.4 Email correspondence and interviewees represented that the Company’s acquisition of the 2.82% equity interest in Thai GNCC was based on the maximum equity interest the Company could acquire without exceeding the 20% acquisition limit for “discloseable transactions”, as outlined in Rule 1010 of the Listing Manual. It appears that the Thai GNCC Acquisition and the conversion of Excess Deposit into a loan granted to Tianjin GNCC were structured into two separate arrangements in order to avoid triggering Rule 1014 of the Listing Manual, which would deem the Thai GNCC Acquisition as a “major

transaction” requiring shareholders’ approval. Accordingly, shareholders’ approval was not obtained for the Thai GNCC Acquisition.

- 2.5.4.5 On 26 June 2018, the Company entered into the Tianjin GNCC Debt Repayment with Tianjin GNCC as full settlement of the debts owing by Tianjin GNCC to the Group totalling USD 8,569,996.28, comprising:
- The Excess Deposit of USD 3,669,996.28, the subject of the Tianjin GNCC Loan;
 - USD 500,000 owing to Top Post by Assure Win; and
 - USD 4,400,000 owing to Baling by Assure Win.
- 2.5.4.6 Pursuant to the Tianjin GNCC Debt Repayment, the aggregated debt amount was settled in full by 31 August 2018, through the transfer of 857,000 Thai GNCC shares by Tianjin GNCC to the Company’s subsidiary, IEG, representing a 1.714% equity interest in Thai GNCC. As a result of the Thai GNCC Completion and the Tianjin GNCC Debt Repayment, the Company held a total equity interest of 4.534% in Thai GNCC. The Tianjin GNCC Debt Repayment was not announced by the Company.
- 2.5.4.7 Although Mr. Cai had ceased to be the Director of the Company upon the Thai GNCC Completion and Tianjin GNCC Debt Repayment, he was the ultimate beneficial owner of the Fortune Woods, a controlling shareholder of the Company. He was also the Legal Representative of Tianjin GNCC, who in turn was a shareholder of Thai GNCC. Ms. Cai, Mr. Cai’s sister, was a Director and shareholder of Thai GNCC. Accordingly, the Thai GNCC Completion, the conversion of the Excess Deposit into a non-interest-bearing loan from the Company to Tianjin GNCC, and the Tianjin GNCC Debt Repayment may be related party transactions (“RPT”) pursuant to Singapore Financial Reporting Standards (International) 24: Related Party Disclosures (“SFRS(I) 24”). The Company did not disclose the Thai GNCC Acquisition as a RPT in its annual report, potentially in breach of Sections 201(2) and 201(5) of the Companies Act.

2.5.5 Lack of internal controls during the Thai GNCC Matter

- 2.5.5.1 Our factual findings indicate that there was no formal due diligence performed by the Company prior to the payments of the First Deposit and Additional Deposit, lack of safeguards on the refundability of the First Deposit and Additional Deposit, potential undisclosed relationships with the Thai GNCC Acquisition parties, potential anomalies in the Thai GNCC Valuations and potential regulatory breaches. Our factual findings suggest that the Company may lack adequate and effective internal controls and risk management systems. Further, during the material time of the Thai GNCC Matter, interviewees represented that the identification of IPTs and RPTs were reliant on self-declarations by the relevant persons. There were no formal written policies and procedures in relation to the following areas being adopted and implemented at the

Company level, Top Post nor Baling, potentially in breach of Rule 719(1) of the Listing Manual:²³

- Acquisitions and disposals;
- Valuations of purchase considerations with respect to potential acquisitions;
- Identification and assessment of IPT and RPT;
- Subsidiary controls;
- Identification and assessment of adjustments / provisions for impairments;
- Bank authorisations and signatories (including approval matrices and delegations of authority); and
- Procurement processes and payments (including approval matrices and delegations of authority).

2.5.5.2 In addition, we noted that there were no independent internal audits undertaken on the IPTs and/or RPTs in relation to the Thai GNCC Matter.

2.5.5.3 Notwithstanding that the Board of Directors and Audit Committee meeting minutes identified included an item on IPTs in the meeting agenda, the potential IPTs/RPTs identified in the Independent Review were not disclosed and/or identified in the meeting minutes.

2.5.5.4 To mitigate the reliance on individual IPT/RPT declarations, the Company should consider establishing independent audits to ensure that the policies on IPT/RPT meet the relevant regulatory requirements, and that declarations are complete and accurate.

2.5.5.5 The Company should consider implementing formal policies and procedures for proposed transactions (or subsequent amendments of key terms of executed transactions) to cover matters including:

- due diligence on the proposed transactions and risks of the target(s) of proposed acquisitions;
- documented negotiations between the Company and the vendor(s) on the terms and conditions and purchase consideration, including the rationale and approval of any changes in the terms of transactions, purchase considerations and/or cancellations;
- securitisation of deposit payments with appropriate supporting documentation;
- assessment and approvals of potential IPT/RPTs and/or conflicts of interest arising from the proposed transactions, including external advice, if required;
- assessment and approvals of external vendors (e.g. independent valuers);
- documentation to ensure a complete audit trail of internal controls and governance; and

²³ Rule 719(1) of the Listing Manual requires an issuer to have adequate and effective systems of internal controls and risk management systems.

- independent audits to periodically monitor the formal process and documentation to ensure appropriate functioning and compliance.

2.5.6 Financial impact of the Thai GNCC Matter

2.5.6.1 The total amount paid by the Company for the Thai GNCC Acquisition, Assure Win Transactions and Sure Vantage Transaction is tabulated below.

S/N	Transactions	Amount (USD)
1	Thai GNCC Acquisition – First Deposit and Additional Deposit (refer to section 2.5.2.1 and 2.5.2.2)	13,757,384
2	Assure Win Transactions (refer to section 2.5.3.3)	4,900,000
3	Sure Vantage Transaction (refer to section 2.5.3.3)	90,000

Total 18,747,384

2.5.6.2 From the Thai GNCC Acquisition to the date of this Report, the Plant has not commenced commercial operations, and we were unable to obtain the requisite information to conclude on the reasonableness of the current valuation of Thai GNCC. As of 30 June 2021, the Company has commenced the liquidation process of IEG, the wholly owned subsidiary of the Company, which holds the equity interest in Thai GNCC. Based on the FY2021 audited financial statements, the Group deconsolidated IEG's related assets and liabilities as of 5 January 2021, which included the 4.534% equity interest in Thai GNCC. As a result, the Group recognised a loss amounting to USD 15,611,000 arising from deconsolidation of IEG, and reclassified the fair value reserve of USD 5,468,000 to accumulated losses. The financial impact of the Group's equity interest in Thai GNCC from the Thai GNCC Acquisition to 30 June 2021 based on the FY2017 to FY2021 audited financial statements is tabulated below.

The Group's interest in Thai GNCC at FVTOCI	Amount (USD)
Cost of investment	22,659,996 ²⁴
Less: Impairment	
— FY 2018	(987,476)
— FY 2019	(1,936,016)
— FY 2020	(2,544,699)
Fair value loss arising from the deconsolidation of IEG	(17,191,806)

Carrying amount as of 30 June 2021

NIL

²⁴ Being the sum of the First Deposit, Additional Deposit, the interest accrued on the aforesaid deposits, and Assure Win Transactions.

2.6 The Shanghai Fengwei Matter

2.6.1 The Shanghai Fengwei acquisition

- 2.6.1.1 On 13 August 2018, the Company announced via *SGXNet* that:²⁵
- The Company and its subsidiary had entered into a share sale and purchase agreement with the shareholders of Shanghai Fengwei to acquire 100% of the shares in Shanghai Fengwei for a purchase consideration of SGD 12,500,000 (the “**Shanghai Fengwei Acquisition**”);
 - SY Y Capital Holdings Pte. Ltd. (“**SY YCH**”) and WTL Capital Holdings Pte. Ltd. (“**WTLCH**”) executed a subscription agreement with the Company whereby 100% of the subscription proceeds would be utilised for the Shanghai Fengwei Acquisition. (the “**2018 Subscriptions**”);
 - The shareholders of SY YCH and WTLCH were the shareholders and/or key personnel Shanghai Fengwei.
- 2.6.1.2 The 2018 Subscription was completed on 22 February 2019,²⁶ with proceeds raised totalling SGD 10 million.
- 2.6.1.3 Pre-acquisition financial, tax and legal due diligence was performed by external advisors, including an independent enterprise valuation of Shanghai Fengwei for the Shanghai Fengwei Acquisition. On 2 January 2019, the Company announced via *SGXNet* the completion of the Shanghai Fengwei Acquisition, upon which Shanghai Fengwei became a wholly owned subsidiary of the Company. On 22 February 2019, the Company announced via *SGXNet* the completion of the 2018 Subscriptions.²⁷
- 2.6.1.4 On 16 October 2018, the Company released a circular (the “**2018 Circular**”) ²⁸ via *SGXNet* to its shareholders to convene an extraordinary general meeting (“**EGM**”) to approve the 2018 Subscriptions and the Shanghai Fengwei Acquisition. The 2018 Circular states that each subscriber of the 2018 Subscription had provided an undertaking that each of them will, in the exercise of their voting power as shareholder of the Company, act independently and that there is no agreement, understanding or voting arrangement between them.

²⁵

https://links.sgx.com/FileOpen/NSG%20Announcement_Nonwoven%20SPA%20and%20Placement.7%20cln.ashx?App=Announcement&FileID=521398

²⁶ <https://links.sgx.com/1.0.0/corporate-announcements/BFUC79SWSISU6XRM/f0f8d3ea0c822eb0a603b809b51a3e5d02513d6442b9058834aa45bb93da1a2b>

²⁷ <https://links.sgx.com/1.0.0/corporate-announcements/BFUC79SWSISU6XRM/f0f8d3ea0c822eb0a603b809b51a3e5d02513d6442b9058834aa45bb93da1a2b>

²⁸ <https://links.sgx.com/FileOpen/NSG%20Circular.ashx?App=Announcement&FileID=529693>

2.6.1.5 Our key findings on the Shanghai Fengwei Acquisition are:

- The Company’s records indicate that SGD 2 million of the purchase consideration of SGD 12.5 million for the Shanghai Fengwei Acquisition remains outstanding and payable by the Company to the vendors of Shanghai Fengwei. The partial payment of the Shanghai Fengwei Acquisition was funded by the proceeds of the 2018 Subscriptions and a private placement to a third party individual. Notwithstanding the outstanding purchase consideration, Shanghai Fengwei’s share register issued by the Shanghai Administration for Industry and Commerce dated 27 December 2018 shows the Company as its sole shareholder.
- Contradicting the Company’s representation²⁹ in the 2018 Circular, interviewees represented that the shareholders of SYYCH and WTLCH act and vote together in the matters of the Company. Interviewees represented that the Company was reliant on the shareholders of SYYCH and WTLCH to abide by the undertakings, and that no further checks were performed by the Company to ensure the undertakings are complied with. We did not identify evidence that the Company was aware of the agreement between the shareholders of SYYCH and WTLCH acting together for shareholders’ votes.
- The combined shareholding of SYYCH and WTLCH in the Company pursuant to the 2018 Subscription is 16.88%, meeting the definition of “controlling shareholder” as defined in the Listing Manual. Accordingly, there could be a misrepresentation to the SGX-ST regarding the undertakings made by the shareholders of SYYCH and WTLCH that they act independently in the exercise of their voting power as shareholder of the Company.

2.6.2 The MA and the MSA

2.6.2.1 On 27 and 29 May 2020, the Company announced via *SGXNet* that it had entered into the MA dated 18 April 2020, pursuant to which the Company assigned to Shanghai Minlin the management rights of Shanghai Fengwei between 1 January 2020 and 31 December 2021 (the “**MA Period**”) (the “**Assignment**”). Pursuant to the MA, all profits and losses during the MA Period was assigned to Shanghai Minlin, with the cumulative net profits to be distributed only at the end of the MA Period. In consideration of the Assignment, Shanghai Minlin paid SGD 4 million to the Company (the “**MA Consideration**”).

2.6.2.2 On 18 April 2020, Shanghai Fengwei and Shanghai Minlin executed the MSA. The Company was not a party to the MSA. Pursuant to the MSA, Shanghai Minlin agreed to provide management services to Shanghai Fengwei, including human resource management and marketing services, for the period between 1 April 2020 and 31 December 2020 (the “**MSA Period**”). In consideration of the management services provided by Shanghai Minlin, Shanghai Fengwei would, during the MSA Period, pay a

²⁹ Section 2.4.6 of the 2018 Circular states that each subscriber of the 2018 Subscription, and Mr. Wang Huinuo had provided an undertaking that each of them will, in the exercise of their voting power as shareholder of the Company, act independently and that there is no agreement, understanding or voting arrangement between them.

monthly fee to Shanghai Minlin equal to Shanghai Fengwei's profits above a "base profit" amount. The base profit was Shanghai Fengwei's average monthly profit before tax (excluding non-operating income) between January and March 2020 (the "**Base Profit**").³⁰ If Shanghai Fengwei's actual monthly profit during the MSA Period was less than the Base Profit, Shanghai Minlin would pay Shanghai Fengwei the shortfall. An interviewee represented that the execution of the MSA allowed Shanghai Minlin to be paid on a monthly basis instead of at the end of the MA period, and the rationale of the Base Profit was to hold back funds until the end of the MA period, to protect Shanghai Fengwei in the event that Shanghai Minlin was unable to pay any losses incurred by Shanghai Fengwei.

2.6.2.3 On 28 October 2020, the Company announced via *SGXNet*³¹ that the rationale for the MA and the MSA was, *inter alia*, to obtain a guaranteed profit to mitigate the uncertainties due to COVID-19, to receive upfront cash in order to repay a loan owing to a financial institution (the "**Haitong Loan**"),³² and to enable Shanghai Fengwei to secure new sales contracts through customers introduced by Shanghai Minlin.

2.6.2.4 Our key findings on the MA and the MSA are as follows:

- Email correspondence between the Company's Board and management indicates that the Company's rationale to execute the MA was to receive an immediate cashflow to repay the Haitong Loan, in exchange for the rights to operate Shanghai Fengwei, and 100% of Shanghai Fengwei's profits and losses during the MA Period.
- Email correspondence indicated and interviewees represented that notwithstanding that the Board was aware of the substance of the MA arrangement, the MA was executed by Dr. Goh Jin Hian ("**Dr. Goh**") without the Board reviewing and approving the MA, and without legal advice obtained prior to its execution, due to the Company's urgency to repay the Haitong Loan. Interviewees represented that the contents of the MA were negotiated by Mr. Shen Yuyun ("**Mr. Shen**"), Executive Chairman of Shanghai Fengwei at the material time and Mr. Lin Jie ("**Mr. Lin**"), the ultimate beneficial owner of Shanghai Minlin, without input from the Board. On 21 May 2020, the Contract Fee of RMB 20 million (i.e. SGD 4 million) pursuant to the MA was paid by WTLCH on behalf of Shanghai Minlin to the Company. Following the receipt of the Contract Fee, the Company's bank records show that the Haitong Loan was fully paid by the Company on 28 May 2020.

³⁰ Upon the execution of the MSA, the Base Profit was CNY 1,121,449.30 (i.e., average monthly profit of Shanghai Fengwei, excluding its non-operating income, from January to March 2020), based on Shanghai Fengwei's FY2020 unaudited management accounts.

³¹

<https://links.sgx.com/FileOpen/NSG%20Ancmt%20Response%20to%20Queries%20on%20Disclaimer.fina.l.ashx?App=Announcement&FileID=636935>

³² A convertible loan agreement dated 25 May 2018 was executed between Haitong International Financial Products (Singapore) Pte. Ltd as the lender and the Company as the borrower for a convertible loan facility of up to a maximum amount of SGD5,000,000. The maturity date of the Haitong Loan was 1 June 2020.

- The MSA was discovered by the Company’s auditors during the FY2020 audit procedures. Interviewees represented that the MSA was arranged and executed by Mr. Shen and Mr. Lin without the involvement and awareness of the other Company personnel, and without legal advice nor Board approval obtained prior to its execution.
- Interviewees represented that although the MA and MSA are standalone agreements, they are in substance back-to-back agreements to achieve a single financing arrangement for the Company. Interviewees represented that there was no material involvement by Shanghai Minlin in the operations of Shanghai Fengwei. Shanghai Minlin did not perform the services as stated in the MA and MSA. The purpose of the MSA was to facilitate the monthly distribution of Shanghai Fengwei’s profits in excess of the Base Profit to Shanghai Minlin, whilst also achieving tax efficiencies, including reductions in corporate income tax and withholding tax. Given the MSA did not have a material benefit for Shanghai Fengwei, in view of the lack of services provided by Shanghai Minlin, the economic substance of the MSA does not appear to be justifiable without considering the terms of the MA, under which Shanghai Minlin paid SGD 4 million to the Company.
- The key terms of the MA and the MSA differ, including its payment terms. Monthly fees are payable pursuant to the MSA. Pursuant to the MA, no funds were payable by the Company to Shanghai Minlin until the end of the MA Period. Interviewees represented that at the end of the MA Period, the Company, Shanghai Fengwei and Shanghai Minlin would perform a final reconciliation exercise to determine the actual amount payable to Shanghai Minlin.

- The financial impact (excluding VAT) of the MA and MSA to the Group is tabulated below.

S/N	Transactions	Transaction dates	Amount (CNY)
1	Contract Fee of RMB 20 million received by the Company	21 May 2020	20,000,000.00
Fees payable by the Group pursuant to the MA and MSA			
2	MSA fee paid by Shanghai Fengwei	Between 21 May 2020 and 22 January 2021	(69,189,933.96)
3	Amount paid by Shanghai Fengwei to Shanghai Minlin pursuant to the Clause 2 and 5 of the MA ³³	4 January 2022	(20,000,000.00)
4	Remaining balance payable to Shanghai Minlin pursuant to the Clause 2 and 5 of the MA ³⁴	N/A	(4,010,272.43)
Total fees payable by the Group pursuant to the MA and MSA			(93,200,239.39)

Total (73,200,206.39)

- As of 13 June 2022, CNY 4,010,272.43 remains outstanding. Further, Shanghai Minlin has requested payment of an additional CNY 933,027.23, which comprises Shanghai Fengwei's audit and management fees during the MA Period, which Shanghai Minlin stated should be borne by the Company and excluded from Shanghai Fengwei's net profit calculations.
- In the Company's announcement dated 28 October 2020, it announced that the revenue increase in the fourth quarter ended 30 June 2020 was largely attributed to new orders introduced by Shanghai Minlin under the MA and the MSA. However, a monthly analysis of Shanghai Fengwei's non-woven sales revenue for the 2019 and 2020 calendar year, which comprised 95% of its total revenue, indicated that Shanghai Fengwei's revenue increase was primarily caused by an increase in product price, rather than the higher revenue generated from new customers. During the MA and MSA Periods, most sales orders were received from existing customers of Shanghai Fengwei. This was corroborated by interview representations, that the cause of the revenue increase in 2020 was not attributable to the introduction of new customers by Shanghai Minlin, but due to COVID-19 related market forces, and the subsequent increased demand for Shanghai Fengwei's non-woven materials to

³³ Clause 2 of the MA states "All profits and losses generated by Shanghai Fengwei are assigned to Shanghai Minlin, regardless of whether the actual operating income of Shanghai Fengwei during the contracted period is higher or lower than the total Contract Fee, it has nothing to do with the Company and shall be enjoyed or borne by Shanghai Minlin." Clause 5 of the MA states "Shanghai Minlin shall ensure that Shanghai Fengwei's net asset position remains unchanged during the period. Net asset position of Shanghai Fengwei is fixed, being the reported net assets as at 31 December 2019 (based on Shanghai Fengwei's 2019 annual report)."

³⁴ Excluding the audit and management fees of CNY933,027.23 which Shanghai Minlin stated in its Payment Request Letter to the Company dated 22 January 2022 should be borne by the Company and excluded from Shanghai Fengwei's net profit calculations.

produce personal protective equipment.

- The accounting and tax treatment of the fees paid by Shanghai Fengwei to Shanghai Minlin as consultancy and management expenses may not be appropriate, as it does not reflect the actual nature and purpose of the payment, which appears to be the distribution of Shanghai Fengwei's profits, rather than payments in exchange for management services. Accordingly, there may be tax exposures for Shanghai Fengwei arising from the potential miscategorisation of the fees paid pursuant to the MSA. We recommend that the Company and Shanghai Fengwei consult its auditors, the People's Republic of China ("PRC") legal counsel and tax advisors to determine the appropriate accounting treatment of the fees paid pursuant to the MSA, and any potential tax exposure.
- Legal advice obtained by the Company indicate that the MSA may not be legally binding pursuant to PRC law and it may be deemed to be void *ab initio*. If so, any benefits obtained by the parties to the MSA should be returned. We recommend that the Company and Shanghai Fengwei consult its PRC legal counsel to determine the enforceability of the MSA and the recoverability of the funds paid pursuant to the MSA, in the event it is voided.
- Shanghai Fengwei personnel confirm that Shanghai Fengwei did not maintain formal policies and procedures with respect to vendor management and procurement processes and payments before February 2021. For completeness, we were provided with copies of written policies and procedures for financial management (including investment related approvals, accounts receivable management and cash management) and an authorisation matrix for payments dated February 2021.

2.6.2.5 SFRS(I)10: Consolidated Financial Statements states that "*an investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee*". Notwithstanding the operation of the MA and the MSA, the Company continued to consolidate Shanghai Fengwei in its FY2020 financial statements. We did not identify evidence that the Company ceased to satisfy all three elements³⁵ of control pursuant to SFRS(I)10 during the MA and MSA Periods:

- As Shanghai Fengwei's sole shareholder, the Company continues to control Shanghai Fengwei's relevant activities³⁶ and financing and operating decisions, through the Company's control of the composition of Shanghai Fengwei's board. We did not identify evidence of side agreements which impose limitations on the Company's rights to directors' appointments and removals during the MA and MSA Periods.

³⁵ The three elements of control pursuant to SFRS(I) 10 are cumulative, and an investor controls an investee if and only if the investor has power over the investee, exposure, or rights, to variable returns from its involvement with the investee and the ability to use its power over the investee to affect the amount of the investor's returns.

³⁶ In accordance with KPMG Insights 17th Edition – para 2.5.60.10 "*The 'relevant activities' of the investee are the activities of the investee that significantly affect the investee's returns*". Shanghai Fengwei's relevant activities are primarily related to production, processing and sale of non-woven materials.

- The Company's exposure to variable returns arising from its interest and involvement in Shanghai Fengwei during MA and MSA Periods are not limited to its profits or losses, but also encompasses other forms of variable returns, including changes in the fair value of its investment in Shanghai Fengwei, and its residual interest in the Shanghai Fengwei's assets and liabilities on liquidation.
- There is a linkage between the Company's power over the relevant activities and variable returns generated by Shanghai Fengwei, given that Shanghai Fengwei's Executive Chairman was mandated by the Company to make decisions in line with the strategic objectives of the Company and was remunerated as a Director of the Company for his services. Further, email correspondence indicates that Shanghai Fengwei periodically reported on the operational and financial decisions affecting Shanghai Fengwei to the Company.

2.7 Potential contraventions of Listing Rules, Laws and Regulations

2.7.1 The Thai GNCC Matter

- 2.7.1.1 Based on our findings at sections 2.5.2.10 to 2.5.2.12, the Company is potentially in breach of Section 330(1) of the Securities and Futures Act 2001 by providing inaccurate representations to SGX-ST, an approved exchange under the Securities and Futures Act 2001, that Fortune Woods and Smartful were not related and that there would be no Board or management representation by them as a result of the 2011 Placement. Had their relationship been made known to SGX-ST, the 2011 Placement may have been subject to shareholders' approval pursuant to Rule 803 of the Listing Manual. Consequently, the Company may have been in breach of the Rule 803 for its failure to seek the requisite approval from shareholders.
- 2.7.1.2 Based on our findings in sections 2.5.2.16 to 2.5.2.19, the Company is potentially in breach of Rule 703(4)(a) read with paragraph 25(a) of Appendix 7.1 of the Listing Manual in connection with the disclosure requirements pursuant to Rule 1010(11)³⁷ of the Listing Manual by failing to disclose the interest held by the Company's directors and controlling shareholders in the Thai GNCC Acquisition.
- 2.7.1.3 Based on our findings in sections 2.5.2.21, 2.5.3.6 and 2.5.4.6, the directors of the Company is potentially in breach of Sections 201(2) and 201(5) of the Companies Act

³⁷ Rule 1010(11) of the Listing Manual states: "Where any of the relative figures computed on the bases set out in Rule 1006 exceeds 5%, an issuer must, after terms have been agreed, immediately announce the following:... Whether any director or controlling shareholder has any interest, direct or indirect, in the transaction and the nature of such interests."

by failing to disclose related party transaction pursuant to the SFRS(I) 24, an accounting standard issued by the Accounting Standard Council.

- 2.7.1.4 Overall and in light of the irregularities identified in the Thai GNCC Matter, there is a potential breach of Listing Rule 720(1), which requires an issuer to procure undertakings to comply with the Exchange's listing rules from all its directors and executive officers (in the form set out in Appendix 7.7) and submit the undertakings to the Exchange if required. An issuer must comply with Rule 210(5), Rule 221 (if applicable) and Rule 210(9)(e) (if applicable) on a continuing basis.
- 2.7.1.5 We recommend that the Company consult with its external legal counsel to assess the above potential contraventions of Listing Rules, laws and regulations and if there is a potential breach of fiduciary duties of the Board pursuant to section 157 of the Companies Act 1967.

2.7.2 The Shanghai Fengwei Matter

- 2.7.2.1 Based on our findings in section 2.6.2.4, there may be tax exposures for Shanghai Fengwei arising from the potential miscategorisation of the fees paid pursuant to the MSA. We recommend that the Company and Shanghai Fengwei consult its PRC legal counsel and tax advisors to determine the appropriate accounting treatment of the fees paid pursuant to the MSA, and any potential tax exposure. Further, as the legal advice obtained by the Company indicate that the MSA may not be legally binding pursuant to PRC law and it may be deemed to be void *ab initio*, we recommend that the Company and Shanghai Fengwei consult its PRC legal counsel to determine the enforceability of the MSA and the recoverability of the funds paid pursuant to the MSA, in the event it is voided.
- 2.7.2.2 Further, our findings in section 2.6.2.4 appear to contradict the Company's announcement dated 28 October 2020, and accordingly, the Company is potentially in breach of Listing Rule 703(4) read with paragraph 25(a) of Appendix 7.1 and Section 330(1) of the Securities and Futures Act 2001.

2.7.3 Lack of internal controls during the Matters

- 2.7.3.1 As described at section 2.5.5.1, we did not identify formal policies and procedures at a Company level in relation to the Thai GNCC Matter. Further, we did not identify formal policies and procedures maintained by the Company's subsidiaries involved in the Matters (i.e., Top Post, Baling and Shanghai Fengwei), including required Board consideration and approvals prior to entering transactions similar to the MA and the MSA. Accordingly, the Company is potentially in breach of Rule 719(1) of the Listing Manual

by failing to maintain an adequate and effective internal control and risk management systems.

2.7.3.2 On 21 March 2023, the Company provided us a status update on its Group and subsidiary level internal controls. An approval matrix was developed and effective since 30 April 2021, outlining the specific approval thresholds for each subject matter, depending on the decision type and/or financial quantum (the “**Approval Matrix**”). The Approval Matrix covers five categories of matters with delegated authorities:

- Organisation and management, including investment and divestment plans, declaration of dividends, issuance of new shares, IPTs, and guarantees and indemnities.
- Accounting and finance, including payment approval limits, accounting adjustments and asset impairments/write offs.
- Procurement, including approval matrices for capital expenditures.
- Sales and marketing, including customer credit terms and limits and sales discounts.
- Human resources management, including salary adjustment and bonus and overtime.

2.7.3.3 On 28 March 2023, the Company provided the findings of an internal audit performed by TRS on Shanghai Fengwei dated 26 August 2021. The internal audit on Shanghai Fengwei was performed on four areas: sales to collection, bank and cash management, production management and fixed asset and inventory management. In its findings, TRS stated that policies and procedures for these four areas had yet to be established. Minutes of an AC meeting on 26 August 2021 records, with respect to the above findings, states: “*Management has agreed to put into place the necessary action plans to address the risks.*”

2.8 Limitations and use of our report

2.8.1 Our report is prepared solely for the use of the Company and SGXRegCo under the terms of the Engagement Letter, and should not be used, quoted or referred to, in whole or in part, for any other purpose or to be made available to any other party without our prior written consent, save as required by law, regulation or any governmental or competent regulatory authority. We do not assume responsibility for loss and expressly disclaim any liability to any party whatsoever, however arising, from the use of this report other than for the purposes as set out in the Engagement Letter.

2.8.2 Our work does not constitute an audit, review or assurance engagement under the *Singapore Standards on Auditing*, *Singapore Standards on Review Engagements* or *Singapore Standards on Assurance Engagements*. Consequently, no opinion or assurance will be expressed under such standards. Unless it is part of our scope, we will not provide an opinion on the nature of any issues identified in the course of our work.

- 2.8.3 The observations in our report are based on the information made available to us in the course of our work. Except where expressly stated, the information has not been independently verified, and reliance has been placed on the integrity, accuracy and completeness of the information therein.
- 2.8.4 The observations set out in our report is based on our understanding of the relevant laws, regulations and guidelines applicable at the time of the engagement and should not be construed as legal advice.
- 2.8.5 Where an original document is in a non-English language, we have attempted to provide an accurate English translation. However, this is an unofficial translation provided for reference only.

NOTICE OF EXTRAORDINARY GENERAL MEETING

NEW SILKROUTES GROUP LIMITED

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

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting of New Silkroutes Group Limited (the “**Company**”) will be held at Temasek Club, 131 Rifle Range Road, Singapore 588406 on 6 February 2024 at 9.30 a.m., for the purpose of considering and, if thought fit, passing with or without modifications, the following resolution:-

ORDINARY RESOLUTION

THE PROPOSED DISPOSAL OF 100% OF THE TOTAL ISSUED AND PAID-UP CAPITAL OF SHANGHAI FENGWEI GARMENT ACCESSORY CO., LTD. (上海枫围服装辅料有限公司)

THAT:

- (a) approval be and is hereby given for the sale by New Silkroutes Capital Pte. Ltd. of 100% of the registered capital of Shanghai Fengwei Garment Accessory Co., Ltd. (上海枫围服装辅料有限公司), at a total consideration of RMB 88.0 million (approximately S\$16.3 million¹), and otherwise on such terms and conditions as the Directors of the Company may deem fit; and
- (b) the Directors of the Company be and are hereby authorised to enter into all such transactions, arrangements and agreements and approve, execute and deliver all documents and do all deeds and things as may be necessary, expedient, incidental or in the interests of the Company to give effect to the approvals given in this Ordinary Resolution or the transactions contemplated by the Proposed Disposal.

By Order of the Directors

Ong Beng Hong
Company Secretary, 22 January 2024

Notes:

1. The EGM will be convened and held physically at Temasek Club, 131 Rifle Range Road, Singapore 588406. There will be no option for members to participate virtually.
2. Live voting will be conducted during the EGM for members and proxies attending the EGM. Shareholders will be instructed on how to cast their votes at the EGM.
3. An investor who holds shares under the Central Provident Fund Investment Scheme (“**CPF Investor**”) and/or the Supplementary Retirement Scheme (“**SRS Investors**”) (as may be applicable) may attend and cast his vote(s) at the EGM in person. CPF and SRS Investors who are unable to attend the EGM but would like to vote, may inform their CPF and/or SRS Approved Nominees to appoint the Chairman of the EGM to act as their proxy at least seven (7) working days before the EGM, in which case, the CPF and SRS Investors shall be precluded from attending the EGM.

A member who is not a relevant intermediary (as defined in Section 181 of the Companies Act 1967 (the “**Companies Act**”)) is entitled to appoint not more than two (2) proxies to attend, speak and vote on his/her behalf at the EGM. Where a member appoints more than one (1) proxy, he/she shall specify the proportion of his/her shares to be represented by each such proxy, failing which the nomination shall be deemed to be alternative.

¹ Based on the exchange rate of RMB 100 : S\$18.50 as at 21 July 2023 from the Monetary Authority of Singapore.

NOTICE OF EXTRAORDINARY GENERAL MEETING

A member who is a relevant intermediary (as defined in Section 181 of the Companies Act) is entitled to appoint more than two (2) proxies to attend, speak and vote at the EGM, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member's form of proxy appoints more than two (2) proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the form of proxy.

4. A proxy need not be a member of the Company. The instrument appointing a proxy(ies), together with the power of attorney or other authority under which it is signed (if applicable) or a notarially certified copy thereof, must:
 - (a) if sent personally or by post, be deposited at the office of the Company's share registrar, **B.A.C.S. Private Limited** at **77 Robinson Road, #06-03 Robinson 77, Singapore 068896**; or
 - (b) if submitted by email, be received by the Company's share registrar, **B.A.C.S. Private Limited** at **main@zicoholdings.com**,

in either case, by no later than 9.30 a.m. on Sunday, 4 February 2024, being not less than 48 hours before the time for holding the EGM in order to be entitled to attend and to vote at the EGM. If no specific direction as to voting is given or in the event of any other matter arising at the Meeting and at any adjournment thereof, the proxy(ies) will vote or abstain from voting at his/her discretion.

5. The sending of a Proxy Form by a member does not preclude him from attending and voting in person if he finds that he is able to do so. In such event, the relevant Proxy Forms will be deemed to be revoked.
6. A depositor shall not be regarded as a member of a Company entitled to attend, speak and vote at the EGM unless his name appears on the Depository Register (as defined in Section 81SF of the Securities and Futures Act 2001) 72 hours before the time fixed for the EGM.
7. If sent personally or by post, the instrument appointing the proxy(ies) of an individual must be under the hand of the appointor or of his attorney duly authorised in writing and the instrument appointing the proxy(ies) of a corporation must be executed either under its common seal or under the hand of its attorney or a duly authorised officer.

Where an instrument appointing a proxy(ies) is submitted by email, it must be authorised in the following manner:

- (a) by way of the affixation of an electronic signature by the appointor or his/her duly authorised attorney or, as the case may be, an officer or duly authorised attorney of a corporation; or
 - (b) by way of the appointor or his duly authorised attorney or, as the case may be, an officer or duly authorised attorney of a corporation signing the instrument under hand and submitting a scanned copy of the signed instrument by email.
8. A member may also submit questions related to the resolutions to be tabled for approval at the EGM either (i) in person at the EGM during the live Q&A session; or (ii) prior to the EGM. To do so, all questions must be submitted by 9.30 a.m. on Tuesday, 30 January 2024:
 - (a) in hard copy by sending personally or by post and lodging the same at the registered office of the Company at 456 Alexandra Road, #24-01, Fragrance Empire Building, Singapore 119962; or
 - (b) by email to info@newsilkroutes.com.

Members will need to identify themselves when posing questions by email or by mail by providing the following details:

- (a) the member's full name as it appears on his/her/its CDP/CPF/SRS share records;
- (b) the member's NRIC/Passport/UEN number;
- (c) the member's contact number and email address; and
- (d) the manner in which the member holds his/her/its shares in the Company (e.g. via CDP, CPF or SRS).

The Company will not be able to answer questions from persons who provide insufficient details to enable the Company to verify his/her/its shareholder status.

The Company will address substantial and relevant questions relating to the resolutions to be tabled for approval at the EGM as received from members by the cut off date and time of 9.30 a.m. on Tuesday, 30 January 2024. The Company will publish its responses to such queries on SGXNet by 9.30 a.m. on Friday, 2 February 2024. The Company will address those substantial and relevant questions which have not already been addressed prior to the EGM, as well as those received "live" at the EGM itself, during the EGM.

9. The Notice of EGM and proxy form may be accessed at the Company's website at the URL <https://newsilkroutes.com/latest-newsannouncements/> at the menu "Latest News/Announcements". The Notice of EGM and proxy form have also been made available on SGXNet.

Personal data privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Meeting and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the

NOTICE OF EXTRAORDINARY GENERAL MEETING

Company (or its agents) of proxies and representatives appointed for the Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Meeting (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

NEW SILKROUTES GROUP LIMITED

(Company Registration No. 199400571K)
(Incorporated in Singapore with limited liability)

PROXY FORM

(Please see notes overleaf before completing this Form)

IMPORTANT:

1. A relevant intermediary may appoint more than two proxies to attend the Extraordinary General Meeting and vote (please see note 4 for the definition of "relevant intermediary").
2. For CPF investors and/or SRS investors (as may be applicable), this Proxy Form is not valid for use and shall be ineffective for all intents and purposes if used or purported to be used by them.
3. Please read the notes to the Proxy Form.

I/We, _____ (Name)
_____ (NRIC/Passport Number/Company Registration Number)
of _____ (Address)

being a member/members of New Silkroutes Group Limited (the "Company"), hereby appoint:

Name	NRIC / Passport Number	Proportion of Shareholdings	
Address		No. of Shares	%

*and/or (deleted as appropriate)

Name	NRIC / Passport Number	Proportion of Shareholdings	
Address		No. of Shares	%

Or failing the person, or either or both of the persons, referred to above, the Chairman of the Meeting as my/our proxy/proxies to vote for me/us on my/our behalf at the Extraordinary General Meeting (the "Meeting") of the Company to be held on 6 February 2024 at 9.30 a.m. and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the Resolution proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given, the proxy/proxies will vote or abstain from voting at his/her/their discretion, as he/she/they will on any other matter arising at the Meeting and at any adjournment thereof.

No.	Ordinary Resolution	Number of Votes For ⁽¹⁾	Number of Votes Against ⁽¹⁾
1	To approve the sale by New Silkroutes Capital Pte. Ltd. of 100% of the registered capital of Shanghai Fengwei Garment Accessory Co., Ltd. (上海枫围服装辅料有限公司)		

(1) Voting will be conducted by poll. If you wish to exercise all your votes "For" or "Against", please tick [X] within the box provided. Alternatively, please indicate the number of votes as appropriate.

Dated this _____ day of _____ 2024



Signature of Shareholder(s)
Or Common Seal of Corporate Shareholder

Total number of Shares in:	No. of Shares
(a) CDP Register	
(b) Register of Members	

IMPORTANT: PLEASE READ NOTES OVERLEAF BEFORE COMPLETING THIS PROXY FORM

Notes:

1. Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act 2021), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Shares held by you.
2. A member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint not more than two proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.
3. Where a member of the Company appoints more than one proxy, that member shall specify the proportion of his/her shareholding to be represented by each proxy and if the proportion is not specified, the first named proxy shall be deemed to represent 100 per cent. of the shareholding of that member and the second named proxy shall be deemed to be an alternate to the first named proxy.
4. A member who is a relevant intermediary entitled to attend the meeting and vote is entitled to appoint more than two proxies to attend and vote instead of the member, but each proxy must be appointed to exercise the rights attached to a different Share or Shares held by such member. Where such member appoints more than two proxies, the appointments shall be invalid unless the member specifies the number of Shares in relation to which each proxy has been appointed.

“Relevant intermediary” means:

- a. a banking corporation licensed under the Banking Act 1970 or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity;
 - b. a person holding a capital markets services licence to provide custodial services under the Securities and Futures Act 2001 and who holds shares in that capacity; or
 - c. the Central Provident Fund Board established by the Central Provident Fund Act 1953, in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.
5. Completion and return of this instrument appointing a proxy shall not preclude a member from attending and voting at the Meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy to the Meeting.
 6. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 456 Alexandra Road, #24-01 Fragrance Empire Building, Singapore 119962 not less than forty-eight (48) hours before the time appointed for the Meeting.
 7. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised. Where the instrument appointing a proxy or proxies is executed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified copy thereof must be lodged with the instrument.
 8. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Meeting, in accordance with Section 179 of the Companies Act 1967 of Singapore.

PERSONAL DATA PRIVACY:

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Extraordinary General Meeting dated 22 January 2024.

General:

The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible, or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of Shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have Shares entered against his name in the Depository Register as at 72 hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.