NEW SILKROUTES GROUP LIMITED

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

RESPONSE TO SGX QUERIES

The Board of Directors (the "**Board**") of the Company (and together with its subsidiaries, the "**Group**") wishes to announce the following in response to the queries raised by the Singapore Exchange Securities Trading Limited (the "**SGX-ST**").

SGX-ST's Query:

We refer to the Company's announcement on:

1) *04 September 2023, titled "Financial Statements and Related Announcement::Discrepancies between unaudited and audited accounts" ("**Discrepancies**");*
2) *04 September 2023, titled "Annual reports and related documents" ("**AR**") &*
3) *18 September 2023, titled "Proposed Acquisition of Tianjin Zhoushun Logistics Co., Ltd." ("**Acquisition**")*

Discrepancies

1. *In regards to the Explanatory notes for the material differences, please explain what led to the reclassification for i), ii) & iii).*

Company's Response:

Reclassification for i) is mainly due to items inadvertently grouped together incorrectly.

Reclassification for ii) is due to the recognition of the loss of financial guaranteed liabilities and it is material to be disclosed individually.

Reclassification for iii) is due to review of the classification of the disposal group classified as held for sale.

SGX-ST's Query:

2. *We refer to the unaudited and audited financial statements for the year ended 30 June 2022, please provide explanations for the following material variances in:*

   i) (Loss)/profit before taxation from US$32,396,000 to US$34,823,000

Company's Response:

The increase in loss before taxation mainly pertains to the recognition of additional bad debt written off, prepayment written off, intangible assets written off and additional depreciation recognised amounting in aggregate to US$2,198,000.

ii) Net cash flows generated from operating activities from US$1,668,000 to US$4,761,000

Company's Response:

The increase in net cash flows generated from operating activities mainly pertains to the movement of trade and other payables from US$(2,322,000) to US$1,052,000.

iii) Net cash flows used in investing activities from US$453,000 to US$521,000

Company's Response:

The increase in net cash flows generated from investing activities mainly pertains to the increase in acquisition of intangible assets and purchase of property, plant and equipment.

iv) Net cash flows used in financing activities from US$3,480,000 to US$6,342,000

Company's Response:

The increase in net cash flows generated from financing activities mainly pertains to the repayment of profit guarantee of US$3,001,000.

Please also explain how the Company has complied with Listing Rule 704(6).

Company's Response:

The Company has complied with Listing Rule 704(6) by announcing the material differences between its unaudited full year financial results and its audited full year financial results on Monday, 4 September 2023, after the Company's auditors finalised the audited figures on Thursday, 31 August 2023.

SGX-ST's Query:

AR

3. Listing Rule 1207(10C) requires the Audit Committee's comments on whether the internal audit function is independent, effective and adequately resourced.

Please disclose whether and how Listing Rule 1207(10C) has been complied with.

Company's Response:

The Company has complied with Listing Rule 1207(10C) by disclosing on pages 26 and 27 of the Annual Report for the financial year ended 30 June 2022 the following (emphasis our own):

> *For FY2022, the Company has appointed an external accounting firm, TRS Forensics Pte. Ltd. ("**TRS**") as the Internal Auditors of the Group to perform internal audit work under an internal audit plan. TRS is a suitably appointed qualified firm of risk consultants (including Certified Internal Auditors), with its processes guided by the International Standards for the Professional Practice of Internal Auditing set by the Institute of Internal Auditors, and **is an independent service provider** which is a technology-based professional services firm that specialises in the provision of risk*

advisory services including Internal Audit, Data Protection, Cybersecurity and Forensics Investigation. The firm currently maintains an outsourced internal audit portfolio of about 20 companies listed on the SGX-ST, Bursa-Malaysia and The Stock Exchange of Hong Kong in construction, property development, manufacturing, healthcare, logistics, engineering services, e-commerce and trading industries. The Internal Auditors report directly to the chairman of the Audit and Risk Committee on all internal audit matters.

The Engagement Team for the internal audit comprises a Director and a Manager who are supported by a team of risk consultants. The Director, Mr Gary Ng, has close to 20 years of relevant experience whilst the Manager has more than 10 years of relevant experience.

The role of the Internal Auditors is to support the Audit and Risk Committee in ensuring that the Company maintains a sound system of internal controls and risk management by monitoring and assessing the effectiveness of the key controls and procedures, conducting in-depth audits of high-risk areas and undertaking investigation as directed by the Audit and Risk Committee. The Audit and Risk Committee approves the hiring, removal, evaluation and compensation of the Internal Auditors. The Audit and Risk Committee ensures that the Internal Auditors are ***adequately resourced and has appropriate standing within the Company and has unfettered access to all the Company's documents, records, properties and personnel, including access to the Audit and Risk Committee.***

…The Audit and Risk Committee is ***satisfied with the adequacy and effectiveness of the internal audit function*** *and assesses the same at least annually.*

SGX-ST's Query:

Acquisition

4. Please disclose how the Vendor was introduced to BLT and the Company.

Company's Response:

Upon completion of the Company's scheme of arrangement, 2810198 Ontario Inc. ("**Ontario**") will become the controlling shareholder of the Company. At present, Mr Kelvin Chong ("**Mr Chong**") is the ultimate controlling shareholder of both Ontario and Beijing Luoke Commercial Management Co., Ltd. (the "**Vendor**").

SGX-ST's Query:

5. Please disclose the identity of the remaining shareholders holding 41% of the equity of Hequ Yuanyang Industrial Co., Ltd.

Company's Response:

The list of minority shareholders are as follows: Liu Dan (19%), Fan Huanyun (13%), and Kang Zhaoming (9%). All three shareholders acquired their shares in December 2013.

SGX-ST's Query:

6. *Please disclose the due diligence conducted by the Company on the Vendor and the Target Company.*

Company's Response:

The Vendor's ultimate shareholder is Mr Chong, who is also the sole shareholder of Ontario, the Company's largest creditor. Ontario will become the majority shareholder of the Company upon completion of the Company's scheme of arrangement.

In order to complete the acquisition, the Company engaged Beijing Mingpu Accounting Firm in China to conduct a special audit of Hequ Yuanyang Industrial Co., Ltd ("**HYI**"); Zhongjing Asset Appraisal (Tianjin) Co., Ltd. in China to evaluate the equity value of HYI; and Beijing Dongwei Law Firm in China to conduct legal due diligence on the Target Company and to draft the Equity Transfer Agreement dated 15 September 2023.

At the same time, the Executive Director and CEO, Deputy CEO, and two Independent Directors of the Company visited Hequ County, Xinzhou City, Shanxi Province, China twice in May 2023 and August 2023 respectively to conduct on-site due diligence on Tianjin Zhoushun Logistics Co., Ltd. (the "**Target Company**") and Hequ Operation Railway Dispatching Station. The Management and Directors had an in-depth communication with the operations team of the Target Company and obtained a detailed understanding of the operation and future development of Hequ Operation Railway Dispatching Station.

SGX-ST's Query:

7. *Please disclose if there are any material conditions attaching to the transaction, including a put, call, or other option and details. Please also clarify whether the Company has entered into / intends to enter into other agreements with the Vendor for provision of other services or acquisitions.*

Company's Response:

Other than as disclosed in the Company's announcements dated 18 September 2023 and 10 October 2023, there are no other material conditions. At present, the Company has not entered into and does not intend to enter into other agreements with the Vendor for provision of other services or acquisitions.

SGX-ST's Query:

8. *Please disclose the computations to arrive at the relative figure of 2.8% under Listing Rule 1006(b).*

Company's Response:

	USD	RMB	Exchange rate	SGD	
Company's audited FY2022 net loss	35.13		1.3918	48.90	a
HYI's audited FY2022 net loss (59%)		7.21	0.1869	1.35	b
Relative figure under Listing Rule 1006(b)				***2.8%***	c=b/a

SGX-ST's Query:

9. It is disclosed in the Announcement that, BLT intends to acquire assets such as the Hequ Operation Railway Dispatching Station through HYI following the Completion.

Please elaborate on the Hequ Operation Railway Dispatching Station and disclose how the Company plans to finance such acquisitions.

Company's Response:

The construction of the project started in June 2014. The platform and railway line infrastructure construction were completed at the end of October 2017, and the project was officially put into operation on 16 February 2019. Hequ Operation Railway Dispatching Station covers a total area of about 214 acres and has a total of two platforms, being the south platform of 67,000 square meters and the north platform of 65,000 square meters. The south platform is under construction with a fully enclosed coal shed of 30,000 square meters and the north platform is under construction with a fully enclosed coal shed of 20,000 square meters. The platforms are equipped with an automatic atomising spray system, anti-freezing spray station, dust suppression network, and special road sprinkler. There is also a production, domestic sewage and canteen fume treatment system.

Hequ Operation Railway Dispatching Station has five railway lines, including two arrival and departure lines and three loading lines. The total length of the two arrival and departure lines is about 2,600 meters, of which the south line is about 1,400 meters and the north line is about 1,200 meters. The total length of the three loading lines is 2,920 meters, each of which is 973 meters long. The two arrival and departure lines are connected to the Shenshuo Line and the Yinhuo Line respectively, and the two railway lines will eventually connect to the most important east-west railway transportation artery in northern China, which is the transportation hub at the center of the transportation network of the three provinces and an important channel for coal export.

Hequ Operation Railway Dispatching Station is in the Jin-Shan-Mongolian (Shanxi Province, Shaanxi Province, and Inner Mongolia) coal golden "delta". The total output of thermal coal from the three provinces accounted for 66.82% of the total output of China. Within 180 km are the Hequ and Bade counties in Shanxi Province, the Fugu, Shenmu and Yulin counties in Shaanxi Province, Junge and Ordos in Inner Mongolia, and other key coal-producing areas. There are 8 coal mines within 20 kilometers with a production capacity of 11.8 million tons per year; 99 coal mines within 40 kilometers with a production capacity of 128.18 million tons per year; 411 coal mines within 90 kilometers with a production capacity of 750.51 million tons per year; and 738 coal mines within 180 kilometers with a production capacity of 1,683.46 million tons per year.

Hequ Operation Railway Dispatching Station can provide three main types of services, which are:

1. Coal storage

Coal mines around the station use dump trucks to transport raw coal to the dispatch station, weigh the raw coal and pile it into the coal shed on the station platform. HYI charges a storage fee by weight and time before the coal is shipped. At present, the fully enclosed coal shed at the north and south platforms can store a total of 200,000 tons of raw coal.

2. Coal handling

Before coal is shipped, the Hequ Operation Railway Dispatching Station uses loaders to load the raw coal stacked in the coal shed into train wagons. HYI charges loading fees according to the weight of the coal. The annual loading capacity is 9.46 million tons per year. The combined loading capacity of the two loading lines is 18.92 million tons per year.

3. Dispatch shipment

After the raw coal is loaded into the train wagons, the Hequ Operation Railway Dispatching Station will organise the wagons according to the requirements of the downstream buyers, and ship the trains to the national railway main line through its own railway line. HYI charges freight according to the weight of the goods. The total length of the two arrival and departure lines is about 2,600 meters, of which the south line is about 1,400 meters and the north line is about 1,200 meters, which can meet the arrival and departure of the entire line of coal goods. The total length of the three loading lines is 2,920 meters, each of which is 973 meters in length, and can meet the loading conditions of three columns (4,240 - 4,320 tons per column) at the same time, with the loading and delivery capacity of 6 columns per day.

As disclosed in the Company's announcement dated 10 October 2023, the revised consideration is RMB 4 million, which is equivalent to approximately S$750,000. After the Company's scheme of arrangement, Ontario will support the Company in financing this acquisition.

SGX-ST's Query:

10. Please disclose the track record of the Target Company and/or HYI in the business of coal storage and sales and general cargo loading and unloading, and how long has it undertaken such business.

Company's Response:

According to the station's records, the number of shipments (including coal loading and unloading and coal storage, but excluding coal sales) in 2019 to date is as follows: 224,000 tons in 2019, 920,000 tons in 2020, 1.18 million tons in 2021, 660,000 tons in 2022, and 1.93 million tons shipped by the end of September in 2023.

The Target Company and HYI have undertaken such business for approximately 10 years.

SGX-ST's Query:

11. Please disclose whether and how the Board and management has the necessary experience and skill set in managing the new business.

Company's Response:

Heqi Operation Railway Dispatching Station, the asset of the Target Company, has completed construction and is currently in stable operation. The Target Company has an experienced and highly qualified operation team at the station site.

The Company's Executive Director and CEO, Mr Han Binke, worked for Huarong International Holdings Limited for approximately 4 years, and as such is very familiar with the Chinese

business environment and has extensive investment management experience in the logistics and coal industries.

SGX-ST's Query:

12. *Taking into consideration that the Group is in a net current liabilities position and cash and bank balances of USD1.5m as at 30 June 2022 per its latest financial results, please explain how the Company intends to satisfy the Consideration fully in cash.*

Company's Response:

As disclosed in the Company's announcement dated 10 October 2023, the revised consideration is RMB 4 million, which is equivalent to approximately S$750,000. After the Company's scheme of arrangement, Ontario will support the Company in financing this acquisition.

Shareholders and potential investors of the Company are advised to read this announcement and any further announcements made by the Company carefully. Shareholders and potential investors of the Company are advised to refrain from taking any action with respect to their securities in the Company which may be prejudicial to their interests, and to exercise caution when dealing in the securities of the Company. Shareholders and potential investors of the Company should consult their stockbrokers, bank managers, solicitors or other professional advisers if they have any doubt about the actions they should take.

BY ORDER OF THE BOARD

Mr Han Binke
Executive Director and CEO
16 October 2023