

NEW SILKROUTES GROUP LIMITED

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

RESPONSE TO SGX QUERIES IN RELATION TO THE COMPANY’S UNAUDITED FINANCIAL RESULTS FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2020

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”) in relation to the unaudited financial results of the Company for the first quarter ended 30 September 2020 released on 13 November 2020 (the “Announcement”).

All capitalized terms in this announcement shall have the same meanings as are accorded to them in the Announcement, unless otherwise defined.

1. SGX-ST’s Query:

With reference to the unaudited financial statements for the period ended 30 September 2020, please disclose the reason for a drop in finance cost from US\$708k for the period ended 30 September 2019 to US\$627k for the period ended 30 September 2020.

Company’s Response:

Finance costs decreased to US\$627K in the first quarter ended 30 September 2020 (“1Q21”) as compared to US\$708K in the first quarter ended 30 September 2019 (“1Q20”), mainly due to the reduction in oil trading activities in 1Q21.

2. SGX-ST’s Query:

Please provide a breakdown of the Group’s trade and other receivables amount of US\$16,993,000 and US\$14,941,000 for the period ended 30 June 2020 (“FY2020”) and 30 September 2020 (“Q1 FY2021”) respectively.

Company’s Response:

	30 September 2020	30 June 2020
	US\$’000	US\$’000
Trade receivables from:		
Third parties	15,572	17,075
Less: Loss allowance		
Third parties	(4,169)	(4,167)
	<u>11,403</u>	<u>12,908</u>
Other receivables from:		
Former related party	807	807
Related parties	21	20
Deposits	439	409
Consideration receivables	2,310	2,311

Margin and hedge accounts	27	278
Insurance recoverable	823	823
Other receivables	1,470	1,796
	<u>5,897</u>	<u>6,444</u>
Less: Loss allowance	(2,359)	(2,359)
	<u>3,538</u>	<u>4,085</u>
Total trade and other receivables	<u>14,941</u>	<u>16,993</u>

3. SGX-ST's Query:

Please provide a breakdown of the Group's trade and other payables amount of US\$26,025,000 and US\$18,129,000 for FY2020 and Q1 FY2021 respectively. Please explain the decrease in trade and other payables from FY2020 to Q1 FY2021.

Company's Response:

	30 September 2020	30 June 2020
	US\$'000	US\$'000
Trade payables from:		
Third parties	<u>9,183</u>	<u>9,557</u>
Other payables from:		
Former related party	35	35
Related party	6	-
Accrued purchases	-	3,670
Accrued operating expenses	989	766
Accrued personnel expenses	246	176
Deposit received	-	354
Consideration payable	1,473	1,414
Consultancy and marketing fees payable	1,581	4,484
Upfront guaranteed profit received	2,945	2,828
Other payables	<u>1,671</u>	<u>2,741</u>
	<u>8,946</u>	<u>16,468</u>
Total trade and other payables	<u>18,129</u>	<u>26,025</u>

Trade and other payables decreased to US\$18.13 million as at 30 September 2020 when compared to US\$26.03 million as at 30 June 2020 mainly due to the decrease in accrued purchase resulting from the decrease in oil trades.

4. SGX-ST's Query:

Please explain why interest income amounted to only \$50k during the financial period ended 30 September 2020 when the Company has significant cash and bank balance amounting to \$16.2m.

Company's Response:

Most of the Group's bank balance is maintained in a non-interest-bearing current account. The bank balance of US\$8.43 million from a subsidiary, Shanghai Fengwei Garment Accessory Co., Ltd ("Fengwei") is interest bearing at a rate of 0.3% to 1% per annum.

5. SGX-ST's Query:

Please provide the reason(s) for the significant borrowings of \$28m by the Group when the Group recorded a cash and cash equivalent of \$16.2m as at 30 September 2020.

Please disclose:

- (i) details of the loan, including the terms of the loan, interest on loan and maturity dates;
- (ii) a breakdown of the lenders and their identities (and its ultimate beneficial shareholders and directors if the relevant lenders are not financial institutions);
- (iii) when were the loan obtained and approved by the Board including the Audit Committee; and
- (iv) the use of proceeds from the loan.

Company's Response:

The Group's bank balance of US\$2.08 million in the energy entity is restricted in use, as it relates to funds held in designated bank accounts which are earmarked only for the purposes of letters of credit and US\$407K being the fixed deposits pledged. The Group's bank balances comprise mainly balances from our PRC subsidiary, Fengwei, which is approximately US\$8.43 million out of the total Group's bank balances of US\$16.18 million (52%) as at 30 September 2020. This is in line with the proportion of bank balances as at 30 June 2020 of approximately US\$11.38 million out of US\$19.32 million (58%) in Fengwei. The listed Singapore healthcare and energy entity (i.e. the Company) required significant borrowings of approximately US\$20 million (excluding US\$8 million from Fengwei) for the growth and expansion activities of the Group.

The terms and conditions of borrowings are as follows:

<u>Group</u>	<u>Currency</u>	<u>Nominal interest rate</u>	<u>Year of maturity</u>	<u>Use of proceeds</u>	<u>Carrying amount</u>
					US\$'000
30 September 2020					
Loans from financial institutions					
- secured ⁽¹⁾	SGD	2.00% to 6.25%	2021 to 2025	US\$3.489m - acquisition of subsidiaries US\$3.726m - working capital	7,215
- secured ⁽²⁾	USD	12%	2022	Oil trading activities and working capital	6,800
- secured ⁽³⁾	RMB	2.3% to 5%	2020 to 2021	Purchase of inventories	7,999
					22,014
Other borrowings (secured) ⁽⁴⁾	USD	14.89%	2027	Oil trading activities	5,881
					<u>27,895</u>

Notes:

(1) US\$3.49 million obtained in December 2019. US\$3.66 million obtained in April and June 2020. US\$21K was obtained in July 2018. US\$46K was obtained by a subsidiary before the Group acquired the subsidiary.

(2) US\$6.8 million obtained in the April 2020.

(3) US\$6.95 million obtained in December 2019, February and April 2020. US\$1.05 million obtained in February and March 2020, pertaining to the government-subsidised loan.

(4) A financing arrangement entered into by the subsidiary, TXZ Tankers Pte. Ltd. whereby the Vessel was secured by the counterparty for an amount of US\$6.5 million obtained in April 2020.

BY ORDER OF THE BOARD

Ong Beng Hong
Company Secretary

3 December 2020