NEW SILKROUTES GROUP LIMITED
(Registration No. 199400571K)
(Incorporated in Singapore)

RESPONSE TO QUERY REGARDING ANNOUNCEMENT ON THE PROPOSED ACQUISITION OF 51% OF THE ISSUED AND PAID-UP SHARE CAPITAL OF HEALTHSCIENCES INTERNATIONAL PTE. LTD.

The Board of Directors (the "**Board**" or the "**Directors**") of New Silkroutes Group Limited (the "**Company**", and collectively 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 announcement dated 15 September 2016 on the Company's proposed acquisition of 51% of the issued and paid-up share capital of Healthsciences International Pte. Ltd. (the "**Announcement**"). *Unless otherwise defined, all terms used herein shall bear the same meaning as in the Announcement.*

SGX's Queries

1. *On 15 September 2016, New Silkroutes Group Limited (the "**Company**") released an announcement (the "**Announcement**") on the proposed acquisition of 51% of Healthsciences International Pte. Ltd. ("**HSI**") (the "**Proposed Acquisition**") and the accompanying media release. Please provide the following information to be released via SGXNet by 20 September 2016:*

   (i) *In paragraph 2.3 of the Announcement, it is stated that the net tangible liability of HSI as at 31 May 2016 was mainly due to non-recognition of intangible assets "(which would have resulted in a revaluation gain)" and previous net losses due to HSI having been in "investment mode".*

      (a) *Explain the relevance of the phrase "which would have resulted in a revaluation gain". This should include the details of the revaluation gain and the nature of the intangible assets in question.*

      (b) *Provide details on the investments by HSI that have led to its previous net losses.*

   (ii) *In paragraph 2.6 of the Announcement, it is stated that valuation was performed on the Target Group by Jones Lang LaSalle Corporate Appraisal and Advisory Limited. Disclose who commissioned the valuation and the basis used (including the key assumptions made) in arriving at the valuation of S$8.5 million, as required under Rule 1010(5) of the Listing Manual.*

   (iii) *We note from paragraph 2.7 of the Announcement that Ms Vivien Chen, Mr Lee Soek Shen and Mr Goh Jin Hian are co-shareholders in HSI. Given that Ms Vivien Chen is an independent director of the Company, please provide the Nominating Committee's assessment on Ms Vivien Chen's independence. Disclose when they became shareholders of HSI.*

   (iv) *With reference to paragraph 8 of the Announcement, please explain the basis of the Audit Committee's view that the Proposed Acquisition is on normal commercial terms and is not prejudicial to the interests of the Company and its minority shareholders.*

   (v) *Pursuant to Rule 1011 of the Listing Manual, please make available the valuation report for shareholders' inspection for 3 months from the date of the announcement.*

2. *In addition, we note that there were negative figures used in the computation of Rule 1006 ratios. Pursuant to Rule 1007(1) of the Listing Manual, issuers should consult the Exchange on whether Chapter 10 is still applicable to the transaction. Hence, please announce that the Company will be consulting the Exchange on the Proposed Acquisition to ascertain whether the Company is required to seek shareholders' approval for the Proposed Acquisition in view of the negative figures.*

3. *In your announcement, please disclose our questions and your corresponding answers to enable investors to understand the matters raised by the Exchange.*

Company's Response

(i) Additional information on statement that the net tangible liability of HSI as at 31 May 2016 was mainly due to non-recognition of intangible assets "(which would have resulted in a revaluation gain)" and previous net losses due to HSI having been in "investment mode":

(a) Clarification of the phrase "which would have resulted in a revaluation gain", including the details of the revaluation gain and the nature of the intangible assets in question:

The HSI Group had net tangible liability of S$381,994.00 as at 31 May 2016. Notwithstanding that, taking into account the intangible assets of S$2,500,000.00, the HSI Group had net assets of S$2,118,006.00 per the audited financials as at 31 May 2016. The intangible assets had been recorded at fair value based on the valuation performed by independent professional valuers, Jones Lang LaSalle Corporate Appraisal and Advisory Limited.

The intangible assets relate to the development costs of a clinic management (healthcare ICT) system.

(b) Details on the investments by HSI that have led to its previous net losses:

The Company understands from the Vendors that HSI has been investing in its clinic management (healthcare ICT) systems since 2002 and the investment represents an estimated 14 years of expenses which went into the prototyping and commercialisation of its clinic management (healthcare ICT) systems, which currently have 4 modules catering to the management of hospitals, medical centres, western clinics, TCM clinics and pharmacies. The expenses allocated to the investment in source code and processes and the expansion of 2 new clinics in 2015, none of which had been revalued until 31 May 2016, led to the previous net losses.

(ii) Additional information on the valuation performed by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, including the identity of the party who commissioned the valuation and the basis used (including the key assumptions made) in arriving at the valuation of S$8.5 million, pursuant to Rule 1010(5) of the Listing Manual:

The valuation was commissioned by the Company.

The valuation is based on an income approach technique known as the discounted cash flow method to devolve the future value of the business into a present market value. Indication of value has been developed by discounting projected future net cash flows available for payment of shareholders' interest to their present worth at a discount rate which in the opinion of the independent valuer is appropriate for the risks of HSI's business.

The following key assumptions in determining the market value of the equity interest had been made:

(a) The projected business performance can be achieved with the effort of the management of HSI, exclusive of store value facility business, and the valuer has taken note that a significant portion of revenue derived from IT system projects have not been secured as at the Valuation Date;

(b) There will be no material change in the existing political, legal, technological, fiscal or economic conditions which might adversely affect the business of the Company;

(c) The operational and contractual terms stipulated in the relevant contracts and agreements will be honoured;

(d) The facilities and systems proposed are sufficient for future expansion in order to realise the growth potential of the business and maintain a competitive edge; and

(e) The valuer has assumed that there are no hidden or unexpected conditions associated with the assets valued that might adversely affect the reported values. Further, the valuer assumes no responsibility for changes in market conditions after the Valuation Date.

(iii) Date when Ms Vivien Chen, Mr Lee Soek Shen and Mr Goh Jin Hian became shareholders of HSI, and the Nominating Committee's assessment on Ms Vivien Chen's independence as an Independent Director of the Company:

Mr Lee Soek Shen became a shareholder of HSI on 4 November 1994. Dr Goh Jin Hian became a shareholder of HSI on 17 April 2002. Ms Chen Chou Mei Mei Vivien ("**Ms Vivien Chen**") became a shareholder of HSI on 24 December 2003.

The criterion of independence is based on the definition given in Guideline 2.3 of the Code of Corporate Governance 2012 (the "**Code**"). The Board and the Nominating Committee of the Company consider a Director to be "independent" if he or she has no relationship with the Company, its related corporations (as defined in the Companies Act, Cap. 50), its 10% shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of that Director's independent business judgement with a view to the best interests of the Company.

Pursuant to section 6 of the Companies Act, Cap. 50, corporations are deemed to be related to each other where a corporation is: (a) the holding company of another corporation; (b) a subsidiary of another corporation; or (c) a subsidiary of the holding company of another corporation, whereby the first-mentioned corporation and that other corporation shall be deemed to be related to each other. Based on the aforementioned provisions, HSI and the Company are not deemed to be related corporations.

Guideline 2.3 of the Code also sets out a non-exhaustive list of relationships or circumstances which may appear relevant to the question of determining whether a director is independent. The guideline specifies that if the board wishes, in spite of the existence of one or more of these relationships, to consider the director as independent, it should disclose in full the nature of the director's relationship and bear responsibility for explaining why he or she should be considered independent.

Based on the abovementioned guideline, the Company wishes to clarify that Ms Vivien Chen is considered independent, as she is:

(a) not a Director being employed by the Company or any of its related corporations for the current or any of the past three financial years;

(b) not a Director who has an immediate family member who is, or has been in any of the past three financial years, employed by the Company or any of its related corporations and whose remuneration is determined by the Remuneration Committee;

(c) not a Director, or an immediate family member, accepting any significant compensation from the Company or any of its related corporations for the provision of services, for the current or immediate past financial year, other than compensation for board service;

(d) not a Director:

(i) who, in the current or immediate past financial year, is or was; or

(ii) whose immediate family member, in the current or immediate past financial year, is or was,

a 10% shareholder of, or a partner in (with a stake of 10% or more), or an executive officer of, or a director of, any organisation to which the Company or any of its subsidiaries made, or from which the Company or any of its subsidiaries received, significant payments or material services (which may include auditing, banking, consulting and legal services), in the current or immediate past financial year (as a guide, payments aggregated over any financial year in excess of S$200,000.00 should generally be deemed significant), save for the Proposed Acquisition which constitutes a one-off, non-recurrent transaction, pursuant to which Ms Vivien Chen would receive an aggregate amount of S$389,657.00 as consideration for the sale of 91,684 shares of HSI;

(e) not a Director who is a 10% shareholder or an immediate family member of a 10% shareholder of the Company; or

(f) not a Director who is or has been directly associated with a 10% shareholder of the Company, in the current or immediate past financial year. Payments for transactions involving standard services with published rates or routine and retail transactions and relationships (for instance credit card or bank or brokerage or mortgage or insurance accounts or transactions) will not be taken into account, unless special or favourable treatment is accorded.

The Nominating Committee, with the concurrence of the Board, is of the opinion that, as the Proposed Acquisition (which Ms Vivien Chen, as one of the Vendors, is an interested party to) constitutes a one-off non-recurrent transaction with the Company, the Proposed Acquisition is not likely to affect her judgement as an Independent Director of the Company. Accordingly, the Nominating Committee and the Board are of the opinion that Ms Vivien Chen satisfies the criteria of independence as prescribed by the Code and there are no relationships or circumstances which could interfere, or be reasonably perceived to interfere, with the exercise of Ms Vivien Chen's independent business judgment with a view to the best interests of the Company.

(iv) Basis of the Audit Committee's view that the Proposed Acquisition is on normal commercial terms and is not prejudicial to the interests of the Company and its minority shareholders:

To ensure that the Proposed Acquisition was undertaken at arm's length and on normal commercial terms, the Proposed Acquisition was subjected to certain review procedures, including the commission of an independent third-party valuer to perform a valuation on the Target Group, an assessment of the operational needs and financial condition of the Group by the management team and the Board, and a review and assessment of the terms of the Sale and Purchase Agreement and subsequent approval thereof by the Company's Audit Committee, which Ms Vivien Chen abstained from as she is interested in the Proposed Acquisition.

The Audit Committee is of the view that the Proposed Acquisition is consistent with the Group's usual business practices and policies, including the Group's business strategy to diversify into other sectors such as the healthcare industry, which the Board believes has the potential for growth to the benefit of the Company and its shareholders. Besides taking into account non-quantitative factors such as the businesses of the Target Group and prevailing market conditions, the Audit Committee also noted that the Consideration for the Sale Shares at S$2,167,500.00, which was arrived at after arm's length negotiations between the Company and the Vendors and on a willing-buyer and willing-seller basis, is less than the valuation of the Target Group at S$8.5 million (and book value of S$2.1 million as at 31 May 2016), as provided by the independent valuer Jones Lang LaSalle Corporate Appraisal and Advisory Limited.

Accordingly, the Audit Committee is of the view that the Proposed Transaction is on normal commercial terms and is not prejudicial to the interests of the Company and its minority shareholders.

(v) Valuation report for shareholders' inspection:

The Company confirms that a copy of the valuation report will be available for inspection during normal business hours at the Company's registered office at 21 Serangoon North Avenue 5, Ban Teck Han Building #05-02, Singapore 554864 for a period of three (3) months from 15 September 2016, being the date of the Announcement.

(vi) Clarification on negative figures used in the computation of Rule 1006 ratios:

Pursuant to Rule 1007 of the Listing Manual, an issuer is required to consult the SGX-ST "if any of the relative figures computed pursuant to Rule 1006 is a negative figure". In the case of the Proposed Acquisition, whilst the figures used for computation under Rule 1006(b) were negative figures (as the Group and the Target Group both experienced net losses in their respective financial years), the relative figure that was actually computed based on the negative figures is a positive figure of 6%. In this regard, it was the opinion of the Company that Rule 1007 does not apply to the Proposed Acquisition.

Nonetheless, as requested by the SGX-ST, the Company will be consulting the SGX-ST to ascertain whether the Company is required to seek shareholders' approval for the Proposed Acquisition.

BY ORDER OF THE BOARD

Lim Koon Hock
Joint Company Secretary

20 September 2016