NEW SILKROUTES GROUP LIMITED

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

RESPONSE TO SGX QUERIES ON COMPANY'S FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2022

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 Company's financial statements for the financial period ended 31 March 2022 (the "**Financial Statements**") released via SGXNET on 14 June 2022.

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

SGX-ST's Query:

(a) Given the Group's significant liabilities of US$54,382,000 and cash and bank balance of only US$3,781,000 and noting that the Company incurred losses of US$(27,590,000) for the period ended 31 March 2022, please disclose the Board's assessment

(i) whether the Company's current assets are adequate to meet the Company's short term liabilities of US$46,756,000, including its bases of assessment; and

Company's Response:

The Management and Board of Directors are of the view that the Group's current assets are adequate to meet the Company's short term liabilities after considering the following:

1) The Group is generating positive cash flow from operations.

2) On 29 November 2021, the Group has appointed a financial advisor to, inter alia, undertake a review of the Company's existing businesses and financials and to assist the Group with any debt restructuring and plans to improve the financial position and/or performance of the Group. The negotiations with creditors is positive and is expected to result in significant reduction in the liabilities of the Company.

3) The Group's short term liabilities includes the financial guarantee liability of US$27.4 million. The Group has secured an investor to acquire these debts. It is expected that the financial guarantee liability will be settled through a debt capitalisation exercise and will not result in a cash payment by the Group. Please refer to our announcement on 24 May 2022 for more information.

4) Referring to the same announcement, the investor will be extending a working capital loan of S$1.3 million for the Company's working capital needs.

(ii) how the Company intends to fulfil its significant payment obligations in the next 12 months. Where the Company has worked out debt repayment plans to fulfil its debt obligations, please disclose if the Company is on track to fulfilling these obligations.

Company's Response:

After reviewing the Group's and Company's major payment obligations in the next 12 months, the Management and Board of Directors are of the view that the Group and Company will be able to pay its debt repayments based on the following assumptions:

1) The most significant liability on the balance sheet, the financial guarantee liability of US$27.4 million, will be resolved through a debt capitalisation exercise.

2) With the on-going Covid-19 vaccination programme and testing, certain businesses units of the healthcare segment has experienced higher revenue growth.

3) On 12 May 2022, a term sheet was entered into for the sale of a Traditional Chinese Medicine held by one of the Group's indirect subsidiaries. The proceeds from the sale will help to fund part of the Group's working capital and debt repayment requirements.

4) The Group has the options to explore further divestments, if appropriate, to generate addition cash.

(b) Please disclose the pro-active actions which management plans to take to ensure that the Group's financial position remains strong.

(i) Please assess the Company's ability to operate as a going concern.

Company's Response:

The Management and the Board has undertaken steps such as:

1) Implement cost saving measures
2) Negotiation with creditors to defer or improve payment terms and conditions
3) Negotiation with creditors to lower the overall debts
4) Raising funds by bringing in new investor(s)

The above measures are expected to allow the Group and Company to meet their obligations as and when they fall due for the next twelve months.

(ii) Please assess the Company's ability to meet its debt covenants (if any).

Company's Response:

In view of the steps taken by the Management and the Board and continued engagement with lenders, no new material loan covenants are expected to be breached.

(iii) Please assess the Company's ability to meet its short-term obligations when they fall due.

Company's Response:

From their review of the cashflow forecasts, actual and expected fund raising activities and debt negotiations, the Management and the Board expects that the Company is able to meet its short-term obligations when they fall due.

(c) It is disclosed in the unaudited financial results that, the Company has other receivables of US$4,095,000. Please disclose:

(i) the underlying transactions, the terms of the transactions (including the contract sum), terms of payment, and whether this was incurred in the ordinary course of business;

Company's Response:

Underlying transaction	Contract sum	Terms of payment	Incurred in the ordinary course of business
	US$'000		
Cash in transit	17	1 - 5 days	y
Bills receivable	676	N/A	y
Security deposit[N1]	3,168	N/A	n
Accrued revenue	46	15 - 30 days	y
Others[N2]	80	N/A	n
Opening balances[N3]	108	N/A	n
	4,095		

N1: This pertains to security paid to a third party
N2: This pertains to advances paid to suppliers for operating expenditure, advances to employees, insurance claim receivables, and other miscellaneous receivables.
N3: This amount mainly arises from brought forward pre-acquisition balances. Provision of US$55,000 has been made on these amounts and efforts are being made to recover on the remaining US$53,000.

(ii) the ageing profile of the Group's trade and other receivables in bands of 3 months;

Company's Response:

The ageing profile of the Group's trade and other receivables is as shown in the table below:

Not past due	< 30 days	31 – 90 days	> 90 days	Credit impaired	Total
US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
7,035	679	619	1,877	(1,471)	8,739

(iii) whether these outstanding amounts are owing to related parties. If yes, to provide details and quantify;

Company's Response:

There are no amounts owing to related parties.

(iv) whether these debtors are related to any directors, key executives, substantial shareholders or their respective associates; and

Company's Response:

These debtors are third parties and are not related to any directors, key executives, substantial shareholders or their respective associates.

(v) the Board's assessment on the recoverability of the Group's trade and other receivables, and the basis for such an assessment.

Company's Response:

The Group manages credit risk by trading only with recognised and creditworthy third parties. For customers who wish to trade on credit terms, the Group will take into account the quantity of the customer order, background and creditworthiness of the customer, payment history of the customer and relationship with the customer.

Management conducts routine review of the ageing profile to identify long outstanding receivables for follow up action. From past experience, debtors with recovery issues tend to be for small amounts that are not significant individually or collectively.

The Board is satisfied that the provision for trade and other receivables is adequate and there are no significant recovery issues.

(d) It is disclosed in the unaudited financial results that, as at 31 March 2022, the Group and the Company recognised financial guarantee liabilities of US$27.4 million (FY2021: NIL) and US$$27.4 million (FY2021: NIL), respectively. The liabilities made are mainly resulted from the insolvency of the oil and gas segment as disclosed in Note 8. The liabilities were principally arising from loan, lease financing arrangement and boat charter agreement. Please disclose:

(i) the breakdown of the financial guarantee liabilities;

Company's Response:

Loan extended from oCap Management Pte. Ltd. to International Energy Group Pte. Ltd. ("**IEG**") (the "**oCap Loan**"): US$13.4 million

Lease financing arrangement of the bare boat charter agreement (the "**BBC agreement**"): US$14 million.

(ii) the details of the respective financial guarantee liabilities;

Company's Response:

As disclosed in the announcement dated 20 January 2021:

(a) The Company is a corporate guarantor to the oCap Loan; and
(b) IEG is a corporate guarantor to the BBC agreement entered into by its subsidiary TXZ Tankers Pte. Ltd., in which if IEG defaults, the Company is a corporate guarantor to the lease financing arrangement and its contingent liabilities under the applicable termination clauses associated to the BBC agreement.

(iii) the details of the counterparties and their identities;

Company's Response:

The counterparties are:

(a) in relation to the oCap Loan: oCap Management Pte. Ltd.; and

(b) in relation to the BBC Agreement: Iolani shipping Limited.

(iv) when were the guarantees obtained and approved by the Board including the Audit Committee; and

Company's Response:

Board approval (including members of the Audit Committee) for the guarantee in relation to the oCap Loan was first obtained in October 2017, and again in April 2020 when loan matured and a new loan agreement was signed. The guarantee in relation to the BBC Agreement was obtained in April 2020.

(v) the background of recognizing these financial guarantee liabilities for the period ended 31 March 2022. Please provide an explanation as to why these financial guarantee liabilities were not recognized in the prior financial years. Please explain as to how the Memorandum of Agreement with 28100198 Ontario Inc will affect the recognition of the financial guarantee liabilities.

Company's Response:

As mentioned in our annual report for FY2021 and in our announcement on 13 September 2021, the Group has sought legal advice from its lawyers and are in active discussion with the counterparties to reach an amiable conclusion. Prior to the conclusion of these discussions, the amounts have not been fixed and agreed upon and therefore cannot be measured with sufficient reliability. Accordingly, these financial guarantee liabilities were accounted for as contingent liabilities in accordance with IFRS(I) 1-37. The discussions with the counterparties were concluded and the amounts fixed and agreed upon by all parties together with the signing of the Memorandum of Agreement with 28100198 Ontario Inc. The financial guarantee liabilities were then recognised and accounted for in accordance with IFRS(I) 9.

Shareholders of the Company and potential investors should note that the trading in the Company's securities may be suspended in the event that the Company is unable to continue as a going concern. Shareholders of the Company and potential investors are advised to exercise caution when dealing in

the shares of the Company and to refrain from taking any action in respect of their shares in the Company which may be prejudicial to their interests. Shareholders of the Company and potential investors are advised to read all further announcements by the Company carefully and to consult their stockbrokers, bank managers, solicitors, accountants or other professional advisers if they have any doubt about the actions they should take.

BY ORDER OF THE BOARD

Dr VicPearly Wong Hwei Pink
Executive Director and CEO
1 July 2022