

NEW SILKROUTES GROUP LIMITED

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

RESPONSE TO SGX QUERIES IN RELATION TO THE ANNOUNCEMENT DATED 27 MAY 2020

The Board of Directors (the “**Board**”) of the Company 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 by the Company dated 27 May 2020 on the management agreement in respect of Shanghai Fengwei Garment Accessory Co., Ltd. (the “**Announcement**”).

All capitalised 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**

We refer to the announcement issued by the Company on 27 May 2020 entitled “Management Agreement in respect of Shanghai Fengwei Garment Accessory Co., Ltd.” (the “**Announcement**”). Please provide the rationale for the appointment of Shanghai Minlin New Textile Materials Sales Centre (“**Shanghai Minlin**”) to manage and expand the business of the Company’s wholly-owned subsidiary, Shanghai Fengwei Garment Accessory Co., Ltd (“**Shanghai Fengwei**”).

Company’s Response:

The manufacturing sector is competitive in China and the management of Shanghai Fengwei and the Company have decided on a growth strategy of collaboration with external parties to (i) market its non-woven material to downstream factories and (ii) explore vertical integration with downstream factories to manufacture the end-products (namely, PPE) for direct sale to consumers. Shanghai Minlin was recommended and selected by the management of Shanghai Fengwei as a suitable partner for the marketing phase of this strategy.

2. **SGX-ST’s Query**

Please disclose (i) the salient terms of the management agreement with Shanghai Minlin, and (ii) the consideration to be paid under the agreement and the factors taken into account in arriving at it. Please clarify if there is any recourse to the Company in the event that Shanghai Fengwei does not meet the guaranteed profit of S\$2,000,000 per financial year. Please clarify the bases in arriving at the guaranteed profit threshold of S\$2,000,000 per financial year.

Company’s Response:

Pursuant to the management agreement, the Company has agreed to assign the management rights and the profits of Shanghai Fengwei during the period 1 January 2020 to 31 December 2021 to Shanghai Minlin for a consideration of S\$4,000,000 (the

“**Consideration**”). All profits and losses during the aforesaid period, whether in excess of or less than the Consideration, shall be borne by Shanghai Minlin.

The Consideration, being the combined guaranteed profit of S\$4,000,000 for 2020 and 2021, was paid by Shanghai Minlin to the Company on 22 May 2020. In return, Shanghai Minlin would retain the net profit after tax generated by Shanghai Fengwei for 2020 and 2021. The operations and finances of Shanghai Fengwei would continue to be controlled by our Executive Director, Mr Shen Yuyun, and his management team.

The guaranteed profit threshold of S\$2,000,000 per financial year was arrived at after arm’s length negotiation between the management of Shanghai Fengwei and Shanghai Minlin after taking into consideration the fact that the guaranteed profit was approximately 37% higher than the profit of Shanghai Fengwei for the financial year ended 31 December 2019. There is no recourse in the event that Shanghai Fengwei does not meet the guaranteed profit of \$2,000,000 per financial year.

3. SGX-ST’s Query

Please provide the profile information of Shanghai Minlin including and not limited to its principal business, track record and experience.

Company’s Response:

Shanghai Minlin was established on 22 April 2020 and is engaged in the business of sale of textile and non-woven materials.

Mr Lin Jie, the controlling shareholder of Shanghai Minlin, is the chairman of Shanghai Baolu Electronic Technology Co., Ltd, Collection House Co., Ltd and several other companies. He has experience in various fields, including e-commerce, home materials, logistics and healthcare. He has entered into a long-term strategic business partnership with Dr Zhou Bin, the president of HAVY International, a consulting firm with a focus on, *inter alia*, healthcare and technology.

The Company believes that partnering with Mr Lin Jie would enable Shanghai Fengwei to leverage on the resources and connections of Mr Lin.

4. SGX-ST’s Query

Please disclose whether any director or controlling shareholder has any interest, direct or indirect, in the transaction and the details of such interests.

Company’s Response:

None of the Directors or controlling shareholders of the Company has any interest direct or indirect, in the transaction.

5. SGX-ST’s Query

Please disclose if there is any connection (including business relationship) between Shanghai Minlin, its directors and substantial shareholders with the Company, its directors and substantial shareholders.

Company's Response:

There is no connection (including business relationship) between Shanghai Minlin, its directors and substantial shareholders with the Company, its directors and substantial shareholders.

BY ORDER OF THE BOARD

Dr Goh Jin Hian
Executive Director and Chief Executive Officer

29 May 2020