NEW SILKROUTES GROUP LIMITED

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

THE PROPOSED ACQUISITION OF TIANJIN ZHOUSHUN LOGISTICS CO., LTD. AS A MAJOR TRANSACTION AND AN INTERESTED PERSON TRANSACTION

---

1. INTRODUCTION

The board of directors (the "**Board**") of New Silkroutes Group Limited (the "**Company**", together with its subsidiaries, the "**Group**") wishes to announce that Beijing Lunan Technology Co., Ltd. ("**BLT**"), an indirect subsidiary of the Company has, on 15 September 2023, entered into an equity transfer agreement (the "**Equity Transfer Agreement**") with Beijing Luoke Business Management Co., Ltd. (the "**Vendor**", together with BLT, the "**Parties**" and each a "**Party**"), pursuant to which BLT will acquire 100% of the equity of Tianjin Zhoushun Logistics Co., Ltd. (the "**Target Company**") (the "**Sale Shares**") from the Vendor (the "**Proposed Acquisition**").

Following completion of the Proposed Acquisition (the "**Completion**"), BLT will be the sole shareholder of the Target Company and will indirectly own 59% of the equity of Hequ Yuanyang Industrial Co., Ltd. ("**HYI**"), which is held by the Target Company.

The Proposed Acquisition constitutes an interested person transaction as defined under Chapter 9 of the listing manual of the Singapore Exchange Securities Trading Limited ("**SGX-ST**") (the "**Listing Manual**"), as well as a "major transaction" as defined under Chapter 10 of the Listing Manual. Accordingly, the Proposed Acquisition is subject to the approval of shareholders of the Company being obtained at an extraordinary general meeting (the "**EGM**") to be convened.

2. INFORMATION ON BLT, THE TARGET COMPANY AND THE VENDOR

2.1. Information on BLT

BLT, a wholly-owned subsidiary of Beijing Xiefei Business Management Co., Ltd. and an indirect subsidiary of the Company, is a limited liability company established on 17 October 2006 and validly existing in accordance with the laws of the People's Republic of China (the "**PRC**"). As at the date of this announcement, BLT is primarily engaged in the business of investment management.

2.2. Information on the Target Company and the Vendor

The information on the Target Company and the Vendor was provided by the Target Company and the Vendor respectively and the contents of this announcement relating to the Target Company and the Vendor have been confirmed by the Target Company and the Vendor to be accurate. In respect of such information, the Company and the Directors have not independently verified the accuracy and correctness of the same and the sole responsibility of the Company and Directors is to ensure that such information has been accurately and correctly extracted and reproduced in this announcement in its proper form and context.

<u>Information on the Target Company</u>

2.2.1 The Target Company is a legal entity established on 7 April 2017 and validly existing in accordance with the laws of the PRC. As at the date of this announcement, the Target

Company is the wholly-owned subsidiary of the Vendor, with a registered capital of RMB 100 million. The Target Company is primarily engaged in the business of investment management.

2.2.2 As at the date of this announcement, the Target Company holds 59% of the equity of HYI. On 3 July 2023, an appraisal on the value of all shareholders' equity of HYI was commissioned by Beijing Xiefei Business Management Co., Ltd and was conducted by an independent valuer, Zhongjing Assets Appraisal (Tianjin) Co., Ltd. (the "**Valuer**"). As at 31 March 2023, the value of all shareholders' equity of HYI was appraised to be RMB 19,647,255.48. HYI is primarily engaged in the business of coal storage and sales and general cargo loading and unloading, and BLT intends to acquire assets such as the Hequ Operation Railway Dispatching Station through HYI following the Completion.

Information on the Vendor

2.2.3 The Vendor is a limited liability company established on 18 March 2022 and validly existing in accordance with the laws of the PRC. As at the date of this announcement, the Vendor is the sole shareholder of the Target Company and its current sole shareholder is FS Fenghua Pte Ltd. The Vendor is primarily engaged in the business of investment management.

3. SALIENT TERMS OF THE PROPOSED ACQUISITION

The terms and conditions of the Proposed Acquisition are set out in the Equity Transfer Agreement and include, *inter alia*, the following:

3.1. Consideration

3.1.1 The consideration for the Sale Shares is RMB 11 million (equivalent to approximately S$2.06 million[1]) (the "**Consideration**"), which was arrived at on a willing-buyer willing-seller basis, after taking into consideration the net asset value of the Sale Shares and the market value of the Sale Shares.

3.1.2 Pursuant to the Equity Transfer Agreement, the Consideration shall be fully satisfied in cash and shall be paid to the Vendor in the following manner:

(a) within 3 days after the signing of the Equity Transfer Agreement, BLT shall pay 10% of the Consideration, being RMB 1.1 million (equivalent to approximately S$0.21 million[1]); and

(b) within 30 days after the signing of the Equity Transfer Agreement, BLT shall pay 90% of the Consideration, being RMB 9.9 million (equivalent to approximately S$1.85 million[1]).

3.2. Taxes

All taxes and fees incurred in the performance of the Equity Transfer Agreement shall be borne by the Vendor.

[1] Based on the exchange rate of 100 RMB: 18.69 SGD from the Monetary Authority of Singapore as at 14 September 2023, which conversion rate is applied to all RMB to SGD conversion in this announcement.

3.3. **Condition Precedent**

3.3.1 Pursuant to the Equity Transfer Agreement, the Proposed Acquisition is conditional upon obtaining the approval from the shareholders of the Company for the transactions contemplated in the Equity Transfer Agreement (the "**Condition Precedent**").

3.3.2 In the event that the Condition Precedent is not fulfilled, the Equity Transfer Agreement shall cease to take effect and the Vendor shall refund to BLT all Consideration amounts already paid by BLT under the Equity Transfer Agreement.

4. RATIONALE FOR THE PROPOSED ACQUISITION

The Board believes that the Proposed Acquisition is in the best interests of the Group and the shareholders of the Company, as it will present the Company with an investment opportunity in the transportation industry in the PRC and position itself within a highly developed and active market in the PRC. The Proposed Acquisition will allow the Company to turn around its loss-making position. This may allow the potential for growth in the market capitalisation of the Company, an overall increase in investor interest and consequently, improve the liquidity of the Group.

5. SOURCES OF FUNDS

BLT intends to finance the Proposed Acquisition from internal operation funds.

6. FINANCIAL EFFECTS OF THE PROPOSED ACQUISITION

The *pro forma* financial effects of the Proposed Acquisition on the Group as set out below are purely for illustrative purposes only and should not be taken as an indication of the actual financial performance or position of the Group following the Completion.

Based on the Group's latest audited consolidated financial statements for the financial year ended 30 June 2022 ("**FY2022**"), the *pro forma* financial effects of the Proposed Acquisition are as follows:

6.1. **Effect on Group's net tangible assets ("NTA") per share**

For illustrative purposes only, had the Proposed Acquisition been completed on 30 June 2022 and based on the latest audited consolidated financial statements of the Group for FY2022 (being the end of the most recently completed financial year), the Proposed Acquisition would have had the following impact on the Group's NTA per share:

	Before the Proposed Acquisition	**After the Proposed Acquisition**
Net tangible liabilities ("**NTL**") of the Group (S$'000)	29,412	27,727
Number of issued ordinary shares in the capital of the Group	208,464,669	208,464,669
NTL per share (cents)	(14.1)	(13.3)

6.2. **Effect on earnings per share ("EPS")**

For illustrative purposes only, had the Proposed Acquisition been completed on 1 July 2021 and based on the latest audited consolidated financial statements of the Group for FY2022 (being the end of the most recently completed financial year), the Proposed Acquisition would have had the following impact on the Group's EPS:

	Before the Proposed Acquisition	After the Proposed Acquisition
Profit/(Loss)[(1)] after tax attributable to equity holders of the Company (S$'000)	(48,895)	(50,242)
Weighted average number of shares ('000)	208,464,669	208,464,669
EPS (cents)	(23.5)	(24.1)

Note:

(1) Net profits means profit or loss including discontinued operations that have not been disposed and before income tax and non-controlling interests.

6.3. **Value of the Sale Shares**

6.3.1 The net tangible asset value and the book value of the Sale Shares is approximately S$1,684,761. The net loss attributable to the Sale Shares is approximately S$1,347,061.

6.3.2. As at the date of this announcement, there is no available open market valuation of the Sale Shares as they are not publicly traded. Beijing Xiefei Business Management Co., Ltd has commissioned Zhongjing Asset Valuation (Tianjin) Pte Ltd. to undertake an independent asset valuation on the Target Company in connection with the Proposed Acquisition and will update shareholders on the same as and when appropriate. Further information on the valuation report to be prepared by the said valuer will be set out in the Circular to shareholders.

7 RELATIVE FIGURES COMPUTED BASED ON RULE 1006 OF THE LISTING MANNUAL

Based on the latest announced consolidated accounts of the Group, being the audited financial statements for FY2022, the relative figures in relation to the Proposed Acquisition computed on the applicable bases set out in Rule 1006 of the Listing Manual are as follows:

Rule	Bases of computation	Relative figures
Rule 1006(a)	Net asset value ("**NAV**")[(1)] of the assets to be disposed of, compared with the Group's NAV.	Not applicable[(4)]
Rule 1006(b)	Net loss[(2)] attributable to the assets acquired, compared with the Group's net loss.	2.8%
Rule 1006(c)	Aggregate value of the consideration given, compared with the issuer's market capitalisation[(3)] based on the total number of issued shares excluding treasury shares.	13.1%

Rule 1006(d)	Number of equity securities issued by the issuer as consideration for an acquisition, compared with the number of equity securities previously in issue.	Not applicable(5)
Rule 1006(e)	Aggregate volume or amount of proved and probable reserves to be disposed of, compared with the aggregate of the group's proved and probable reserves. This basis is applicable to a disposal of mineral, oil and gas assets by a mineral, oil and gas company, but not to an acquisition of such assets.	Not applicable(6)

Notes:

(1) Under Rule 1002(3)(a) of the Listing Manual, "net assets" means total assets less total liabilities.

(2) Under Rule 1002(3)(b) of the Listing Manual, "net profits" means profit or loss including discontinued operations that have not been disposed and before income tax and non-controlling interests.

(3) Under Rule 1002(5) of the Listing Manual, "market capitalisation" of the Company is determined by multiplying 208,464,669 shares in issue by S$0.075 (being the last traded price on 15 November 2021, the date on which the Company requested a trading halt).

(4) This basis is not applicable as it is not a disposal.

(5) This basis is not applicable as no equity securities will be issued by the issuer as consideration.

(6) This basis is not applicable as it only applies to a disposal of mineral, oil and gas assets by a mineral, oil and gas company.

As the relative figure computed under Rule 1006(b) of the Listing Manual is negative and the Proposed Acquisition does not fall within the situations in paragraphs 4.3 and 4.4 of Practice Note 10.1 of the Listing Manual, Rule 1014 of the Listing Manual shall apply to the Proposed Acquisition, which constitutes a major transaction and is subject to approval of shareholders of the Company.

8 INTERESTED PERSON TRANSACTIONS

Following the completion of the Company's scheme of arrangement, 2810198 Ontario Inc. would become the controlling shareholder of the Company. At present, Kelvin Chong is the ultimate controlling shareholder of both 2810198 Ontario Inc. and the Vendor. Hence, following the completion of the Company's scheme of arrangement, Kelvin Chong would be the ultimate controlling shareholder of both the Company and the Vendor. Pursuant to Chapter 9 of the Listing Manual, the Vendor, being an associate of Kelvin Chong, is thus regarded as an "interested person" and the Proposed Acquisition thus constitutes an "interested person transaction".

The Consideration of RMB 11 million (equivalent to approximately S$2.06 million[1]) would constitute the "amount at risk" for the said interested person transaction. Based on the latest announced consolidated accounts of the Group, being the audited financial statements for FY2022, the Group's audited net tangible assets (the "**NTA**") is S$(29,411,518).

Generally, under Rule 906(1) of the Listing Manual, if the consideration exceeds 5.0% of the NTA of the Group, the Company is required to seek shareholders' approval for the proposed interested person transaction. As the NTA of the Group is negative, the relative transaction value computed upon it is also a negative figure. Under Rule 906(3) of the Listing Manual, if the Group's latest audited NTA is negative, it should consult the SGX-ST on the appropriate benchmark to calculate the relevant threshold in Rule 906(1) of the Listing Manual, which may

be based on market capitalisation. Notwithstanding the foregoing and having considered that the Company will already be seeking the approval of Shareholders for the transaction as a major transaction undertaken pursuant to Rule 1014 of the Listing Manual, the Company will also be seeking Shareholders' approval for the proposed interested person transaction at the EGM. The Company will also, pursuant to Rule 906(3) of the Listing Manual, consult the SGX-ST on the manner of computation of the relative interested person transaction value given that the current NTA of the Group is a negative figure. The Company will update shareholders in due course.

As at the date of this announcement, save for the Proposed Acquisition, no other interested person transaction has been entered into by the Group in the current financial year ending 30 June 2024.

Audit and Risk Committee's Statement

The Audit and Risk Committee of the Company comprises Mr. Chua Siong Kiat Alex, Mr. Darrell Lim Chee Lek and Mr. Lim Eng Seng. The Chairman of the Audit and Risk Committee is Mr. Chua Siong Kiat Alex. All the members of the Audit Committee do not have any interests in the Proposed Acquisition and are accordingly deemed to be independent for the purposes of the Proposed Acquisition.

The Audit Committee will form its view as to whether the Proposed Acquisition is on normal commercial terms and is not prejudicial to the interests of the Company and its minority shareholders after considering the opinion of the independent financial adviser to be obtained in due course. The Audit Committee's view on the Proposed Acquisition will be set out in the Circular.

9 INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

As at the date of this announcement, save as disclosed in this announcement, none of the Directors or the controlling shareholders of the Company has any direct or indirect interest in the Proposed Acquisition, other than through their respective shareholding interests in the Company (if any).

10 DIRECTORS' SERVICE CONTRACTS

No person is proposed to be appointed as a Director of the Company or any of its subsidiaries in connection with the Proposed Acquisition. Accordingly, no service contract is proposed to be entered into between the Company and any such person.

11 INDEPENDENT FINANCIAL ADVISER

The Company will appoint an independent financial adviser in due course to advise the independent Directors on whether the Proposed Acquisition is on normal commercial terms and is not prejudicial to the interests of the Company and its minority shareholders.

12 FURTHER ANNOUNCEMENTS AND CIRCULAR

The Company will release such further announcements, in compliance with the requirements of the Listing Manual, as and when appropriate.

The Company will convene an EGM to seek the approval of the shareholders of the Company for the Proposed Acquisition and a Circular setting out, *inter alia*, the terms of the Proposed Acquisition, the opinion and the recommendation of the independent financial adviser, together with the notice of EGM, will be despatched to shareholders in due course.

13 DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this announcement and confirm after making all reasonable enquiries that to the best of their knowledge and belief, this announcement constitutes full and true disclosure of all material facts about the Proposed Acquisition and the Directors are not aware of any facts the omission of which would make any statement in this announcement misleading.

Where information in this announcement has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this announcement in its proper form and context.

14 DOCUMENT FOR INSPECTION

A copy of the Equity Transfer Agreement will be made available for inspection during normal business hours at the registered office of the Company at 456 Alexandra Road, #24-01, Fragrance Empire Building, Singapore 1199621, for a period of three (3) months commencing from the date of this announcement.

15 CAUTIONARY STATEMENT

Shareholders and potential investors are advised to exercise caution when dealing in the shares of the Company as completion is subject to the fulfilment of the conditions, and there is no certainty or assurance as at the date of this announcement that the Proposed Acquisition will be completed. The Company will make the necessary announcements as and when there are further developments on the Proposed Acquisition.

Shareholders and potential investors are advised to read this announcement and any further announcements and the Circular by the Company carefully. Shareholders and potential investors should consult their stockbrokers, bank managers, solicitors or other professional advisers if they have any doubt about the actions they should take.

FOR AND ON BEHALF OF THE BOARD

Mr. Han Binke
Executive Director and CEO
18 September 2023