

NEW SILKROUTES GROUP LIMITED

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

RESPONSE TO ADDITIONAL SGX QUERIES ON COMPANY’S FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 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 Company’s financial statements for the period ended 31 December 2020 (the “Financial Statements”) released via SGXNET on 10 February 2021, as well as the Company’s announcement of 3 March 2021, entitled “Response to SGX queries on Company’s financial statements for the period ended 31 December 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.

SGX-ST’s Query:

In respect of query 2 of the Announcement, please disclose the Board’s assessment of the recoverability of the long-term receivables.

Company’s Response:

As at 31 December 2020, the Board has assessed that the long-term receivables should be recoverable through either payment by the customers or offset against the outstanding amounts owing by the Group to the customers, as it continues business transactions with the customers, after taking into consideration management’s discussions and action plan. The credit exposure is continuously monitored and assessed by the management and the Board.

SGX-ST’s Query:

In respect of query 3 of the Announcement, please disclose:

- (i) *whether the Company continues to transact with these customer(s) and if so, what are the commercial reasons in doing so;*

Company’s Response:

SHFW will continue to transact with its customers due to the following commercial reasons:

- a. they are in the course of the ordinary business;
- b. the sales transactions are agreed on willing-buyer-willing-seller basis.

- (ii) *what were the actions taken to recover the trade and other receivables;*

Company’s Response:

Customers’ payment profile and credit exposure are continuously monitored by the respective business unit.

(iii) the Board's opinion on the reasonableness of the methodologies used to determine the value of the impairment of the trade and other receivables; and

Company's Response:

The Group's accounting policy in relation to impairment of trade and other receivables is drawn up in accordance with Singapore Financial Reporting Standards International. The Board is of the view that the methodologies used to determine the impairment value of trade and other receivables are reasonable.

(iv) the Board's assessment of the recoverability of the remaining other receivables.

Company's Response:

As at 31 December 2020, the Group has considered and assessed the nature and credit exposure of the remaining other receivables. The Board has assessed that the remaining other receivables should be recoverable. The credit exposure is continuously monitored and assessed by the management and the Board.

SGX-ST's Query:

It is disclosed in the Announcement that, "The former related party is a company wholly-owned by a former director of the Company. Other receivables from former related party amounting to US\$2.62 million relates to advances and payments on behalf of the former related party in respect of oil trades and purchases of fuel oil, and is unsecured, interest-free and repayable on demand."

Please identify the former related party and the former director. Please provide the Board's confirmation if the underlying transactions are interested person transactions and the bases. If these are interested person transactions, please provide the Board's confirmation on compliance with Listing Rules 905 and 906.

Company's Response:

The former related party and the former director are Goodwood Associates Pte Ltd ("**Goodwood**") and Mr Lee Soek Shen.

For the financial year ended 30 June 2015 ("**FY2015**"), as disclosed in the Notes to the Financial Statements for FY2015 announced on SGXNET, the Group had made an advance of US\$1,141,656, which is unsecured, interest-free and repayable on demand. The net tangible assets (the "**NTA**") of the Group (excluding non-controlling interest) was approximately US\$34.57 million in FY2015 and accordingly the aggregate value of the transactions entered into with Goodwood during FY2015 was 3.3% of the Group's NTA.

For the financial year ended 30 June 2016 ("**FY2016**"), as disclosed in the Notes to the Financial Statements for FY2016 announced on SGXNET, the Group made payments of US\$1,472,463 on behalf of Goodwood in respect of purchases of fuel oil, and is unsecured, interest-free and repayable on demand. The NTA of the Group (excluding non-controlling interest) was approximately US\$34.25 million in FY2016 and accordingly the aggregate value of the transactions entered into with Goodwood during FY2016 was 4.3% of the Group's NTA.

Pursuant to Rule 906, an issuer must obtain shareholders' approval for any interested transaction of a value equal to or more than, inter alia, 5% of the group's latest audited net tangible assets, when aggregated with other transactions entered into with the same interested person during the same financial year. The relative figures of the interested person transactions with Goodwood was 3.3% in FY2015 and 4.3% in FY2016.

None of the current Directors were on the board of the Company in FY2015 and FY2016. To the best of the current Board's knowledge, the Company is compliance with Listing Rules 905 and 906.

As disclosed in the Notes to the Financial Statements for the financial year ended 30 June 2018, the Group made a legal claim against Goodwood to seek payment of the outstanding amounts, as well as interest and legal costs. The claim is still on-going as at the date of this announcement.

SGX-ST's Query:

It is disclosed in the Announcement that, "As mentioned in (iii), the Board is in the opinion that the trade receivables will be recoverable as they are in the course of the ordinary business."

Please clarify how trade receivables being in the course of the ordinary business indicates that the trade receivables will be recoverable.

Company's Response:

Revenue is measured based on the consideration with customers and excludes amounts collected on behalf of third parties. The sale transactions are agreed on willing-buyer-willing-seller basis which is in the ordinary course business. The Group recognises revenue and its corresponding trade receivables when it transfers control of a product or service to customers. Customers' payment profile and credit exposure are continuously monitored by the respective business unit to ensure the trade receivables will be recoverable.

SGX-ST's Query:

In respect of query 5 of the Announcement, please disclose the nature of (i) Consideration payable; (ii) Consultancy and marketing fees payable; and (iii) upfront guaranteed profit received.

Company's Response:

- (i) *Consideration payable*

Consideration payable relates to the acquisition of SHFW.

- (ii) *Consultancy and marketing fees payable*

The consultancy and marketing fees which are management service fees payable under the Management Agreement payable to a non-related company. The Audit and Risk Committee has appointed KPMG Services Pte Ltd as the independent reviewer to carry out an independent review in December 2020 and the review is still ongoing as at the date of this announcement.

- (iii) *upfront guaranteed profit received*

This relates to the guaranteed profit of SHFW for the period from 1 January 2020 to 31 December 2021, which is in the nature of an advanced payment received from a non-related company. The Audit and Risk Committee has appointed KPMG Services Pte Ltd as the independent reviewer to carry out an independent review in December 2020 and the review is still ongoing as at the date of this announcement.

SGX-ST's Query:

It is disclosed in the Announcement that, "The Group obtained a total S\$5m temporary bridging loan for the working capital of healthcare segment."

Please elaborate on the party which provided the temporary bridging loan, the loan's maturity term and the relevant interest rates.

Company's Response:

The loans are from financial institutions in Singapore as follows:

Temporary bridging loans from financial institutions:	Maturity term	Interest rate
Singapore branch of a Malaysian bank	2020 - 2025	2.5%
Singapore incorporated bank	2020 - 2025	2%
Singapore incorporated bank	2020 - 2025	3%

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

7 April 2021