NEW SILKROUTES GROUP LIMITED

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

RESPONSE TO QUERY REGARDING ANNOUNCEMENT

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 Singapore Exchange Securities Trading Limited ("**SGX**") in relation to the announcement by the Company dated 23 February 2018 on the Memorandum of Understanding for New Silkroutes Capital Pte. Ltd. ("**NSC**") to acquire Shanghai Fengwei Nonwovens Co., Ltd. and Shanghai Fengwei Garment Accessory Co., Ltd (the "**Entities**") (the "**Announcement**").

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

SGX's Queries

1. *We note that the Company had announced that the MOU is legally-binding. Please clarify what is "legally binding" on both parties (i.e. NSC and Mr. Shen Yuyun).*

2. *Please disclose the factors taken into account in arriving at the consideration of S$65 million and the issue price of S$0.50 per share.*

3. *Under Section 7 of the Announcement, the Company disclosed that the Proposed Acquisition is subject to the conditions in the MOU being fulfilled. Please disclose what the key conditions are. If the Proposed Acquisition is an RTO, it should also be disclosed that the due diligence to be performed on the Entities includes ascertaining if (i) the Entities and (ii) the enlarged group post the Acquisition meet the Exchange's requirements for RTOs.*

Company's Response

1. The MOU provides that the agreement in the MOU is legally binding.

   Under the MOU,

   (i) Mr Shen is legally bound to allow the Company to conduct due diligence on the Entities and negotiate and enter into the share sale and purchase agreement ("**SPA**") for the sale of the Entities to the Company with the Company;

   (ii) the Company is legally bound to agree to provide consideration in the form of shares at a fixed price of at least S$0.50 regardless of the fluctuations in the price of the Company's shares after the date of the MOU;

   (iii) the Company has the exclusive right to negotiate with Mr Shen in relation to the acquisition of interests in the Entities, to conduct due diligence on and to receive non-public information relating to the Entities' assets or business or shares; and

(iv) each party to the MOU must keep strictly secret and confidential and under no circumstances disclose to any person any confidential information arising from or in connection with the MOU.

2. The consideration and the share price were determined on a willing-seller willing-buyer basis taking into account the net tangible assets and earning ratios of the Entities.

3. The key conditions in the MOU include:

(i) the completion of the due diligence by the Company on the Entities which due diligence must be satisfactory to the Company;

(ii) the entry into an SPA within a reasonable time from the completion of the due diligence; and

(iii) the current management of the Company and the current management of the Entities to work together after the completion of the transaction to grow the business of the Entities and realise synergies for the benefit of the Group.

The Company will ensure that the Proposed Acquisition complies with the requirements of the SGX Listing Manual and all relevant approvals are obtained in line with the requirements of the SGX Listing Manual.

BY ORDER OF THE BOARD

Lim Koon Hock
Joint Company Secretary

2 March 2018