NEW SILKROUTES GROUP LIMITED

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

MEMORANDUM OF UNDERSTANDING

---

1. INTRODUCTION

The board of directors (the "**Board**" or the "**Directors**") of New Silkroutes Group Limited (the "**Company**" and together with its subsidiaries, the "**Group**") wishes to announce that the Company and its wholly-owned subsidiary, New Silkroutes Capital Pte. Ltd. ("**NSC**") had, on 23 February 2018, entered into a legally-binding memorandum of understanding (the "**MOU**") with Mr Shen Yuyun ("**Mr Shen**") to acquire all of the registered capital of Shanghai Fengwei Nonwovens Co., Ltd. (上海枫围无纺布厂有限公司) and Shanghai Fengwei Garment Accessory Co., Ltd. (上海枫围服装辅料有限公司) (the "**Entities**") for a consideration of S$65 million to be satisfied by the allotment and issuance of new ordinary shares in the capital of the Company at an issue price of S$0.50 per share (the "**Proposed Acquisition**").

2. INFORMATION ON MR SHEN

Mr Shen is the Chairman and General Manager of Shanghai Fengwei Garment Accessory Co., Ltd. and is an industry veteran holding executive committee positions of various associations related to the nonwoven material industry in China.

3. INFORMATION ON THE ENTITIES

The Entities are in the business of producing nonwoven fabric, nonwoven converted products and polyester wadding to be used in, inter alia, the medical industry, and own factories in the People's Republic of China for such purpose. The Company, NSC and Mr Shen are exploring the possibility of restructuring their businesses such that they, through an enlarged entity, are able to enjoy synergies which will enable them to develop and expand their businesses and distribution channels internationally particularly in the healthcare industry.

4. RATIONALE OF THE PROPOSED ACQUISITION

The Proposed Acquisition is in line with the Group's business strategy to expand its healthcare division, which the Board believes has the potential for growth to the benefit of the Company and its shareholders. As part of the Group's aspiration to expand and develop its healthcare division, the Group saw an opportunity to be able to provide cost benefits through controlling the production and costs of one of the key expense drivers in the healthcare industry which is the growing use of disposable gowns, linen, drapes and other such healthcare consumables in healthcare facilities worldwide, due to the increasing concerns over infection control. Leveraging on its healthcare capabilities, the Board is of the view that the Group will be able to expand the distribution of such healthcare consumables in the region. The Board is of the view that the Proposed Acquisition will reinforce the Company's earnings base, strengthen the Group's operations and financial position, and enhance the long-term interests of shareholders.

5. PRINCIPAL TERMS OF THE PROPOSED ACQUISITION

The Company will be conducting legal and financial due diligence on the Entities and will use its best endeavours to negotiate and enter into a share sale and purchase agreement (the "**SPA**") within two (2) weeks from the completion of the due diligence.

The Proposed Acquisition shall be subject, *inter alia*, to the approval of shareholders of the Company and the approval from the SGX-ST for the listing and quotation of the new shares having been obtained.

6. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

None of the Company's Directors or controlling shareholders or their associates has any interest, direct or indirect, in the Proposed Acquisition, other than through their respective shareholdings (if any) in the Company.

7. CAUTIONARY STATEMENT

Shareholders are advised that the Proposed Acquisition is subject to the conditions in the MOU being fulfilled and there is no certainty or assurance that the Proposed Acquisition will be completed or that no changes will be made to the terms of the Proposed Acquisition. Accordingly, shareholders are advised to exercise caution in dealings with the shares, to read this announcement and any further update announcement(s) released by the Company carefully and should consult their stockbrokers, bank managers, solicitors or other professional advisers if they have any doubt about the actions they should take.

8. FURTHER ANNOUNCEMENTS

The Company will make further announcement(s) in relation to the Proposed Acquisition as and when there are any material developments on the same.

BY ORDER OF THE BOARD

Lim Koon Hock
Joint Company Secretary
23 February 2018