NEW SILKROUTES GROUP LIMITED

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

RESPONSE TO SGX QUERIES ON ANNUAL REPORT

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 Annual Report of the Company for the financial year ended 30 June 2020 ("**FY2020**") released via SGXNET on 15 October 2020 (the "**Annual Report 2020**").

All capitalized 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:

With reference to the audited consolidated statement of cashflows on page 57 of the Company's Annual Report 2020, please provide an explanation for the material difference in the amount of the net cash from financing activities of approximately $3,840,056, as compared to the unaudited financial results announcement of the Company of $3,464,000 for the financial year ended 30 June 2020.

Please also explain whether and how the Company has complied with Listing Rule 704(6).

Company's Response:

The difference of US$377,000 for the net cash from financing activities in the audited consolidated statement of cashflows and the unaudited financial results announcement of the Company was mainly due to the reclassification of the management fee (paid by Shanghai Fengwei arising from the management service agreement between Shanghai Fengwei and Shanghai Minlin New Textile Materials Sales Centre) from cashflow from financing activities to cashflow from operating activities.

Rule 704(6) requires an issuer that has previously announced its preliminary full-year results to announce any material adjustments to its preliminary full-year results made subsequently by auditors. The Company has released an announcement dated 15 October 2020 entitled "Differences between Unaudited and Audited Financial Statements for the Financial Year ended 30 June 2020" (the "**Differences Announcement**") in compliance with Rule 704(6). The difference in cashflow was not presented in the Differences Announcement as it was less than 10% of the net cashflow from financing activities as presented in the audited financial statements and was thus deemed not material.

2. SGX-ST's Query:

Provision 2.4 of the Code of corporate governance 2018 (the "Code") states that, "The Board and board committees are of an appropriate size, and comprise directors who as a group provide the appropriate balance and mix of skills, knowledge, experience, and other aspects of diversity such as gender and age, so as to avoid groupthink and foster constructive debate. The board diversity policy and progress made towards implementing the board diversity policy, including objectives, are disclosed in the company's annual report."

Listing Rule 710 requires issuers to explicitly state, when deviating from the provisions prescribed in the Code, the provision from which it has varied, explain the reason for variation and provide an explanation on how the practices it had adopted are consistent with the intent of the relevant principle. Please disclose how the Company has deviated from Provision 2.4 of the Code, and in particular, the required disclosure on board diversity policy and progress made towards implementing the board diversity policy, including objectives.

Company's Response:

The Company wishes to clarify that it has disclosed its board diversity policy and its view on how the current Board comprises persons whose diverse skills, experience, knowledge and gender provide for effective direction of the Group on page 19 of the Annual Report.

For completeness, the Company wishes to elaborate that in reviewing the appointments of new Directors, the Board together with the Nominating Committee ensures that it sets relevant objectives to promote and achieve diversity on the Board. In discharging its duties, the Board and the Nominating Committee shall give due regard to the benefits of all aspects of diversity and strive to ensure that the Board is appropriately balanced to support the long-term success of the Company. The main objective is to continue to maintain the appropriate balance of perspectives, skills and experience on the Board to support the long-term success of the Company.

3. SGX-ST's Query:

Provision 8.1 of the Code states that "The company discloses in its annual report the policy and criteria for setting remuneration, as well as names, amounts and breakdown of remuneration of:

(a) each individual director and the CEO; and
(b) at least the top five key management personnel (who are not directors or the CEO) in bands no wider than S$250,000 and in aggregate the total remuneration paid to these key management personnel." (emphasis added)

Listing Rule 710 requires issuers to explicitly state, when deviating from the provisions prescribed in the Code, the provision from which it has varied, explain the reason for variation and provide an explanation on how the practices it had adopted are consistent with the intent of the relevant principle.

We note that the Company had not complied with Provision 8.1 of the Code with regard to the disclosure of (i) the amounts of remuneration of each individual director and the CEO; and (ii) in aggregate the total remuneration paid to these key management personnel. Please clarify how the practices the Company had adopted are consistent with the intent of Principle 8 of the Code, which requires transparency on the Company's remuneration policies, level and mix of remuneration, the procedure for setting remuneration, and the relationships between remuneration, performance and value creation.

Company's Response:

As disclosed on page 24 to 25 of the Annual Report, the Board has, on review, decided not to disclose the individual remuneration of the Directors and key management personnel due to the highly competitive industry conditions and the sensitivity and confidentiality of remuneration. The Company has, instead, disclosed the breakdown showing the level and mix of remuneration paid to the Directors and key management personnel for FY2020 into types of compensation in percentage terms and in bands of S$250,000.

The Board believes that the current disclosure on remuneration on pages 23 to 25 in the Annual Report is meaningful and sufficiently transparent in giving an understanding of the remuneration of the Directors and employees, the Company's remuneration policies, level and mix of remuneration, performance and value creation. Based on the above, the Board is of the view that its practices are consistent with the intent of Principle 8 of the Code.

4. SGX-ST's Query:

Listing Rule 1207(10C) states that the annual report must contain enough information for a proper understanding of the performance and financial conditions of the issuer and its principal subsidiaries, including audit committee's comment on whether the internal audit function is independent, effective and adequately resourced.

Please clarify whether and how Listing Rule 1207(10C) has been complied with. Where the internal audit function is outsourced, please provide information on the relevant experience of the accounting firm and the engagement team.

Company's Response:

As mentioned on page 27 of the Annual Report, the Company did not engage any Internal Auditor for FY2020 due to COVID-19 and the fact that most key entities have already been subject to an internal audit in the past two years. The Company usually appoints an external accounting firm as the Internal Auditors of the Group to perform internal audit work under an internal audit plan. The external accounting firm must be a suitable and qualified firm of accountants which meets the standards set by internationally recognised professional bodies including the Standards for the Professional Practice of Internal Auditing set by the Institute of Internal Auditors. The Internal Auditors will report directly to the chairman of the Audit and Risk Committee on all internal audit matters.

As disclosed on page 27 of the Annual Report, the Audit and Risk Committee reviews the effectiveness of the Company's material internal controls (including financial, operational, compliance and information technology controls) and risk management systems annually. The Board and the Audit and Risk Committee are satisfied that the internal controls are adequate.

BY ORDER OF THE BOARD

Ong Beng Hong
Company Secretary

29 October 2020