

NEW SILKROUTES GROUP LIMITED

First Quarter Financial Statement and Dividend Announcement For The Period Ended 30 September 2020

This quarterly reporting announcement is mandatory, made pursuant to the Exchange's requirements, as required under Listing Rule 705(2)(d)

- 1(a) An income statement (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year.

	GROUP		
	1ST QUARTER ENDED		
	30/09/20	30/09/19	Change
	US\$'000	US\$'000	%
	(Unaudited)	(Unaudited)	
Revenue	31,983	90,209	-65%
Other income	457	623	-27%
Purchases of finished goods	(25,491)	(87,280)	-71%
Changes in inventories of finished goods	(125)	238	NM
Employee benefits expense	(2,215)	(2,353)	-6%
Amortisation of intangible assets	(30)	(69)	-57%
Depreciation of property, plant and equipment	(256)	(205)	25%
Depreciation of right-of-use assets	(273)	(349)	-22%
Net fair value gain on derivative financial instruments	2	741	-100%
Other operating expenses	(3,314)	(531)	524%
Finance costs	(627)	(708)	-11%
Profit before taxation	111	316	-65%
Taxation	(105)	(73)	44%
Profit for the period	6	243	-98%
Other comprehensive loss after tax:			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation	709	(242)	-393%
Other comprehensive income/(loss) for the period, net of tax	709	(242)	-393%
Total comprehensive income for the period	715	1	NM
(Loss)/Profit attributable to:			
Owners of the company	(386)	3	NM
Non-controlling interests	392	240	63%
	6	243	-98%
Total comprehensive income/(loss) attributable to:			
Owners of the company	214	(226)	NM
Non-controlling interests	501	227	121%
	715	1	NM
Notes (The expenses below are included in "Other operating expenses" above):			
Foreign exchange (loss)/gain	(128)	23	NM

NM - not meaningful

1(b)(i) A statement of financial position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.

	GROUP		COMPANY	
	30/09/2020	30/06/2020	30/09/2020	30/06/2020
	US\$'000	US\$'000	US\$'000	US\$'000
	(Unaudited)	(Audited)	(Unaudited)	(Audited)
ASSETS				
Non-current assets				
Property, plant and equipment	10,053	8,739	7	7
Intangible assets	18,974	18,524	-	-
Right-of-use assets	3,098	3,010	-	-
Subsidiaries	-	-	46,436	46,436
Financial asset at fair value through other comprehensive income	17,192	17,192	-	-
Long-term receivables	1,741	1,751	-	-
Deferred tax assets	190	183	-	-
Total non-current assets	51,248	49,399	46,443	46,443
Current assets				
Inventories	1,444	1,913	-	-
Trade and other receivables	14,941	16,993	3,418	3,687
Contract assets	42	3,933	-	-
Prepayments	1,141	596	23	15
Derivative financial instruments	1,495	1,495	-	-
Cash and bank balances	16,176	19,323	147	432
Fixed deposits	407	391	-	-
Total current assets	35,646	44,644	3,588	4,134
Total assets	86,894	94,043	50,031	50,577
EQUITY AND LIABILITIES				
Equity				
Share capital	88,183	88,183	88,183	88,183
Treasury shares	(863)	(863)	(863)	(863)
Other reserves	(8,918)	(9,518)	45	45
Accumulated losses	(46,217)	(45,831)	(44,050)	(43,283)
	32,185	31,971	43,315	44,082
Non-controlling interests	1,166	1,099	-	-
Total equity	33,351	33,070	43,315	44,082
Non-current liabilities				
Borrowings	17,126	14,906	-	-
Lease liabilities	458	348	-	-
Deferred tax liabilities	372	387	-	-
Other payables	4,877	4,877	-	-
Total non-current liabilities	22,833	20,518	-	-
Current liabilities				
Trade and other payables	18,129	26,025	6,716	6,495
Contract liabilities	141	157	-	-
Borrowings	10,770	12,455	-	-
Lease liabilities	698	728	-	-
Derivative financial instruments	350	350	-	-
Current tax payable	622	740	-	-
Total current liabilities	30,710	40,455	6,716	6,495
Total liabilities	53,543	60,973	6,716	6,495
Total equity and liabilities	86,894	94,043	50,031	50,577

1(b)(ii) Aggregate amount of group's borrowings and debt securities.

Amount repayable in one year or less, or on demand

	As at 30 September 2020		As at 30 June 2020	
	Secured US\$'000	Unsecured US\$'000	Secured US\$'000	Unsecured US\$'000
Borrowings	10,770	-	12,455	0

Amount repayable after one year

	As at 30 September 2020		As at 30 June 2020	
	Secured US\$'000	Unsecured US\$'000	Secured US\$'000	Unsecured US\$'000
Borrowings	17,126	-	14,906	-

Details of any collateral

The Group's borrowings are secured by,

- (a) charges over certain of the Group's inventories;
- (b) fixed deposits of US\$0.407m;
- (c) corporate guarantee by the Company and related parties;
- (d) charges over shares of certain subsidiaries of the Company;
- (e) personal guarantee(s) from a director and a former director of the Company and/or directors of subsidiaries;
- (f) pledge over a related party's land;
- (g) fixed and floating charge on all assets and undertakings of a subsidiary; and/or
- (h) certain property and equipment.

- 1 (c) A cash flow statement (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

	GROUP	
	3 MONTHS ENDED	
	30/09/2020	30/09/2019
	US\$'000	US\$'000
	(Unaudited)	(Unaudited)
OPERATING ACTIVITIES		
Profit before taxation	111	316
Adjustments for:-		
Amortisation of intangible assets	30	69
Depreciation of property, plant and equipment	472	238
Depreciation of right-of-use assets	273	349
Interest expense	627	708
Interest income	(50)	(15)
Net fair value gain on derivative financial instruments	(2)	(741)
Plant and equipment written off	-	2
Unrealised foreign exchange differences	81	(404)
Operating profit before working capital changes	1,542	522
Increase/decrease in:		
Inventories	469	94
Trade and other receivables	2,064	(7,159)
Contract assets	3,891	18,127
Prepayments	(545)	14
Trade and other payables	(8,032)	(11,656)
Contract liabilities	(16)	71
Cash (used in)/from operations	(627)	13
Income tax paid	(245)	(59)
Net cash flows used in operating activities	(872)	(46)
INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(1,657)	(93)
Interest received	50	3
Net cash flows used in investing activities	(1,607)	(90)
FINANCING ACTIVITIES		
Restricted cash	181	3,175
Dividends paid to the non-controlling interests of the subsidiaries	(434)	(381)
Interest paid	(294)	(661)
Pledged fixed deposits	-	81
Proceeds from borrowings	2,871	-
Repayments of borrowings	(3,145)	(301)
Repayments of lease liabilities	(281)	(292)
Net cash flows (used in)/from financing activities	(1,102)	1,621
Net (decrease)/increase in cash and cash equivalents	(3,581)	1,485
Cash and cash equivalents at beginning of the period	17,065	6,821
Effect of exchange rate differences in cash and cash equivalents	615	(16)
Cash and cash equivalents at end of financial period	14,099	8,290
Cash and cash equivalents comprise the following:		
Cash and bank balances	16,176	16,200
Less: Restricted cash	(2,077)	(7,910)
Cash and cash equivalents at end of financial period	14,099	8,290

1 (d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Share capital US\$'000	Treasury shares US\$'000	Capital reserve US\$'000	Other reserve US\$'000	Fair value reserve US\$'000	Translation reserve US\$'000	Accumulated losses US\$'000	Equity attributable to owners of the Company US\$'000	Non- controlling interests US\$'000	Total equity US\$'000
GROUP (UNAUDITED)										
Balance as at 1 July 2020	88,183	(863)	45	(3,595)	(5,468)	(500)	(45,831)	31,971	1,099	33,070
(Loss)/Profit for the period	-	-	-	-	-	-	(386)	(386)	392	6
Other comprehensive income	-	-	-	-	-	600	-	600	109	709
- Foreign currency translation	-	-	-	-	-	600	-	600	109	709
Total comprehensive income/(loss) for the period	-	-	-	-	-	600	(386)	214	501	715
Contributions by and distributions to owners	-	-	-	-	-	-	-	-	-	-
- Dividends paid to non-controlling interest	-	-	-	-	-	-	-	-	(434)	(434)
Transactions with owners recognised directly in equity	-	-	-	-	-	-	-	-	(434)	(434)
Balance as at 30 September 2020	88,183	(863)	45	(3,595)	(5,468)	100	(46,217)	32,185	1,166	33,351
Balance as at 1 July 2019	88,183	(863)	45	(3,596)	(2,924)	(148)	(36,864)	43,833	1,338	45,171
(Loss)/Profit for the period	-	-	-	-	-	-	3	3	240	243
Other comprehensive loss	-	-	-	-	-	(229)	-	(229)	(13)	(242)
- Foreign currency translation	-	-	-	-	-	(229)	-	(229)	(13)	(242)
Total comprehensive (loss)/income for the period	-	-	-	-	-	(229)	3	(226)	227	1
Contributions by and distributions to owners	-	-	-	-	-	-	-	-	-	-
- Dividends paid to non-controlling interest	-	-	-	-	-	-	-	-	(381)	(381)
Transactions with owners recognised directly in equity	-	-	-	-	-	-	-	-	(381)	(381)
Balance as at 30 September 2019	88,183	(863)	45	(3,596)	(2,924)	(377)	(36,861)	43,607	1,184	44,791
COMPANY (UNAUDITED)										
Balance as at 1 July 2020	88,183	(863)	45	(43,283)						44,082
Loss for the period, representing total comprehensive loss for the period	-	-	-	(767)						(767)
Balance as at 30 September 2020	88,183	(863)	45	(44,050)						43,315
Balance as at 1 July 2019	88,183	(863)	45	(39,310)						48,055
Loss for the period, representing total comprehensive loss for the period	-	-	-	(327)						(327)
Balance as at 30 September 2019	88,183	(863)	45	(39,637)						47,728

- 1 (d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles, as well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.**

There were no changes in the share capital since the end of the previous period reported on.

The number of shares that may be issued on conversion of the Company's outstanding convertibles as at the end of the financial period is as follows:

	30/09/2020	30/09/2019
Convertible loan note		
Total number of shares that may be issued on conversion of the Company's convertible loan note ⁽¹⁾	NIL	11,111,111

Note:

(1) On 30 May 2018, the Company had entered into convertible loan agreement with Haitong International Financial Products (Singapore) Pte. Ltd. (the "Lender"), pursuant to which the Lender has agreed to make available to the Company a convertible loan facility of up to a maximum amount of S\$5,000,000. The Company had drawn down S\$5,000,000 (equivalents to US\$3,577,500). The convertible loan is convertible into 11,111,111 ordinary shares, at a reset floor price of S\$0.45 per share. The convertible loan was repaid on 28 May 2020.

As at 30 September 2020, the Company held 3,444,200 (30 September 2019: 3,444,200) of its issued shares as treasury shares.

- 1 (d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the financial period and as at the end of the immediately preceding year.**

The number of issued shares excluding treasury shares as at the end of the financial period was 208,464,669 (30 June 2020: 208,464,669).

- 1 (d)(iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.**

There were no sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.

	No. of shares	Amount US\$'000
Balance as at 1 July 2020 and 30 September 2020	3,444,200	863

- 2 Whether the figures have been audited or reviewed and in accordance with which auditing standard or practice.**

The figures have not been audited or reviewed by the auditors.

- 3 Where the figures have been audited or reviewed, the auditors' report (including any modifications or emphasis of a matter).**

Not applicable.

- 3(A) Where the latest financial statements are subject to an adverse opinion, qualified opinion or disclaimer of opinion:-**

- (a) Updates on efforts taken to resolve each outstanding audit issue.**

The auditors have issued a disclaimer of opinion on the Group's financial statements for the financial year ended 30 June 2020 due to:

- Management service agreement and management agreement entered by the Company and its wholly-owned subsidiary, Shanghai Fengwei Garment Accessory Co., Ltd ("Shanghai Fengwei") with Shanghai Minlin New Textile Materials Sales Centre ("Shanghai Minlin").
- outstanding audit issue concerning Thai General Nice Coal and Coke Co., Ltd ("Thai GNCC"), a financial asset at fair value through other comprehensive income.

Please refer to page 49 & 50 of the Company's 2020 Annual Report for more information on these outstanding audit issues.

The Board will be appointing an independent public accounting firm to conduct an independent review into the above audit issues.

The Company will also continue to contact and request for more visibility on the future plans and developments and access to the records from the management of Thai GNCC. The current COVID-19 pandemic further hinders progress with travelling restrictions. The Board will ensure that the new Management continues to follow up on this matter and will update shareholders accordingly and when appropriate. The Board and the Management will also continue exploring with the incoming auditors on other methods of valuation that are acceptable to them.

(b) Confirmation from the Board that the impact of all outstanding audit issues on the financial statements have been adequately disclosed.

The Board confirms that the impact of all outstanding audit issues on the financial statements have been adequately disclosed.

4 Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.

The Group has applied the same accounting policies and methods of computation in the financial statements for the current reporting period as compared with those of the audited financial statements for the financial year ended 30 June 2020.

5 If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of the change.

The Group has adopted all the new and revised Singapore Financial Reporting Standards (International) ("SFRS(I)") and interpretation of SFRS(I) which are effective for annual financial periods beginning on or after 1 July 2020 and are relevant to the Group.

The adoption of these new/revised SFRS(I), interpretations and amendments to SFRS(I) did not have any significant impact on the financial statements of the Group.

6 Earnings per ordinary share of the group for the current financial period reported on and the corresponding year of the immediately preceding financial year, after deducting any provision for preference dividends.

Loss per ordinary share for the period based on net loss	3 MONTHS ENDED	
	30/09/2020	30/09/2019
	US\$	US\$
(i) Basic	(0.185) cents	(0.001) cents
(ii) Diluted	(0.185) cents	(0.001) cents

The basic and diluted earnings per ordinary share for the financial period ended 30 September 2020 and 30 September 2019 was calculated based on the number of issued shares 208,464,669.

As there were no outstanding potentially dilutive ordinary shares, the diluted earnings per ordinary share were accordingly the same as the earnings per ordinary share for the financial period ended 30 September 2020. For comparison, the potential ordinary shares to be converted under the convertible loan note were excluded from the calculation of the diluted weighted average number of ordinary shares in issue as their effect would have been anti-dilutive.

7 Net asset / (liability) value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the:-
(a) current financial year reported on; and
(b) immediately preceding financial year

	GROUP		COMPANY	
	30/09/2020	30/06/2020	30/09/2020	30/06/2020
	US\$	US\$	US\$	US\$
Net asset value per ordinary share based on the issued share capital at the end of the period	15.439 cents	15.337 cents	20.778 cents	21.146 cents

Net asset value per ordinary share as at 30 September 2020 and 30 June 2020 was calculated based on 208,464,669 shares in issue, excluding treasury shares of 3,444,200.

- 8 A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:-**
- (a) any significant factors that affected the turnover, costs and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and**
 - (b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.**

Income Statement Review

The Group registered a total revenue of US\$31.98m in the first quarter ended 30 September 2020 ("1Q21") which was 65% lower than the US\$90.21m generated in the first quarter ended 30 September 2019 ("1Q20"). The healthcare and healthcare consumables segment contributed US\$13.62m while the energy segment contributed US\$18.36m. The decline in revenue was mainly due to a combination of a reduction in the volume of oil products traded and a drop in oil prices in the energy segment. However, the healthcare and healthcare consumables segment showed an improvement of 64% when compared to the corresponding period with increase in demand for non-woven material consequent to the Covid-19 pandemic.

Other income decreased to US\$0.46m in 1Q21 when compared to US\$0.62m in 1Q20. This was mainly due to the reduction in the miscellaneous income from the oil trading activities in 1Q21 in the energy segment.

Amortisation of intangible assets decreased to US\$0.03m in 1Q21 when compared to US\$0.07m in 1Q20 mainly due to the clinic management system being fully impaired in prior financial year.

Depreciation of property, plant and equipment increased to US\$0.26m in 1Q21 when compared to US\$0.21m in 1Q20 mainly due to the increase in depreciation of the vessel in the energy segment.

Other operating expenses increased to US\$3.31m in 1Q21 when compared to US\$0.53m in 1Q20 was mainly due to the management fees related to the management service agreement entered by Shanghai Fengwei with Shanghai Minlin.

Financial Position Review

Property, plant and equipment increased to US\$10.05m as at 30 September 2020 when compared to US\$8.74m as at 30 June 2020 was mainly attributed to the addition of new production line in Shanghai Fengwei.

Inventories decreased to US\$1.44m as at 30 September 2020 when compared to US\$1.91m as at 30 June 2020 was mainly due to a reduction in the non-woven material in the healthcare and healthcare consumables segment.

As at 30 September 2020, the lower oil trading activities in the energy segment mainly accounted for the following variances when compared to 30 June 2020:

- i. Trade and other receivables decreased to US\$14.94m when compared to US\$16.99m;
- ii. Contract assets decreased to US\$0.04m when compared to US\$3.93m;
- iii. Trade and other payables decreased to US\$18.13m when compared to US\$26.03m.

Prepayments increased to US\$1.14m as at 30 September 2020 when compared to US\$0.60m as at 30 June 2020 mainly due to advanced payment for vessel related expenses.

Trade and other payables as at 30 September 2020 consist of US\$2.97m payable to Shanghai Minlin arising from the management service agreement, and US\$2.95m (S\$4m) being upfront guaranteed profit received from Shanghai Minlin.

Non-current borrowings increased to US\$17.13m as at 30 September 2020 when compared to US\$14.91m as at 30 June 2020 mainly due to temporary bridging loan secured by the Group.

Non-current lease liabilities increased to US\$0.46m as at 30 September 2020 when compared to US\$0.35m as at 30 June 2020 was mainly due to renew of the tenancy agreement by clinics.

Current borrowings decreased to US\$10.77m as at 30 September 2020 when compared to US\$12.46m as at 30 June 2020 was mainly due to repayment of short-term loans used to finance the oil trades.

Cash Flow Statement Review

The net cash flows used in operating activities of US\$0.87m was mainly due to the oil trading activities.

The net cash flows used in financing activities of US\$1.10m in the current period was mainly due to the repayments of borrowings.

9 Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.

No forecast has been issued for the current financial reporting period.

10 A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.

With the announcement of a potential vaccine and the launch of a travel bubble between Singapore and Hong Kong, the global landscape is evolving into a new normal. Against this more positive backdrop, we are optimistic that clinic revenues will surpass last quarter with greater people mobility and health awareness. This is an opportunity for our healthcare sector to invest in technological advances like automated thermal scanners and 3D imaging to further our foray into innovative technology in the medtech sphere. The Group will be exploring AI technology for applications in healthcare. It is also looking into investing in breakthrough research and incubating these projects to fruition. With the increase in market saturation for non-woven material used in the production of medical consumables, Shanghai Fengwei has been fortunate to secure downstream contracts through the partnership with Shanghai Minlin, our management partner. Through this, we are pursuing strategic and synergistic companies in the production chain to partner or acquire. The outlook of the oil industry is bleak with most oil companies preparing for a prolonged slump after Covid has kneecapped the economy, destroying demands for oil. IEG is positioned for reduction in oil trades and will currently concentrate on its chartering business for the next quarter. The forward outlook for IEG will be focussed on exploring blockchain technology to automate business transactions and create a new model for trust via smart contracts and digital compliance. In the face of such transformational times, IEG will also take this opportunity to sketch out a new strategic direction towards green energy and shipping.

11 Dividend

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on?

None.

(b) Corresponding Period of the immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year?

None.

(c) Date payable

Not applicable.

(d) Books closure date

Not applicable.

12 If no dividend has been declared/recommendeded, a statement to that effect and the reasons for the decision.

No dividend has been declared or recommended for the period ended 30 September 2020 due to the accumulated losses of the Company.

13 If the Group has obtained a general mandate from shareholders for Interested Person Transactions (IPTs), the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.

No IPT mandate has been obtained.

14 Negative assurance confirmation on the interim financial results under Rule 705(5)

To the best of our knowledge, nothing has come to the attention of the Board of Directors which may render the unaudited first quarter financial results of the Group and the Company (comprising the statements of financial position, consolidated income statement, statements of changes in equity and the consolidated cash flow statement, if any) as of 30 September 2020 to be false or misleading in any material respect.

On behalf of the Board of Directors

Darrell Lim Chee Lek
Acting Independent Non-Executive Chairman and Lead Independent Director

Chua Siong Kiat
Independent Non-Executive Director

15 Confirmation that the issuer has procured undertakings from all its directors and executive officers (in the format set out in Appendix 7.7) under Rule 720(1).

The Company confirms that it has procured undertakings from all its directors and executive officers as set out in Appendix 7.7 of Rule 720(1) of the Listing Manual.

BY ORDER OF THE BOARD

Ong Beng Hong
Company Secretary
13 November 2020