

NEW SILKROUTES GROUP LIMITED
2nd Quarter and Half Year Financial Statement and Dividend Announcement For The Period Ended 31 December 2016
1(a) An income statement (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year.

	GROUP 2ND QUARTER ENDED			GROUP HALF YEAR ENDED		
	31/12/16 US\$'000	31/12/15 US\$'000	Change %	31/12/16 US\$'000	31/12/15 US\$'000	Change %
Revenue	123,804	6,324	NM	193,080	9,109	NM
Other income	408	513	-21%	710	867	-18%
Changes in inventories	2,518	-	NM	371	-	NM
Purchases	(124,670)	(6,239)	NM	(190,443)	(8,977)	NM
Personnel expenses	(686)	(668)	3%	(1,293)	(1,152)	12%
Depreciation of plant and equipment	(8)	(6)	28%	(14)	(11)	25%
Net loss on fair value of derivative financial instruments	(736)	-	NM	(1,510)	-	NM
Other operating expenses	(573)	(299)	92%	(922)	(1,338)	-31%
Finance costs	(249)	(1)	NM	(318)	(1)	NM
Share of results of associates	(151)	-	NM	(151)	-	NM
Loss before tax	(343)	(376)	-9%	(490)	(1,503)	-67%
Income tax expense	-	-	NM	-	-	NM
Loss for the period from continuing operations	(343)	(376)	-9%	(490)	(1,503)	-67%
Loss for the period from discontinued operations, net of tax	-	(128)	NM	-	(308)	NM
Loss for the period	(343)	(504)	-32%	(490)	(1,811)	-73%
Other comprehensive income:						
Foreign currency translation	57	5	NM	41	170	-76%
Total comprehensive loss for the period	(286)	(499)	-43%	(449)	(1,641)	-73%
Loss attributable to owners of the company						
Continuing operations, net of tax	(315)	(376)	-16%	(461)	(1,502)	-69%
Discontinued operations, net of tax	-	(128)	NM	-	(308)	NM
	(315)	(504)	-37%	(461)	(1,810)	-75%
Loss attributable to non-controlling interests:						
Continuing operations, net of tax	(28)	-	NM	(29)	(1)	NM
	(343)	(504)	-32%	(490)	(1,811)	-73%
Total comprehensive loss attributable to owners of the company:						
Continuing operations, net of tax	(258)	(370)	-30%	(420)	(1,426)	-71%
Discontinued operations, net of tax	-	(129)	NM	-	(214)	NM
	(258)	(499)	-48%	(420)	(1,640)	-74%
Total comprehensive loss attributable to non-controlling interests:						
Continuing operations, net of tax	(28)	-	NM	(29)	(1)	NM
	(286)	(499)	-43%	(449)	(1,641)	-73%
Notes (The expenses below are included in "Other operating expenses" of continuing operations above):						
Foreign exchange (loss) / gain	(66)	109	NM	(45)	(642)	-93%

Results of the discontinued operations are as follows:

	GROUP 2ND QUARTER ENDED			GROUP HALF YEAR ENDED		
	31/12/16 US\$'000	31/12/15 US\$'000	Change %	31/12/16 US\$'000	31/12/15 US\$'000	Change %
Revenue and other income	-	5,768	-100%	-	13,253	-100%
Expenses	-	(5,864)	-100%	-	(13,461)	-100%
Finance costs	-	(45)	-100%	-	(84)	-100%
Finance income	-	13	-100%	-	26	-100%
Share in result of an associate	-	-	NM	-	(42)	NM
Loss from discontinued operations	-	(128)	NM	-	(308)	NM

Notes (The expenses below are included in "Expenses" of discontinued operations above):

Foreign exchange gain / (loss)	-	6	NM	-	(91)	NM
Allowance of inventory to net realisable value	-	(2)	NM	-	(3)	NM
Allowance for trade and other receivables	-	(17)	NM	-	(39)	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	
	31/12/2016 US\$'000	30/06/2016 US\$'000	31/12/2016 US\$'000	30/06/2016 US\$'000
ASSETS				
Non-current assets				
Plant and equipment	88	49	14	16
Intangible assets and goodwill	2,931	-	-	-
Investments in subsidiaries	-	-	27,285	25,764
Investment in associates	550	-	-	-
Available-for-sale investment	-	36	-	-
Long-term deposits	55	-	-	-
Total non-current assets	3,624	85	27,299	25,780
Current assets				
Inventories	2,950	1,320	-	-
Trade and other receivables	59,885	35,146	10,806	9,774
Prepayments	4,945	4,941	23	30
Derivative financial instruments	-	285	-	-
Cash and cash equivalents	42,232	3,563	280	804
Total current assets	110,012	45,255	11,109	10,608
Total assets	113,636	45,340	38,408	36,388
EQUITY AND LIABILITIES				
Equity				
Share capital	67,220	63,958	67,220	63,958
Treasury shares	(843)	(322)	(843)	(322)
Other reserves	1,386	1,548	885	1,088
Accumulated losses	(31,395)	(30,934)	(30,530)	(29,138)
	36,368	34,250	36,732	35,586
Non-controlling interests	606	(43)	-	-
Total equity	36,974	34,207	36,732	35,586
Non-current liabilities				
Deferred tax liabilities	359	-	-	-
Borrowings	263	3	2	3
Total non-current liabilities	622	3	2	3
Current liabilities				
Trade and other payables	71,662	11,128	1,448	797
Derivative financial instruments	159	-	-	-
Borrowings	4,219	2	226	2
Total current liabilities	76,040	11,130	1,674	799
Total liabilities	76,662	11,133	1,676	802
Total equity and liabilities	113,636	45,340	38,408	36,388

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

Amount repayable in one year or less, or on demand

As at 31 December 2016		As at 30 June 2016	
Secured	Unsecured	Secured	Unsecured
US\$'000	US\$'000	US\$'000	US\$'000
3,994	225	2	-

Amount repayable after one year

As at 31 December 2016		As at 30 June 2016	
Secured	Unsecured	Secured	Unsecured
US\$'000	US\$'000	US\$'000	US\$'000
53	210	3	-

Details of any collateral

The Group's secured borrowings of US\$4.047m comprises:

- i. US\$0.009m: Finance lease secured by plant and equipment financed.
- ii. US\$3.706m: A floating charge on inventory and corporate guarantee on trade transactions financed.
- iii. US\$0.332m: This relates to the bank loan and bank overdraft of newly acquired subsidiary, Healthsciences International Pte Ltd. The balances are secured on the fixed deposits and all sums in the current account of that bank of the mentioned subsidiary, and on the personal guarantees of two directors who are also shareholders of the subsidiary.

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	
	6 MONTHS ENDED	
	31/12/2016	31/12/2015
	US\$'000	US\$'000
OPERATING ACTIVITIES		
Loss		
from continuing operations	(490)	(1,503)
from discontinued operations	-	(308)
Loss before tax	(490)	(1,811)
Adjustments for :-		
Depreciation of plant and equipment	14	18
Finance costs	318	85
Finance income	(567)	(26)
Allowance / (Write back) of receivables, net	-	39
Allowance / (Write back) of inventories, net	-	3
Changes in fair value of derivative financial instruments	1,510	51
Unrealised foreign exchange differences	46	214
Share of results of associates	151	42
Operating cash flows before movements in working capital	982	(1,385)
Increase / decrease in:		
Inventories	(1,606)	203
Trade and other receivables	(25,210)	3,037
Prepayments	2	71
Trade and other payables	59,448	(2,688)
Cash from / (used in) operations	33,616	(762)
Income tax paid	-	-
Net cash flows from / (used in) operating activities	33,616	(762)
INVESTING ACTIVITIES		
Interest received	-	26
Capital contributions from non-controlling interests of subsidiaries	-	100
Acquisition of available-for-sale investment	-	(35)
Incorporation of an associate	(701)	-
Acquisition of subsidiary, net of cash acquired (Note A)	(823)	-
Acquisition of plant and equipment	(2)	(18)
Proceeds from disposal of available-for-sale investment	36	-
Net cash flows (used in) / from investing activities	(1,490)	73
FINANCING ACTIVITIES		
Interest paid	(318)	(85)
Proceeds from issuance of shares pursuant to exercise of warrants	1,017	-
Proceeds from issuance of shares	2,042	-
Proceeds from short term loans	3,930	1,159
Repayment of short term loans	-	(1,506)
Repayment of finance lease payables	(1)	(11)
Pledged fixed deposits	-	(13)
Purchase of treasury shares	(521)	-
Net cash flows from / (used in) financing activities	6,149	(456)
Net increase / (decrease) in cash and cash equivalents	38,275	(1,145)
Cash and cash equivalents at beginning of the period	3,563	10,378
Effect of exchange rate differences in cash and cash equivalents	(4)	(22)
Cash and cash equivalents at end of financial period	41,834	9,211
Cash and cash equivalents comprising of the following:		
Cash and cash equivalents		
- Continuing operations	42,232	8,713
- Discontinued operations	-	498
Less: Bank overdrafts	(285)	-
Less: Fixed deposits pledged	(113)	-
Cash and cash equivalents at end of financial period	41,834	9,211
Cash flows attributable to the discontinued operations:		
Operating activities	-	324
Investing activities	-	12
Financing activities	-	(454)
Net cash out flows	-	(118)

Note A

The Company had on 15 September 2016 entered into a sale and purchase agreement with the existing shareholders of Healthsciences International Pte. Ltd. ("HSI") to acquire 510,000 ordinary shares in the capital of HSI, comprising 51% of the issued and paid-up share capital of HSI, for an aggregate consideration of S\$2,167,500 (US\$1,522,000).

Completion took place on 7 December 2016.

	At fair value US\$'000
ASSETS	
Plant and equipment	51
Intangible assets	2,116
Long-term deposits	55
Inventories	25
Trade and other receivables	27
Prepayments	6
Fixed deposits	113
Cash and cash equivalents	117
Total assets	<u>2,510</u>
LIABILITIES	
Borrowings	534
Trade and other payables	232
Deferred tax liabilities	359
Total liabilities	<u>1,125</u>
Total identifiable net assets	1,385
Less: Non-controlling interests	(678)
Total identifiable net assets attributable to the Group	<u>707</u>
Add: Goodwill arising from acquisition	815
	1,522
Less: Consideration payable	(854)
Consideration paid for the acquisition	668
Less: Cash and cash equivalents of subsidiaries acquired	(117)
Add: Bank overdrafts of subsidiary acquired	272
Cash outflow on acquisition per consolidated statement of cash flows	<u>823</u>

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	Warrant reserve US\$'000	Translation reserve US\$'000	Other 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									
Balance as at 1 July 2016	63,958	(322)	1,088	460	-	(30,934)	34,250	(43)	34,207
Issuance of shares pursuant to exercise of warrants	1,220	-	(203)	-	-	-	1,017	-	1,017
Issuance of shares	2,042	-	-	-	-	-	2,042	-	2,042
Purchase of treasury shares	-	(521)	-	-	-	-	(521)	-	(521)
Acquisition of a subsidiary	-	-	-	-	-	-	-	678	678
Loss for the period	-	-	-	-	-	(461)	(461)	(29)	(490)
Other comprehensive income - foreign currency translation	-	-	-	41	-	-	41	-	41
Total comprehensive loss for the period	-	-	-	41	-	(461)	(420)	(29)	(449)
Balance as at 31 December 2016	67,220	(843)	885	501	-	(31,395)	36,368	606	36,974
Balance as at 1 July 2015	61,438	-	-	413	293	(27,572)	34,572	10	34,582
Contribution of non-controlling interest	-	-	-	-	-	-	-	100	100
Loss for the period	-	-	-	-	-	(1,810)	(1,810)	(1)	(1,811)
Other comprehensive income - foreign currency translation	-	-	-	76	94	-	170	-	170
Total comprehensive loss for the period	-	-	-	76	94	(1,810)	(1,640)	(1)	(1,641)
Balance as at 31 December 2015	61,438	-	-	489	387	(29,382)	32,932	109	33,041
COMPANY									
Balance as at 1 July 2016	63,958	(322)	1,088	(29,138)	35,586				
Issuance of shares pursuant to exercise of warrants	1,220	-	(203)	-	1,017				
Issuance of shares	2,042	-	-	-	2,042				
Purchase of treasury shares	-	(521)	-	-	(521)				
Loss for the period, representing total comprehensive loss for the period	-	-	-	(1,392)	(1,392)				
Balance as at 31 December 2016	67,220	(843)	885	(30,530)	36,732				
Balance as at 1 July 2015	61,438	-	-	(29,378)	32,060				
Loss for the period, representing total comprehensive loss for the period	-	-	-	(760)	(760)				
Balance as at 31 December 2015	61,438	-	-	(30,138)	31,300				

- 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.**

The movement of the Company's share capital was as follows:

	No of issued shares	Amount US\$'000
Balance as at 1 October 2016	124,134,821	64,579
Issuance of new ordinary shares pursuant to exercise of warrants	4,619,323	1,006
Issuance of new ordinary shares	3,000,000	2,042
Purchase of treasury shares	(581,800)	(365)
Balance as at 30 September 2016	<u>131,172,344</u>	<u>67,262</u>

The number of shares that may be issued on conversion of the Company's outstanding warrants as at the end of the financial period was 20,354,068 (30 June 2016: 25,022,385).

As at 31 December 2016, the Company held 2,507,900 (31 December 2015: Nil) 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 131,172,344 (30 June 2016: 124,570,227).

- 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.**

As at 31 December 2016, there were no sales, transfers, disposal, cancellation and/or use of treasury shares.

- 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 qualifications or emphasis of a matter).**

Not applicable.

- 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 30 June 2016 except for the adoption of new or amended FRS and interpretations to FRS, which took effect from financial year beginning on or after 1 July 2016.

The adoption of the new or amended standards did not have any material effect on the financial performance or position of the Group and the Company.

- 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.**

There were no changes in the accounting policies and methods of computation.

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.

Profit / (loss) per ordinary share for the period based on net profit / (loss)	HALF YEAR ENDED	
	31/12/2016	31/12/2015
	US\$	US\$
(i) Basic	(0.367) cents	(1.797) cents
(ii) Diluted	(0.367) cents	(1.797) cents

The basic and diluted earnings per ordinary share for the financial period ended 31 December 2016 was calculated based on the weighted average number of issued shares 125,790,575. For comparison, earnings per share for the corresponding period was re-computed based on the revised weighted average number of shares of 100,689,542.

At the end of the reporting period, the 20,354,068 outstanding warrants 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	
	31/12/2016	30/06/2016	31/12/2016	30/06/2016
	US\$	US\$	US\$	US\$
Net asset value per ordinary share based on the issued share capital at the end of the period	27.725 cents	27.495 cents	28.003 cents	28.567 cents

Net asset value per ordinary share as at 31 December 2016 and 30 June 2016 was calculated based on the number of shares in issue excluding treasury shares of 131,172,344 and 124,570,227 respectively.

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

Revenue increased from US\$6.324m for the second quarter ended 31 December 2015 ("2Q16") to US\$123.804m for the second quarter ended 31 December 2016 ("2Q17"). This is mainly attributable to the increased oil sales by International Energy Group ("IEG"), NSG's wholly owned oil trading subsidiary. Accordingly, purchases increased correspondingly from US\$6.239m in 2Q16 to US\$124.670m in 2Q17.

Other operating expenses increased from US\$0.299m for 2Q16 to US\$0.573m for 2Q17.

The increase is substantially due to:

- i. Increased selling expenses e.g. inspection fees, letters of credit charges, etc in line with the increased revenue.
- ii. A foreign exchange loss of US\$0.66m in 2Q17 compared to a gain of US\$0.109m in 2Q16, the loss due to a strengthening of the US\$.

Finance costs increased from US\$0.001m for 2Q16 to US\$0.249m for 2Q17. This is mainly due to interest costs relating to the discounting of letters of credit from IEG's sales.

The share of results of associates amounting to US\$0.151m refers to the Group's share of the loss in New Silkroutes Asset Management Pte. Ltd., the Company's investment announced on 7 October 2016.

Financial Position Review

Investment in associate refer to the Group's investment in New Silkroutes Asset Management Pte. Ltd.

In 2Q17, the following reflect the substantial increase in oil trading activities over the position as at 30 June 2016

- i. Trade and other receivables increased from US\$35.146m to US\$59.885m.
- ii. Trade and other payables increased from US\$11.128m to US\$71.662m.
- iii. Cash and cash equivalents increased from US\$3.563m to US\$42.232m.

Total borrowings increased from US\$0.005m to US\$4.482m in 2Q17, the increase being mainly due to a short term loan secured by IEG to finance its trading activities.

Cash Flow Statement Review

During the quarter under review the cash flow from operating activities was US\$33.616m, as compared to cash flow used in operating activities of US\$0.762m. The turnaround is substantially due to increased oil trading activities, and careful cash management.

The net cash flows from financing activities of US\$6.149m in the current period is mainly due to the exercise of warrants, issuance of shares in the Company's share Placement exercise, and proceeds from a short term loan secured by IEG.

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

The results reported herein are in line with the announcements previously made.

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.

While the Group makes good headway on its oil trades, it looks forward to growth contributions from the following, going forward:

- i. Its 30% equity in New Silkroutes Asset Management Pte. Ltd ("NSAM"), announced on 7 October 2016.
- ii. Its 51% equity in Healthsciences International Pte Ltd, the acquisition of which was completed recently, as announced on 7 December 2016.
- iii. Its proposed acquisition of Capital Group Investments Pte. Ltd., as announced on 3 February 2017. This proposed acquisition is subject to approvals, which include shareholders' approval at an Extraordinary General Meeting that the Company plans to convene soon.

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/recommended, a statement to that effect.

No dividend has been declared or recommended for the period ended 31 December 2016.

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 second quarter financial results of the Group and the Company (comprising the statement of financial position, consolidated income statement, statement of changes in equity and the consolidated cash flow statement, if any) as of 31 December 2016 to be false or misleading in any material respect.

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.

On behalf of Board of Directors

Goh Jin Hian
Director

Pao Kiew Tee
Audit Committee Chairman

BY ORDER OF THE BOARD

Lim Koon Hock
Joint Company Secretary
13 February 2017