

# NEW SILKROUTES GROUP LIMITED

(Incorporated in the Republic of Singapore)  
(Company Registration No. 199400571K)  
(the “Company”)

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## RESPONSE TO SGX QUERIES ON COMPANY’S FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2021

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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 Company’s financial statements for the period ended 31 March 2021 (the “Financial Statements”) released via SGXNET on 14 May 2021.

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

### **SGX-ST’s Query:**

(a) *It is disclosed on page 2 of the unaudited financial statements that an amount of US\$16,265,000 was recognised as impairment losses from discontinued operations for the period ended 31 March 2021. In this regard, please disclose the following information:*

(i) *details of the discontinued operations;*

#### **Company’s Response:**

On 5 January 2021, the Company has commenced the winding up process of its wholly-owned indirect subsidiary, International Energy Group Pte. Ltd. (“IEG”) by way of creditors’ voluntary liquidation and the Group loses control of IEG. Accordingly, the IEG and its subsidiaries are classified as discontinued operations of the Group.

(ii) *status of the discontinued operations;*

#### **Company’s Response:**

Mr Aw Eng Hai and Mr Kon Yin Tong of Foo Kon Tan LLP has been appointed as liquidators of IEG. The liquidation process is still ongoing.

(iii) *how the amount of impairment was calculated and determined;*

#### **Company’s Response:**

On the loss of control of IEG, the assets and liabilities of IEG are derecognised. The consideration received and any retained interest (measured at fair value) are recognised. Any resulting gain or loss is recognised in profit or loss.

- (iv) *whether any valuation was conducted; the carrying value placed on the assets before and after impairment; the basis and the date of such valuation; and*

**Company's Response:**

On the loss of control of IEG, the assets and liabilities of IEG are derecognised as of the date the Group no longer has control of IEG.

IEG has an investment in Thai General Nice Coal and Coke Co., Ltd ("**Thai GNCC**") amounting to US\$17,192,000 as at 31 December 2020. The Company appointed Jones Lang LaSalle Corporate Appraisal and Advisory Limited ("**JLL**") to conduct an independent valuation. In their valuation report dated 1 October 2020, the fair value of the Group's 4.534% equity interest in Thai GNCC was US\$17,400,000 as at 30 June 2020, developed through the application of an income approach technique known as the discounted cash flow method. JLL further mentioned in its opinion that the cost approach is inappropriate for valuing Thai GNCC, as it does not directly incorporate information about the economic benefits contributed by Thai GNCC. The market approach is inappropriate as it requires market transactions comparable to Thai GNCC as an indication of value. However, JLL has not identified any current market transactions which are comparable to Thai GNCC. JLL has therefore relied on the income approach in determining their opinion of value. In view that the liquidation process is still ongoing, the carrying amount placed on Thai GNCC before and after impairment were US\$17,192,000 (income approach) and US\$4,746,000 (using market approach), respectively.

- (v) *the Board's confirmation as to whether it is satisfied with the reasonableness of the methodologies used to determine amount of impairment.*

**Company's Response:**

The Group's accounting policy in relation to impairment is drawn up in accordance with Singapore Financial Reporting Standards International. Adopting a prudent approach, the Board is of the view that the methodologies used to determine the impairment value is reasonable. As mentioned in the past quarterly results announcements, the Board has informed that in an effort to resolve the above outstanding audit issue, the Company had contacted and will 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 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.

**SGX-ST's Query:**

- (b) Please disclose a breakdown of the Group's trade and other payables amounting to US\$7,758,000 as at 31/3/21. Please also disclose the amount of trade and other payables attributable to the energy segment, if applicable.

**Company's Response:**

Trade and other payables:	31 March 2021
	US\$'000
Trade payables from:	
Third parties	586
Other payables from:	
Former related party	35
Related party	6
Accrued operating expenses	851
Accrued personnel expenses	78
Consideration payable	1,506
Consultancy and marketing fees payable	858
Upfront guaranteed profit received	3,012
Other payables	826
	7,172
<b>Total trade and other payables</b>	<b>7,758</b>

No amount of trade and other payables attributable to the energy segment as at 31 March 2021.

**SGX-ST's Query:**

- (c) Please provide the reason(s) for the significant accounts payables/trade and other payables of US\$7,758,000 when the Group recorded a cash and cash equivalent of US\$6,433,000 as at 31/3/21.

**Company's Response:**

The significant trade and other payables is mainly due to guaranteed profit of Shanghai Fengwei Garment Accessory Co., Ltd of US\$3,012,000 for the period from 1 January 2020 to 31 December 2021, which is in the nature of an advanced payment received from a non-related company. The Audit and Risk Committee has appointed KPMG Services Pte Ltd as the independent reviewer to carry out an independent review in relation to this audit issue in December 2020 and the review is still ongoing as at the date of this announcement. Upon the completion of the independent review, the Company will make the appropriate accounting treatment accordingly.

**SGX-ST's Query:**

- (d) It was disclosed on page 9 that "Trade and other receivables and contract assets decreased to US\$7.87m when compared to US\$16.99m as at 30 June 2020 mainly due to the loss of control of subsidiaries." Please clarify the following:

- (i) which subsidiaries was referred to in the explanation provided on page 9; and

**Company's Response:**

The loss of control of subsidiaries was referring to IEG and its subsidiaries.

- (ii) *the breakdown of this decrease in trade and other receivables including the decrease due to the loss of control of subsidiaries and the amount of underlying related party transactions that makes up the amount; if applicable.*

**Company's Response:**

Trade and other receivables:	31 March 2021	30 June 2020
	US\$'000	US\$'000
Trade receivables from:		
Third parties	5,476	17,075
Less: Loss allowance		
Third parties	(49)	(4,167)
	5,427	12,908
Other receivables from:		
Former related party	-	2,621
Related parties	21	20
Deposits	315	409
Consideration receivables	2,311	2,311
Margin and hedge accounts	-	278
Insurance recoverable	-	823
Other receivables	1,190	1,796
	3,837	8,258
Less: Loss allowance	(1,394)	(4,173)
	2,443	4,085
<b>Total trade and other receivables</b>	<b>7,870</b>	<b>16,993</b>

Trade and other receivables, and contract assets attributable to the loss of control of subsidiaries as at 30 June 2020 amounting to US\$10,101,000 and US\$3,889,000 respectively.

**SGX-ST's Query:**

- (e) *Given the Group's significant current liabilities of US\$17,134,000 and cash and bank balance of only US\$6,433,000 and noting that the Company incurred losses of US\$17,492,000 in the first 3 quarter of FY2021, please disclose the Board's assessment*

- (i) *whether the Company's current assets are adequate to meet the Company's short term liabilities of US\$7,961,000, including its bases of assessment; and*

**Company's Response:**

The Group's healthcare operations generate sufficient operating cash flows to meet its working capital requirements. The health and healthcare subsidiaries of the Company contributed US\$34,681,000 to the revenue of 9M2021. The Group can continue to grow its healthcare operations based on the financials from its operating subsidiaries, Shanghai Fengwei Garment Accessory Co., Ltd. and Healthsciences International Pte. Ltd. The adequacy of the Group's current assets to meet its short-term bank borrowings are continuously monitored and assessed by the Management and the Board.

- (ii) *how the Company intends to fulfil its significant payment obligations in the next 12 months. Where the Company has worked out debt repayment plans to fulfil its debt obligations, please disclose if the Company is on track to fulfilling these obligations.*

**Company's Response:**

The Management has considered and assessed the financial performance and resources within the Group. The Company is on track to fulfilling these obligations with the bases and assumptions set out in the announcements made by the Company on 20 January 2021, 25 January 2021 and 16 June 2021:

- (i) The Board has also taken into account the cash position of the health and healthcare subsidiaries of the Group;
- (ii) The Management with the Group's legal advisers are negotiating with the provisional liquidators of oCap Management Pte Ltd and the counterparty of the BBC Agreement;
- (iii) The Group is currently in discussions for:
  - external financing from financial institutions and strategic investors to grow its AI genomic analysis platform and pivot fully into a healthcare-med tech company, and
  - business collaboration, business venture or assets sale with strategic investors.

The financial resources within the Group are continuously monitored and assessed by the Management and the Board.

**SGX-ST's Query:**

- (f) *It is disclosed on page 3 of the unaudited financial statements that the company holds intangible assets that amount to US\$19,194,000, please disclose the following information:*

- (i) *the nature of the intangible assets;*

**Company's Response:**

The nature of the intangible assets relates to the goodwill, customer relationship and trademark arising from acquisitions of the healthcare operations.

- (ii) *clarify whether the intangible assets are impaired in this period;*

**Company's Response:**

The intangible assets are not impaired in this period.

- (iii) *the Board's opinion on the reasonableness of the methodologies used to determine the carrying value of the intangible asset;*

**Company's Response:**

In accordance to SFRS(I) 36, impairment of assets requires at least an annual impairment review of goodwill and intangible assets with indefinite useful lives. Goodwill is tested for impairment annually, or whenever there is an indication of impairment, the Group estimates the value-in-use ("VIU") of the cash generating units ("CGUs") to which the goodwill and intangible assets are allocated. The recoverable amounts of the CGUs will be determined by Management based on VIU calculations using Management's approved five-year cash flow forecasts. The Board is of the view that the methodologies used to determine the carrying value of the intangible assets are reasonable.

- (iv) *whether any valuation was conducted; the value placed on the assets; the basis and the date of such valuation, if applicable; and*

**Company's Response:**

VIU calculations using Management's approved five year cash flow forecasts were conducted for the financial year ended 30 June 2020 and the basis was disclosed in the Note 16 to the financial statements for the financial year ended 30 June 2020.

- (v) *the Board's confirmation as to whether it is satisfied with the reasonableness of the methodologies used to determine amount of impairment, if applicable.*

**Company's Response:**

The Board confirmed that it is satisfied with the reasonableness of the methodologies used to determine the amount of impairment (if any). The impairment assessment of goodwill and intangible assets will be tested impairment annually, or whenever there is an indication of impairment, by the Management and the Board.

**SGX-ST's Query:**

- (g) *It is disclosed on page 3 of the unaudited financial statements that the company have a US\$ nil amount of financial asset at fair value through other comprehensive income as of 31 March 2021, and US\$17,192,000 as of 31 December 2020. It was disclosed on page 9 that "Financial asset at fair value through other comprehensive income decreased to Nil due to the loss of control of subsidiaries." Please disclose the following information:*

- (i) *which subsidiaries was referred to in the explanation provided on page 9;*

**Company's Response:**

The loss of control of subsidiaries was referring to IEG and its subsidiaries.

- (ii) *breakdown, nature and which subsidiaries was it held by for financial asset amounting to US\$17,192,000 as of 31 December 2020;*

**Company's Response:**

IEG has 4.534% equity interest in Thai GNCC of US\$17,192,000 as at 31 December 2020, which was classified as financial asset at fair value through other comprehensive income.

- (iii) *how the amount of impairment was determined;*

**Company's Response:**

On the loss of control of IEG, the financial asset at fair value through other comprehensive income of IEG are derecognised as of the date the Group no longer has control of IEG.

- (iv) *whether any valuation was conducted; the value placed on the assets; the basis and the date of such valuation, if applicable; and*

**Company's Response:**

The Company appointed JLL to conduct an independent valuation. In their valuation report dated 1 October 2020, the fair value of the Group's 4.534% equity interest in Thai GNCC was US\$17,400,000 as at 30 June 2020, developed through the application of an income approach technique known as the discounted cash flow method. JLL further mentioned in its opinion that the cost approach is inappropriate for valuing Thai GNCC, as it does not directly incorporate information about the economic benefits contributed by Thai GNCC. The market approach is inappropriate as it requires market transactions comparable to Thai GNCC as an indication of value. However, JLL has not identified any current market transactions which are comparable to Thai GNCC. JLL has therefore relied on the income approach in determining their opinion of value.

- (v) *the Board's confirmation as to whether it is satisfied with the reasonableness of the methodologies used to determine amount of impairment.*

**Company's Response:**

The Group's accounting policy in relation to impairment is drawn up in accordance with Singapore Financial Reporting Standards International. The Board is of the view that the methodologies used to determine the impairment value is reasonable.

Shareholders of the Company and potential investors should note that the trading in the Company's securities may be suspended in the event that the Company is unable to continue as a going concern. Shareholders of the Company and potential investors are advised to exercise caution when dealing in the shares of the Company and to refrain from taking any action in respect of their shares in the Company which may be prejudicial to their interests. Shareholders of the Company and potential investors are advised to read all further announcements by the Company carefully and to consult their stockbrokers, bank managers, solicitors, accountants or other professional advisers if they have any doubt about the actions they should take.

**BY ORDER OF THE BOARD**

Dr VicPearly Wong Hwei Pink  
Executive Director and CEO

21 June 2021