

NEW SILKROUTES GROUP LIMITED
2nd Quarter and Half Year Financial Statement and Dividend Announcement For The Period Ended 31 December 2019

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 2ND QUARTER ENDED			GROUP HALF YEAR ENDED		
	31/12/19	31/12/18	Change	31/12/19	31/12/18	Change
	US\$'000	US\$'000	%	US\$'000	US\$'000	%
Revenue	144,123	130,147	11%	234,332	299,420	-22%
Other income	321	87	269%	944	140	574%
Purchases of finished goods	(141,162)	(146,509)	-4%	(228,442)	(297,682)	-23%
Changes in inventories of finished goods	1,231	19,779	-94%	1,469	5,544	-74%
Employee benefits expense	(2,419)	(2,105)	15%	(4,772)	(4,034)	18%
Amortisation of intangible assets	(68)	(45)	51%	(137)	(91)	51%
Depreciation of property, plant and equipment	(229)	(147)	56%	(434)	(247)	76%
Depreciation of right-of-use assets	(357)	-	NM	(706)	-	NM
Net fair value gain on derivative financial instruments	505	589	-14%	1,246	340	266%
Other operating expenses	(788)	(984)	-20%	(1,319)	(2,386)	-45%
Finance costs	(740)	(623)	19%	(1,448)	(1,245)	16%
Profit/(Loss) before taxation	417	189	121%	733	(241)	NM
Taxation	(62)	(167)	-63%	(135)	(215)	-37%
Profit/(Loss) for the period	355	22	1514%	598	(456)	NM
Other comprehensive income/(loss) after tax:						
Items that may be reclassified subsequently to profit or loss						
Foreign currency translation	229	(3)	NM	(13)	(118)	-89%
Other comprehensive income/(loss) for the period, net of tax	229	(3)	NM	(13)	(118)	-89%
Total comprehensive income/(loss) for the period	584	19	2974%	585	(574)	NM
Profit/(Loss) attributable to:						
Owners of the company	6	(229)	NM	9	(807)	NM
Non-controlling interests	349	251	39%	589	351	68%
	355	22	1514%	598	(456)	NM
Total comprehensive income/(loss) attributable to:						
Owners of the company	196	(228)	NM	(30)	(887)	-97%
Non-controlling interests	388	247	57%	615	313	96%
	584	19	2974%	585	(574)	NM
Notes (The expenses below are included in "Other operating expenses" above):						
Foreign exchange loss	(68)	(18)	278%	(45)	(119)	-62%
Impairment losses on trade and other receivables	(25)	-	NM	(25)	-	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	
	31/12/2019	30/06/2019	31/12/2019	30/06/2019
	US\$'000	US\$'000	US\$'000	US\$'000
ASSETS				
Non-current assets				
Property, plant and equipment	9,565	9,964	1	1
Right-of-use assets	4,070	-	-	-
Intangible assets	20,074	20,098	-	-
Subsidiaries	-	-	46,436	46,436
Financial asset at fair value through other comprehensive income	19,737	19,737	-	-
Long-term receivables	1,341	3,414	900	900
Deferred tax assets	201	199	-	-
Total non-current assets	54,988	53,412	47,337	47,337
Current assets				
Inventories	2,769	1,655	-	-
Trade and other receivables	41,035	30,370	5,846	6,205
Contract assets	269	18,288	-	-
Prepayments	567	827	24	17
Cash and bank balances	19,572	17,905	135	215
Fixed deposits	39	451	-	-
Total current assets	64,251	69,496	6,005	6,437
Total assets	119,239	122,908	53,342	53,774
EQUITY AND LIABILITIES				
Equity				
Share capital	88,183	88,183	88,183	88,183
Treasury shares	(863)	(863)	(863)	(863)
Other reserves	(6,662)	(6,623)	45	45
Accumulated losses	(36,855)	(36,864)	(40,126)	(39,310)
	43,803	43,833	47,239	48,055
Non-controlling interests	1,458	1,338	-	-
Total equity	45,261	45,171	47,239	48,055
Non-current liabilities				
Borrowings	2,551	97	-	-
Lease liabilities	1,212	-	-	-
Deferred tax liabilities	608	668	-	-
Other payables	3,596	5,046	-	1,450
Total non-current liabilities	7,967	5,811	-	1,450
Current liabilities				
Trade and other payables	42,799	44,795	2,442	643
Contract liabilities	261	155	-	-
Borrowings	21,341	26,516	3,661	3,626
Lease liabilities	1,176	-	-	-
Derivative financial instruments	-	5	-	-
Current tax payable	434	455	-	-
Total current liabilities	66,011	71,926	6,103	4,269
Total liabilities	73,978	77,737	6,103	5,719
Total equity and liabilities	119,239	122,908	53,342	53,774

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 2019		As at 30 June 2019	
	Secured US\$'000	Unsecured US\$'000	Secured US\$'000	Unsecured US\$'000
Borrowings	17,693	3,660	22,890	3,626

Amount repayable after one year

	As at 31 December 2019		As at 30 June 2019	
	Secured US\$'000	Unsecured US\$'000	Secured US\$'000	Unsecured US\$'000
Borrowings	2,588	-	97	-

Details of any collateral

The Group's borrowings are secured by,

- (a) security over certain plant and equipment;
- (b) floating charge over certain inventories;
- (c) pledge(s) over fixed deposits of US\$0.039m;
- (d) corporate guarantee from the Company and related parties;
- (e) personal guarantee(s) from a director of the Company and/or directors of subsidiaries;
- (f) pledge over a related party's land; and
- (g) charges over shares of certain subsidiaries of the Company.

- 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	
	31/12/2019	31/12/2018
	US\$'000	US\$'000
OPERATING ACTIVITIES		
Profit/(Loss) before taxation	733	(241)
Adjustments for:-		
Amortisation of intangible assets	137	91
Depreciation of property, plant and equipment	501	247
Depreciation of right-of-use assets	706	-
Finance costs	1,448	1,245
Finance income	(13)	(12)
Impairment losses on trade and other receivables	25	-
Loss on deregistration of a subsidiary	-	150
Net fair value gain on derivative financial instruments	(1,246)	(340)
Unrealised foreign exchange differences	(184)	2
Property, plant and equipment written off	2	14
Operating profit before working capital changes	2,109	1,156
Increase/decrease in:		
Inventories	(1,114)	(5,544)
Trade and other receivables	(9,243)	(13,511)
Contract assets	18,019	-
Prepayments	267	2,249
Trade and other payables	(3,539)	7,105
Contract liabilities	106	-
Cash from/(used in) operations	6,605	(8,545)
Income tax paid	(217)	(144)
Net cash flows from/(used in) operating activities	6,388	(8,689)
INVESTING ACTIVITIES		
Acquisition of subsidiaries, net of cash acquired	-	(8,288)
Acquisition of property, plant and equipment	(121)	(124)
Interest received	10	12
Net cash flows used in investing activities	(111)	(8,400)
FINANCING ACTIVITIES		
Acquisition of non-controlling interests in a subsidiary	(100)	-
Restricted cash	(1,477)	9,445
Dividends paid to the non-controlling interests of the subsidiaries	(395)	(110)
Interest paid	(1,332)	(1,168)
Pledged fixed deposits	420	(338)
Proceeds from issuance of convertible loan note	-	1,885
Proceeds from short-term loans	18,241	14,858
Repayment of lease liabilities	(564)	(5)
Repayment of short-term loans	(20,902)	(13,339)
Net cash flows (used in)/from financing activities	(6,109)	11,228
Net increase/(decrease) in cash and cash equivalents	168	(5,861)
Cash and cash equivalents at beginning of the period	6,821	11,973
Effect of exchange rate differences in cash and cash equivalents	21	(24)
Cash and cash equivalents at end of financial period	7,010	6,088
Cash and cash equivalents comprise the following:		
Cash and bank balances	19,572	17,291
Less: Bank overdrafts	-	(138)
Less: Restricted cash	(12,562)	(11,065)
Cash and cash equivalents at end of financial period	7,010	6,088

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	Treasury shares	Warrant reserve	Capital reserve	Other reserve	Fair value reserve	Translation reserve	Accumulated losses	Equity attributable to owners of the Company	Non-controlling interests	Total equity
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
GROUP											
Balance as at 1 July 2019	88,183	(863)	-	45	(3,596)	(2,924)	(148)	(36,864)	43,833	1,338	45,171
Profit for the period	-	-	-	-	-	-	-	9	9	589	598
Other comprehensive income											
- Foreign currency translation	-	-	-	-	-	-	(39)	-	(39)	26	(13)
Total comprehensive income/(loss) for the period	-	-	-	-	-	-	(39)	9	(30)	615	585
Contributions by and distributions to owners											
- Effects of acquiring of non-controlling interest in a subsidiary	-	-	-	-	-	-	-	-	-	(100)	(100)
- Dividends	-	-	-	-	-	-	-	-	-	(395)	(395)
Transactions with owners recognised directly in equity	-	-	-	-	-	-	-	-	-	(495)	(495)
Balance as at 31 December 2019	88,183	(863)	-	45	(3,596)	(2,924)	(187)	(36,855)	43,803	1,458	45,261
Balance as at 1 July 2018											
- As previously reported	78,076	(863)	666	45	-	(987)	508	(35,852)	41,593	784	42,377
- Effect of adoption SFRS(I)	-	-	-	-	-	-	(473)	473	-	-	-
As restated	78,076	(863)	666	45	-	(987)	35	(35,379)	41,593	784	42,377
(Loss)/Profit for the period	-	-	-	-	-	-	-	(807)	(807)	351	(456)
Other comprehensive income											
- Foreign currency translation	-	-	-	-	-	-	(80)	-	(80)	(38)	(118)
Total comprehensive (loss)/income for the period	-	-	-	-	-	-	(80)	(807)	(887)	313	(574)
Contributions by and distributions to owners											
- Issue of shares	1,885	-	-	-	-	-	-	-	1,885	-	1,885
- Deregistration of a subsidiary	-	-	-	-	-	-	-	-	-	150	150
- Dividends	-	-	-	-	-	-	-	-	-	(110)	(110)
Changes in ownership interests in subsidiaries											
- Acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	173	173
Transactions with owners recognised directly in equity	1,885	-	-	-	-	-	-	-	1,885	213	2,098
Balance as at 31 December 2018	79,961	(863)	666	45	-	(987)	(45)	(36,186)	42,591	1,310	43,901
	Share capital	Treasury shares	Warrant reserve	Capital reserve	Accumulated losses	Total equity					
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000					
COMPANY											
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	-	-	-	-	(816)	(816)					
Balance as at 31 December 2019	88,183	(863)	-	45	(40,126)	47,239					
Balance as at 1 July 2018	78,076	(863)	666	45	(37,329)	40,595					
Issue of shares	1,885	-	-	-	-	1,885					
Loss for the period, representing total comprehensive loss for the period	-	-	-	-	(1,216)	(1,216)					
Balance as at 31 December 2018	79,961	(863)	666	45	(38,545)	41,264					

- 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:

	31/12/2019	31/12/2018
Warrants		
Total number of shares that may be issued on conversion of the Company's outstanding warrants	-	15,301,568
Convertible loan note		
Total number of shares that may be issued on conversion of the Company's convertible loan note ⁽¹⁾	11,111,111	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 (equivalent to US\$3,660,500). The convertible loan is convertible into 11,111,111 ordinary shares, at a reset floor price of S\$0.45 per share.

As at 31 December 2019, the Company held 3,444,200 (31 December 2018: 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 2019: 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 2019 and 31 December 2019	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 qualified opinion on the Group's financial statements for the financial year ended 30 June 2019 due to the 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 41 of the Company's 2019 Annual Report for more information on this outstanding audit issue.

In an effort to resolve the above outstanding audit issue, the Management has and will continue to contact and request for more visibility on the future plans and developments and access to the records of Thai GNCC from the management of Thai GNCC. The Management will also continue exploring with the auditors other methods of valuation that are acceptable to the auditors.

(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.

Except as disclosed under item 5 below, 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 2019.

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 SFRS(I) 16 is effective from 1 July 2019. The Group has applied the modified retrospective approach and does not restate comparative amounts for year prior to first adoption.

In compliance with SFRS(I) 16, the Group has applied the practical expedient to recognise the amount of right-of-use assets equal to the lease liabilities as at 1 July 2019. Subsequent to initial recognition, the Group depreciates the right-of-use assets over the lease term, and recognise interest expenses on the lease liabilities.

The right-of-use assets of approximately US\$4.070 million as at 31 December 2019 were mainly related to the leases of the land use rights and premises occupied by the Group. Accordingly, there was a corresponding lease liabilities of approximately US\$2.388 million being recorded as at 31 December 2019.

Cash payments for the settlement of lease liabilities were reported as cash flows from financing activities. The total net cash flows of the Group are unaffected.

Except as stated above, the Group expects the adoption of new and revised SFRS(I)s and interpretation of SFRS(I) that are relevant to the Group to have no 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.

Profit/(Loss) per ordinary share for the period based on net profit/(loss)	6 MONTHS ENDED	
	31/12/2019	31/12/2018
	US\$	US\$
(i) Basic	0.004 cents	(0.479) cents
(ii) Diluted	0.004 cents	(0.479) cents

The basic earnings per ordinary share for the financial period ended 31 December 2019 was calculated based on the weighted average number of issued shares 208,464,669. For comparison, earnings/(loss) per share for the corresponding period was computed based on the weighted average number of shares of 168,638,712.

The diluted earnings per ordinary share for the financial period ended 31 December 2019 was calculated based on the weighted average number of issued shares 219,575,780. For comparison, the outstanding warrants and 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	
	31/12/2019	30/06/2019	31/12/2019	30/06/2019
	US\$	US\$	US\$	US\$
Net asset value per ordinary share based on the issued share capital at the end of the period	21.013 cents	21.027 cents	22.660 cents	23.052 cents

Net asset value per ordinary share as at 31 December 2019 and 30 June 2019 was calculated based on the number of shares in issue excluding treasury shares of 208,464,669.

- 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\$144.123m in second quarter ended 31 December 2019 ("2Q20") which was 11% higher than US\$130.147m in second quarter ended 31 December 2018 ("2Q19"). This is mainly due to the increase in the oil trades, and contribution from the newly acquired subsidiary Shanghai Fengwei Garment Accessory Co. Ltd ("Fengwei") on 2 January 2019.

Other income increased to US\$0.321m in 2Q20 as compared to US\$0.087m in 2Q19. This is mainly due to the miscellaneous income from the oil trading activities and tax refund from Fengwei in 2Q20.

Employee benefits expense increased to US\$2.419m in 2Q20 as compared to US\$2.105m in 2Q19 mainly due to the acquisition of Fengwei.

Amortisation of intangible assets and depreciation of property, plant and equipment increased to US\$0.068m and US\$0.229m in 2Q20 as compared to US\$0.045m and US\$0.147m respectively in 2Q19 mainly due to the acquisition of Fengwei.

Depreciation of right-of-use assets in 2Q20 amounted to US\$0.357m arising from the adoption of the new Singapore Financial Reporting Standards (International) (SFRS(I)) 16 Leases.

Other operating expenses decreased to US\$0.788m in 2Q20 as compared to US\$0.984m in 2Q19 was mainly due to the adoption of the new SFRS(I) 16 Leases, which resulted in a corresponding increase in the depreciation of right-of-use assets.

Finance costs increased to US\$0.740m in 2Q20 as compared to US\$0.623m in 2Q19, arising mainly from the newly acquired Fengwei and the adoption of the new SFRS(I) 16 Leases.

Financial Position Review

Right-of-use assets of US\$4.070m as at 31 December 2019 arising from the adoption of the SFRS(I) 16 Leases.

Long term receivables decreased to US\$1.341m as compared to US\$3.414m due to the reclassification of the prepaid lease to right-of-use assets.

As at 31 December 2019, the increase/decrease of the following items is primarily due to the oil trading activities as compared to 30 June 2019:

- i. Inventories increased to US\$2.769m as compared to US\$1.655m;
- ii. Trade and other receivables increased to US\$41.035m as compared to US\$30.370m;
- iii. Contract assets decreased to US\$0.269m as compared to US\$18.288m; and
- iv. Trade and other payables decreased to US\$42.799m as compared to US\$44.795m.

Total borrowings decreased to US\$23.892m as compared to US\$26.613m due to the repayment of loans during the period.

Total lease liabilities of US\$2.388m as at 31 December 2019 was due to the adoption of the SFRS(I) 16 Leases.

Non-current other payables decreased to US\$3.596m as compared US\$5.046m was due to the reclassification of the consideration payable of US\$1.464m from non-current to current payables.

Cash Flow Statement Review

The movement in the net cash flows from operating activities was mainly due to the oil trading activities.

The net cash of US\$6.109m used in financing activities in the current period arising mainly from the increase of US\$1.477m in restricted cash held in designated bank accounts which is earmarked for trades and repayment of loans and interest by US\$3.993m.

- 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.

We foresee a challenging third quarter in view of the socio-economic impact on many industries due to the Coronavirus pandemic. If a clinic has contact with patients suspected of having the disease, we may be forced to close the affected clinic for a period of time, whilst we disinfect the premises. Similarly, clinical staff who may have come in contact with diagnosed patients stricken with the Coronavirus will have to be quarantined for 14 days or more. This may impact our operations.

To mitigate the risk of disease spread amongst our staff, we have implemented business continuity plans, such as splitting our staff into two teams and facilitating work from home on a staggered basis. There will be some increased costs associated with these measures. However, we are confident that our businesses will continue to function optimally during this period of heightened concerns over the spread of the virus.

Meanwhile, we are continuing our pursuit of opportunities to scale quickly, which will create and grow sustainable value for our shareholders.

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 31 December 2019 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 second 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 31 December 2019 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.

BY ORDER OF THE BOARD

Dr Goh Jin Hian
Executive Director and Chief Executive Officer
11 February 2020