

Issuer: New Silkroutes Group Limited

Security: New Silkroutes Group Limited

Meeting details:

Date: 31 October 2017

Time: 10.00 a.m.

Venue: Temasek Club, 131 Rifle Range Road, Singapore 588406, Seletar Room

Company Description

New Silkroutes Group Limited, an investment holding company, engages in the oil and gas trading activities. The company also operates clinics that provide integrative therapy services; and runs employee healthcare benefits programs, as well as offers systems integration services to hospitals and healthcare facilities. It operates in Malaysia, Malta, Singapore, South Korea, and Vietnam. The company was formerly known as Digiland International Limited and changed its name to New Silkroutes Group Limited in July 2015. New Silkroutes Group Limited was incorporated in 1994 and is headquartered in Singapore.

(Source: http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=BMT)

Q1. On 10 October 2017, the company announced that the auditors of the company, Foo Kon Tan LLP, have included a disclaimer of opinion in respect of Prepayments to a supplier in the Independent Auditor’s Report for the financial statements of the company and its subsidiaries (collectively, the “Group”) for the financial year ended 30 June 2017.

The Basis for Disclaimer of Opinion is as follows:

Prepayments to a supplier Included in prepayments stated on the face of the consolidated statement of financial position as at 30 June 2017 are prepayments of US\$500,494 and US\$4,400,000 made by the subsidiaries, Top Post Enterprises Limited and Baling (China) Investment Limited, respectively, to a supplier for the purchase of iron ore fines (Note 10). We were unable to obtain sufficient appropriate audit evidence on the recoverability or utilisation of the prepayments to the supplier. Consequently, we were unable to satisfy ourselves as to the appropriateness of the carrying amount of the prepayments to the supplier as at 30 June 2017.

The Audit Committee (AC) comprises Mr Pao Kiew Tee (as Chairman), Mr Ho Sheng and Mrs Chen Chou Mei Mei Vivien. As noted in the Director’s Profile (page 10), Mr Pao, as the AC Chairman, was a senior government auditor and he was the overall-in-charge of a group responsible for carrying out financial statements and operation audits of government ministries and statutory boards.

In the Director’s Statement (page 23), the directors have stated that, in the opinion of the directors:

(a) the accompanying statements of financial position, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows, together with the notes thereon, are drawn up so as to give a true and fair view of the financial position of the Group and the Company as at 30 June 2017 and the financial performance, changes in equity and cash flows of the Group for the financial year ended on that date in accordance with the provisions of the Singapore Companies Act, Chapter 50 and Singapore Financial Reporting Standards;

- a) **In view of the basis for Disclaimer of Opinion by the Independent Auditors, can the board explain the basis of its opinion that the accompanying statements together with the notes thereon are drawn up so as to give a true and fair view of the financial position of the group and the company as at 30 June 2017?**
- b) **Can the audit committee explain if the issue of prepayments to a supplier was brought up in its meeting(s) with the external auditors?**
- c) **Can the audit committee explain the scope of its review of the effectiveness of the group’s material internal controls, including financial, operational and compliance controls and information technology controls and risk management systems?**

Q2. Guideline 1.4 of the Code of Corporate Governance 2012 (“CG Code”) states the following:

1.4 The Board should meet regularly and as warranted by particular circumstances, as deemed appropriate by the board members. Companies are encouraged to amend their Articles of Association (or other constitutive documents) to provide for telephonic and video-conference meetings. The number of meetings of the Board and board committees held in the year, as well as the attendance of every board member at these meetings, should be disclosed in the company’s Annual Report.

- a) **Further to the company’s disclosure on page 13, can the company disclose the attendance of each and every board member at the board and board committee meetings held in the year.**

In addition, the remuneration of two executive directors are disclosed as Above \$250,000.

b) As a matter of good corporate governance, please disclose the upper limit.

Q3. In Note 14 (page 78 – Treasury shares), the acquisition and disposal of the company’s shares as treasury shares in the year is described, as follows:

14 Treasury shares (cont’d)

The Company acquired 1,171,500 (2016: 1,441,700) of its own shares through purchase on the SGX-ST during the financial year. The total amount paid to acquire the shares was S\$790,514 (US\$577,239) (2016: S\$440,593 (US\$321,751)) and has been deducted from shareholders’ equity. The shares are held as “treasury shares”.

During the financial year, the Company sold 1,132,100 of its own shares for an aggregate amount of S\$634,118 (US\$457,960). The cost of the treasury shares is reversed from the treasury shares account, and the realised gain on sale of US\$68,496 is recognised in the capital reserve of the Company.

(Source: Company annual report)

In 2017, the treasury shares were acquired at an average price of \$0.675 per share while the treasury shares were sold at an average price of \$0.560 per share.

- a) Can management help shareholders understand why it has carried out such value-destructive transactions?**
- b) How does the board oversee the company’s share buy-back programme? Who are the active decision-makers on such matters?**

The following are observations related to Mr Lee Soek Shen, Executive Director and Goodwood Associates Pte. Ltd which is wholly-owned by Mr Lee Soek Shen.

- Mr Lee/Goodwood Associates buys and sells shares of the company on a regular basis (please refer to the screenshot from SGX below)
- Goodwood Associates Pte. Ltd. acts as a procurement agent of fuel oil for the group
- Goodwood Associates Pte. Ltd provided specialised advice and services (value of transactions amounting to US\$0.69M)
- Goodwood Associates Pte. Ltd has provided loans to the group that bear interest at 10% per annum

On page 22, the company has stated that it expects officers of the Group to observe insider trading laws at all times, and are discouraged from dealing in the Company’s securities on short-term considerations.

c) Given the frequency of trades carried out by the executive director/Goodwood Associates Pte. Ltd, can the board and the audit committee help shareholders understand how it monitors the risk of possible/perceived insider trading and dealing on short-terms considerations?

Announcement Category:

¹ Company name refers to the entity that issues or manages the security.
² Security name refers to the traded counter on SGX.

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02 Oct 2017	06:06:11 PM	NEW SILKROUTES GROUP LIMITED	NEW SILKROUTES GROUP LIMITED	Disclosure of Interest/ Changes in Interest of Director/ Chief Executive Officer::Disclosure of Interest of Mr Lee Soek Shen
02 Oct 2017	06:04:42 PM	NEW SILKROUTES GROUP LIMITED	NEW SILKROUTES GROUP LIMITED	Disclosure of Interest/ Changes in Interest of Substantial Shareholder(s)/ Unitholder(s)::Changes in Interest of Substantial Shareholder - Goodwood Associates Pte. Ltd.
29 Sep 2017	06:02:42 PM	NEW SILKROUTES GROUP LIMITED	NEW SILKROUTES GROUP LIMITED	Disclosure of Interest/ Changes in Interest of Director/ Chief Executive Officer::Disclosure of Interest of Mr Lee Soek Shen
29 Sep 2017	06:02:19 PM	NEW SILKROUTES GROUP LIMITED	NEW SILKROUTES GROUP LIMITED	Disclosure of Interest/ Changes in Interest of Substantial Shareholder(s)/ Unitholder(s)::Changes in Interest of Substantial Shareholder - Goodwood Associates Pte. Ltd.
27 Sep 2017	05:47:03 PM	NEW SILKROUTES GROUP LIMITED	NEW SILKROUTES GROUP LIMITED	Disclosure of Interest/ Changes in Interest of Director/ Chief Executive Officer::Disclosure of Interest of Mr Lee Soek Shen
27 Sep 2017	05:46:50 PM	NEW SILKROUTES GROUP LIMITED	NEW SILKROUTES GROUP LIMITED	Disclosure of Interest/ Changes in Interest of Substantial Shareholder(s)/ Unitholder(s)::Changes in Interest of Substantial Shareholder - Goodwood Associates Pte. Ltd.
26 Sep 2017	05:38:26 PM	NEW SILKROUTES GROUP LIMITED	NEW SILKROUTES GROUP LIMITED	Disclosure of Interest/ Changes in Interest of Director/ Chief Executive Officer::Disclosure of Interest of Mr Lee Soek Shen
26 Sep 2017	05:36:00 PM	NEW SILKROUTES GROUP LIMITED	NEW SILKROUTES GROUP LIMITED	Disclosure of Interest/ Changes in Interest of Substantial Shareholder(s)/ Unitholder(s)::Changes in Interest of Substantial Shareholder - Goodwood Associates Pte. Ltd.
25 Sep 2017	05:54:13 PM	NEW SILKROUTES GROUP LIMITED	NEW SILKROUTES GROUP LIMITED	Disclosure of Interest/ Changes in Interest of Director/ Chief Executive Officer::Disclosure of Interest of Mr Lee Soek Shen
25 Sep 2017	05:53:32 PM	NEW SILKROUTES GROUP LIMITED	NEW SILKROUTES GROUP LIMITED	Disclosure of Interest/ Changes in Interest of Substantial Shareholder(s)/ Unitholder(s)::Changes in Interest of Substantial Shareholder - Goodwood Associates Pte. Ltd.
22 Sep 2017	05:46:37 PM	NEW SILKROUTES GROUP LIMITED	NEW SILKROUTES GROUP LIMITED	Disclosure of Interest/ Changes in Interest of Director/ Chief Executive Officer::Disclosure of Interest of Mr Lee Soek Shen
22 Sep 2017	05:43:32 PM	NEW SILKROUTES GROUP LIMITED	NEW SILKROUTES GROUP LIMITED	Disclosure of Interest/ Changes in Interest of Substantial Shareholder(s)/ Unitholder(s)::Changes in Interest of Substantial Shareholder - Goodwood Associates Pte. Ltd.
21 Sep 2017	06:23:27 PM	NEW SILKROUTES GROUP LIMITED	NEW SILKROUTES GROUP LIMITED	Disclosure of Interest/ Changes in Interest of Director/ Chief Executive Officer::Disclosure of Interest of Mr Lee Soek Shen
21 Sep 2017	06:23:06 PM	NEW SILKROUTES GROUP LIMITED	NEW SILKROUTES GROUP LIMITED	Disclosure of Interest/ Changes in Interest of Substantial Shareholder(s)/ Unitholder(s)::Changes in Interest of Substantial Shareholder - Goodwood Associates Pte. Ltd.
20 Sep 2017	06:38:02 PM	NEW SILKROUTES GROUP LIMITED	NEW SILKROUTES GROUP LIMITED	Disclosure of Interest/ Changes in Interest of Director/ Chief Executive Officer::Disclosure of Interest of Mr Lee Soek Shen
20 Sep 2017	06:37:50 PM	NEW SILKROUTES GROUP LIMITED	NEW SILKROUTES GROUP LIMITED	Disclosure of Interest/ Changes in Interest of Substantial Shareholder(s)/ Unitholder(s)::Changes in Interest of Substantial Shareholder - Goodwood Associates Pte. Ltd.
19 Sep 2017	05:46:31 PM	NEW SILKROUTES GROUP LIMITED	NEW SILKROUTES GROUP LIMITED	Disclosure of Interest/ Changes in Interest of Director/ Chief Executive Officer::Disclosure of Interest of Mr Lee Soek Shen
19 Sep 2017	05:46:24 PM	NEW SILKROUTES GROUP LIMITED	NEW SILKROUTES GROUP LIMITED	Disclosure of Interest/ Changes in Interest of Substantial Shareholder(s)/ Unitholder(s)::Changes in Interest of Substantial Shareholder - Goodwood Associates Pte. Ltd.
18 Sep 2017	06:03:30 PM	NEW SILKROUTES GROUP LIMITED	NEW SILKROUTES GROUP LIMITED	Disclosure of Interest/ Changes in Interest of Director/ Chief Executive Officer::Disclosure of Interest of Mr Lee Soek Shen
18 Sep 2017	06:03:23 PM	NEW SILKROUTES GROUP LIMITED	NEW SILKROUTES GROUP LIMITED	Disclosure of Interest/ Changes in Interest of Substantial Shareholder(s)/ Unitholder(s)::Changes in Interest of Substantial Shareholder - Goodwood Associates Pte. Ltd.

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(Source: SGX.com)

A copy of the questions for the Annual Report for the financial year ended 30 June 2016 could be found here:

<https://sias.org.sg/qa-on-annual-reports/?company=New%20Silkroutes%20Group%20Ltd>

The company's response could be found here: -----