



**Securities Investors Association (Singapore)**

7 Maxwell Road #05-03 MND Building Annexe B Singapore 069111

Tel: (65) 6227 2683 Fax: (65) 6220 6614

Email: [admin@sias.org.sg](mailto:admin@sias.org.sg) [www.sias.org.sg](http://www.sias.org.sg)

UEN No: S99SS0111B

GST Reg No: M90367530Y

**Issuer:** New Silkroutes Group Limited

**Security:** New Silkroutes Group Limited

**Meeting details:**

Date: 31 October 2018

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, primarily operates in the healthcare and energy sectors. The company's Healthcare division operates primarily under its subsidiary, Healthsciences International Pte. Ltd (HSI), which focuses on the provision of healthcare and related services. HSI owns and operates primary care medical and dental clinics in Singapore and Vietnam, and provides dental supplies in Singapore. It also specializes in hospital development and management with a focus in Southeast Asia and China. HSI owns a proprietary clinical and pharmacy management system, which serves its clinics and those of its clients in Singapore and China. Its Energy division operates through its oil trading subsidiary, International Energy Group Pte. Ltd. (IEG), which focuses on physical oil trades in the principal markets of Southeast Asia and North Asia. IEG charters and operates its fleet of vessels to support the logistics. 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 based in Singapore.

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

1. As noted in the Chairman's statement, the group continues to fine-tune its growth strategy to become a regional healthcare player. Non-core assets were divested and the senior management team was strengthened with the addition of Ms Luna Lee as the CEO of Healthsciences International Pte. Ltd. ("HIS") and Mr William Teo as the Finance Director.

The chairman has also highlighted the following in his statement:

- *NSG's FY2018 performance ... starting to show growth momentum... revenue rose to US\$692.53 million; revenue and gross profit grew by 10 and 14 times, respectively*
- *HSI recorded a full-year net profit of US\$0.25 million in FY2018... expanded into Vietnam and laid plans to enter China.... grew its Singapore business to include more GP and dental clinics*
- *International Energy Group Pte. Ltd. ("IEG") showed similar traction and recorded 1.6 times increase in revenue to US\$686.13 million and gross profit grew to US\$3.90 million*

- (i) **Would the company help shareholders reconcile how "revenue and gross profit grew by 10 and 14 times, respectively"? On page 10 (Financial highlights), FY2018 revenue increased from US\$433 million to US\$693 million while gross profit increased from US\$4.18 million to US\$9.52 million.**

While the group has made good progress especially in scaling up the healthcare business, loss attributable to owners of the company increased from US\$(1.79) million in 2017 to US\$(3.12) million. Total comprehensive loss attributable to owners of the company increased from US\$(1.78) million to US\$(4.08) million over the same period. Loss per share attributable to owners of the company increased from (1.3816) US cent to (2.0126) US cent in 2018. There were net operating cash outflows of US\$(9.35) million for the financial year ended 30 June 2018.

- (ii) **Would the chairman provide shareholders with a balanced commentary on the performance of the group and help shareholders understand the challenges and headwind in the two business segments together with the achievements made?** That would give shareholders a better understanding of the opportunities and the risks of the group.
- (iii) **Notwithstanding the group's net cash position, could the board, especially the independent audit committee members, comment on the group's viability?** The group has been loss-making in the last two fiscal years, and has only made operating profit/(loss) (before working capital changes) of US\$717,430 and US\$(955,257) in each of FY2018 and FY2017, respectively. In addition, total finance costs were US\$1.68 million in FY2018 and US\$1.22 million in FY2017.
- (iv) **Given the new focus on healthcare, would management lay out its expansion plan in greater detail to help shareholders understand its growth trajectory? Please include details of the primary care medical business, dental clinics operations and medical supplies business, for Singapore and in the region. How is the group going to fund this**

**expansion? What is the projected return on investment (ROI) vis-à-vis the group's cost of capital?**

2. While the operating segments were profitable, the net loss incurred by the group was mainly due to the corporate segment, as a result of various corporate expenses incurred, and one-off write-offs on other receivables amounting to US\$1,176,860.

In Note 22 (page 95 – Other operating expenses), the amount of US\$1,176,860 was shown as a single line item (“Other receivables written off”) with no breakdown or explanation provided.

- (i) Would the audit and risk committee (ARC)/management help elaborate further on the US\$1,176,860 recognised as “Other receivables written off”? Please provide a breakdown of the amount, the parties involved and the nature of the receivable.**
- (ii)** In addition, would the ARC comment on the prudence of the company to enter into a convertible loan agreement with the following terms:
  - (a) A convertible loan facility of up to a maximum amount of S\$5,000,000 (US\$3,737,000)
  - (b) Bears interest at 5% per annum, unless the relevant Singapore swap offer rate for Singapore dollars is greater than 2%, in which case, the interest rate shall be as the lender may determine at its sole discretion
  - (c) Maturity of two years after drawdown date
  - (d) Lender shall have the right at any time on and from 30 days after the drawdown date to convert at a conversion price of \$0.60 for each share
  - (e) Reset feature: conversion price adjusted downwards at the option of the lender to a minimum of S\$0.45

**Did the ARC review the terms of the convertible loan? Please help shareholders understand the reason(s) for management to agree to such a condition that gives the lender the right to determine interest rates at its sole discretion, especially in this rising interest rate environment? Did the ARC estimate the cost of this loan, with all the embedded features? Did the ARC approve the loan and the terms?**

In addition, on 10 October 2018, the company announced that its independent external auditor has, in its Independent Auditor’s Report dated 10 October 2018 included a qualified opinion on the financial statements of the group for the financial year ended 30 June 2018. The auditor had issued a qualified opinion on the financial statements of the group for the financial year ended 30 June 2017 as well. However, the basis for qualified opinion has increased to two items as shown in the table below.

Basis for qualified opinion for FY2017	Basis for qualified opinion for FY2018
Prepayments to a supplier – totaling US\$4.9 million made to a supplier	Opening balance – prepayments totaling US\$4.9 million made to a supplier

	Available-for-sale investment – fair value of US\$21,672,520 representing 4.534% equity interest in Thai General Nice Coal and Coke Co., Ltd
--	--

**(iii) Would management and the ARC help shareholders understand the discussions it has had with the external auditors?**

The auditors have stated that they were (a) unable to determine whether any adjustments to the prepayment amount might be necessary, (b) unable to satisfy themselves as to the appropriateness of the carrying amount of the available-for-sale investment as at 30 June 2018 and (c) unable to ascertain the adequacy of the related disclosures in the financial statements.

**(iv) In view of the basis for the qualified opinion, especially on the issues brought up by the auditors (as above), can management/ARC tell shareholders why they have considered it prudent to keep the opening balance/carrying amount?**

In the Directors' statement (page 27), the directors have stated that, in their opinion:

*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 2018 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*

**(v) Given the basis for the qualified opinion, can the directors help shareholders understand the basis of its opinion that the consolidated financial statements are drawn up so as to give a true and fair view and are in accordance with the provisions of the Singapore Companies Act, Chapter 50 and Singapore Financial Reporting Standards?**

3. The attendance of directors at board and board committee meetings is shown in the table below:

During the financial year ended 30 June 2018 ("FY2018"), the Board met at five meetings. Board members were present at the meetings, either in person or via teleconferencing. The table below shows the attendance of the Directors at the Board and respective Board Committee meetings during FY2018:

Name of Director	Board		Audit and Risk Committee <sup>#</sup>		Nominating Committee		Remuneration Committee	
	Number of Meetings <sup>^</sup>		Number of Meetings <sup>^</sup>		Number of Meetings <sup>^</sup>		Number of Meetings <sup>^</sup>	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended
Ho Sheng	5	5	4	4	1	1	1	1
Goh Jin Hian	5	5	4	4*	1	1*	1	1*
Oo Cheong Kwan Kelvyn	5	5	4	4*	1	1*	1	1*
Chen Chou Mei Mei Vivien	5	4	4	3	1	1	1	1
Pao Kiew Tee	5	5	4	4	1	1	1	1
Lee Soek Shen <i>(ceased to be a Director on 8 January 2018)</i>	3	3	2	2*	1	1*	1	1*

(Source: Company annual report)

- (i) **Can the board help shareholders understand if it is the usual practice for non-board committee members (i.e. the executive directors) to attend the board committee meetings?**
- (ii) **Were there specific agenda items or reasons to invite the executive directors to all the board committee meetings?**
- (iii) **What is the dynamics of the board committee meetings when the board committee members may be reviewing and discussing matters that are related to or affect the executive directors?** Such board committee meetings would have included agenda items on performance assessment and remuneration of the executive directors and on the audit/financial reporting of the group.
- (iv) **Do the invited directors also actively participate in the discussions during the board committee meetings?**
- (v) **Given the attendance shown in the table above, was there an audit and risk committee meeting where there were more executive directors in attendance than independent directors?**

A copy of the questions for the Annual Report for the financial year ended 30 June 2017 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: -----