新絲路文旅有限公司
NEW SILKROAD CULTURALTAINMENT LIMITED
(Incorporated in Bermuda with limited liability)
(Stock Code: 472)

ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31 DECEMBER 2016

The board (the "Board") of directors (the "Directors") of New Silkroad Culturaltainment Limited (the "Company") announces the audited consolidated results of the Company and its subsidiaries (together the "Group") for the year ended 31 December 2016, together with the comparative figures for the year ended 31 December 2015 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the year ended 31 December 2016

	Note	2016 HK$'000	2015 HK$'000
Revenue	3	**273,710**	241,225
Sales of wines and Chinese baijiu		**200,664**	239,058
Cost of sales of wines and Chinese baijiu		**(116,469)**	(139,950)
Gross profit of wines and Chinese baijiu		**84,195**	99,108
Gaming revenue		**73,046**	2,167
Cost of gaming operation		**(33,952)**	(525)
Gross profit of gaming operation		**39,094**	1,642

	Notes	**2016** *HK$'000*	2015 *HK$'000*
Gross profit		**123,289**	100,750
Other revenue		**34,727**	22,258
Selling and distribution expenses		**(57,513)**	(79,567)
Administrative expenses		**(112,655)**	(77,941)
Share-based payment expenses		**(59,479)**	–
Loss from operating activities	5	**(71,631)**	(34,500)
Finance costs	6	**(10,778)**	(3,544)
Loss before taxation		**(82,409)**	(38,044)
Taxation	7	**(1,211)**	(2,846)
Loss for the year		**(83,620)**	(40,890)
Attributable to:			
Owners of the Company		**(80,064)**	(35,336)
Non-controlling interests		**(3,556)**	(5,554)
		(83,620)	(40,890)
Loss per share attributable to owners of the Company			(restated)
Basic and diluted	9	**HK(3.42) cents**	HK(1.84) cents

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 December 2016

	2016	2015
	HK$'000	*HK$'000*
Loss for the year	**(83,620)**	(40,890)
Other comprehensive loss, net of income tax		
Item that will not be reclassified to profit or loss:		
Remeasurement of defined benefit plans	**130**	–
Item that may be reclassified subsequently to profit or loss:		
Exchange differences arising from translation of foreign operations	**(81,729)**	(17,059)
Total comprehensive loss for the year	**(165,219)**	(57,949)
Attributable to:		
Owners of the Company	**(144,369)**	(51,816)
Non-controlling interests	**(20,850)**	(6,133)
	(165,219)	(57,949)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2016

	Notes	**2016**	2015
		HK$'000	*HK$'000*
ASSETS			
Non-current assets			
Land use rights		**26,345**	29,338
Property, plant and equipment		**899,555**	583,864
Intangible assets	10	**430,651**	458,732
Available-for-sale investment		**1,598**	1,728
Goodwill	11	**75,221**	75,221
Deferred tax assets		**761**	3,203
		1,434,131	1,152,086
Current assets			
Inventories		**220,819**	229,227
Stock of properties	12	**–**	281,452
Trade and bills receivables	13	**9,375**	34,536
Prepayments, deposits paid and other receivables		**117,252**	81,363
Short-term loans receivables		**3,226**	7,289
Cash and cash equivalents		**1,584,897**	305,867
		1,935,569	939,734
Total assets		**3,369,700**	2,091,820
EQUITY			
Capital and reserves attributable to owners of the Company			
Share capital		**22,911**	22,685
Reserves		**650,133**	725,020
		673,044	747,705
Non-controlling interests		**272,607**	367,112
Total equity		**945,651**	1,114,817

	Notes	2016 HK$'000	2015 HK$'000
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities		**106,936**	112,799
Loan from immediate holding company		**342,422**	481,674
Net defined benefits liabilities		**4,021**	5,082
Bank borrowing - due after one year		**–**	60,315
		453,379	659,870
Current liabilities			
Trade payables	14	**31,236**	49,581
Accruals, deposits received and other payables	15	**1,611,153**	169,170
Amount due to a non-controlling shareholder of a subsidiary		**–**	4,101
Amounts due to related parties		**87,683**	32,011
Loans from immediate holding companies		**175,465**	50,000
Bank borrowing - due within one year		**55,795**	6,216
Deferred revenue		**5,996**	5,377
Tax payables		**3,342**	677
		1,970,670	317,133
Total liabilities		**2,424,049**	977,003
Total equity and liabilities		**3,369,700**	2,091,820
Net current (liabilities)/assets		**(35,101)**	622,601
Total assets less current liabilities		**1,399,030**	1,774,687

Notes:

1. **APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")**

   (i) Revised HKFRSs adopted by the Group

   In the current year, the Group has applied the following revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are effective for the Group's financial year beginning on 1 January 2016:

Amendments to HKFRS 11	Accounting for Acquisitions of Interest in Joint Operations
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012 - 2014 Cycle

   The adoption of these amendments in the current year has no material impact on the Group's financial performance and positions for the current and prior years.

   (ii) New and revised HKFRSs have been issued but are not yet effective for the financial year beginning on 1 January 2016

   The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers[1]
HKFRS 16	Leases[2]
Amendments to HKFRS	Annual Improvements to HKFRS 2014 - 2016 Cycle[5]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[1]
Amendments to HKFRS 10 and HKAS 28	Sales or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 7	Disclosure Initiative[4]
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses[4]

   1 Effective for annual periods beginning on or after 1 January 2018

   2 Effective for annual periods beginning on or after 1 January 2019

   3 Effective for annual periods beginning on or after a date to be determined

   4 Effective for annual periods beginning on or after 1 January 2017

   5 Effective for annual periods beginning on or after 1 January 2017 or 1 January 2018, as appropriate

2.1 STATEMENT OF COMPLIANCE

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA as well as the disclosure requirements of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited and the Hong Kong Companies Ordinance.

2.2 BASIS OF PREPARATION

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair value at the end of each reporting period.

3. REVENUE

	2016	2015
	HK$'000	*HK$'000*
Production and distribution of wine	**124,882**	164,022
Production and distribution of Chinese baijiu	**75,782**	75,036
Casino business	**73,046**	2,167
	273,710	241,225

4. SEGMENT INFORMATION

In accordance with the Group's internal financial reporting framework, the Group has identified operating segments based on its products and services. The operating segments are identified by senior management who is designated as "Chief Operating Decision Maker" to make decisions about resource allocation to the segments and assess their performance.

The Group has four reportable segments, namely (i) production and distribution of wine in the People's Republic of China (the "PRC"); (ii) production and distribution of Chinese baijiu in the PRC; (iii) operation of casino business in South Korea; and (iv) development and operation of real estate and cultural tourism in South Korea. The segmentations are based on the business nature of the Group's operations that management uses to make decisions.

Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable segments for the current and prior years:

	Wine		Chinese baijiu		Casino business		Cultural tourism		Total	
	2016	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue										
Revenue from external customers	**124,882**	164,022	**75,782**	75,036	**73,046**	2,167	**–**	–	**273,710**	241,225
Segment profit (loss)	**10,201**	8,228	**(3,225)**	(10,627)	**3,638**	1,739	**(8,835)**	(6,643)	**1,779**	(7,303)
Unallocated corporate income									**1,205**	151
Unallocated corporate expenses									**(74,615)**	(27,348)
Finance costs									**(10,778)**	(3,544)
Loss before taxation									**(82,409)**	(38,044)
Taxation									**(1,211)**	(2,846)
Loss for the year									**(83,620)**	(40,890)

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales during the year.

The accounting policies of the reportable segments are the same as the Group's accounting policies. Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments. Segment results represented the profit earned (loss incurred) by each segment without allocation of central administration costs including directors' emoluments, share-based payment expenses, finance costs and taxation. This is the measure reported to the Chief Operating Decision Maker for the purpose of resource allocation and assessment of segment performance.

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable segments for the current and prior years:

	Wine		Chinese baijiu		Casino business		Cultural tourism		Total	
	2016	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment assets	**409,054**	474,886	**203,571**	213,096	**562,297**	577,160	**671,815**	804,398	**1,846,737**	2,069,540
Unallocated									**1,522,963**	22,280
									3,369,700	2,091,820
Segment liabilities	**170,634**	135,853	**54,662**	46,994	**49,845**	38,213	**414,291**	516,547	**689,432**	737,607
Unallocated									**1,734,617**	239,396
									2,424,049	977,003

For the purpose of monitoring segment performance and allocating resources between segments, all assets are allocated to reportable segments except for certain assets which are managed on a group basis. Goodwill and all liabilities are allocated to reportable segments except for bank borrowings, deferred tax liabilities and other financial liabilities which are managed on a group basis.

Other segment information

Amounts included in the measure of segment profit or loss or segment assets.

	Wine		Chinese baijiu		Casino business		Cultural tourism		Unallocated		Total	
	2016	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Additions to non-current assets	**15,166**	15,965	**10,268**	6,660	**1,629**	–	**99,824**	295	**1,887**	16	**128,774**	22,936
Depreciation of property, plant and equipment	**12,420**	12,827	**2,212**	6,921	**3,946**	35	**6,507**	775	**114**	19	**25,199**	20,577
Amortisation of land use rights	**215**	230	**615**	575	**–**	–	**–**	–	**–**	–	**830**	805
Amortisation of intangible assets	**670**	715	**–**	–	**–**	–	**–**	–	**–**	–	**670**	715
Recovery of bad debts	**(166)**	—	**—**	—	**(7,092)**	—	**—**	—	**—**	—	**(7,258)**	—
Impairment loss of trade receivables	**—**	—	**—**	—	**187**	—	**—**	—	**—**	—	**187**	—
Impairment loss of short-term loans receivables	**—**	—	**—**	—	**409**	—	**—**	—	**—**	—	**409**	—

Information about major customers

No single customer contributed more than 10% of the Group's revenue for the year ended 31 December 2016 (2015: Nil).

Geographical information

The Group's operations are located in the PRC (including Hong Kong) and South Korea.

Information about the Group's non-current assets is presented based on the geographical location of the assets.

	Revenue from external customers		**Non-current assets**	
	2016	2015	**2016**	2015
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
The PRC (including Hong Kong)	**200,664**	239,058	**297,418**	315,485
South Korea	**73,046**	2,167	**1,136,713**	836,601
	273,710	241,225	**1,434,131**	1,152,086

5. LOSS FROM OPERATING ACTIVITIES

	2016	2015
	HK$'000	*HK$'000*
Loss from operating activities has been arrived at after charging:		
Staff costs, including directors' emoluments		
– Salaries and allowances	**73,029**	42,456
– Retirement benefits scheme contributions	**5,066**	6,588
Total staff costs	**78,095**	49,044
Auditors' remuneration	**1,650**	2,600
Amortisation of intangible assets	**670**	715
Amortisation of land use rights	**830**	805
Cost of inventories recognised as expenses	**95,454**	119,788
Loss on disposal of property, plant and equipment	**314**	4,134
Depreciation of property, plant and equipment	**25,199**	20,577
Impairment loss of trade receivables	**187**	—
Impairment loss of short-term loans receivables	**409**	—
Research and development costs	**878**	895
Minimum lease payments under operating leases:		
– Land and building	**2,839**	2,397

6. FINANCE COSTS

	2016	2015
	HK$'000	*HK$'000*
Interest expenses on bank borrowings	**3,399**	3,544
Interest expenses on loans from immediate holding companies	**26,377**	19,198
	29,776	22,742
Less: Amounts capitalised in the cost of qualifying assets	**(18,998)**	(19,198)
	10,778	3,544

Borrowing costs capitalised to properties under development were based on actual borrowing costs incurred for a specific loan from the immediate holding company.

7. TAXATION

	2016	2015
	HK$'000	*HK$'000*
Current tax:		
Hong Kong Profits Tax	**–**	–
PRC Corporate Income Tax		
– current year	**3,444**	2,846
– under-provision in prior year	**–**	–
South Korea Corporate Income Tax	**–**	–
Deferred tax	**(2,233)**	–
	1,211	2,846

Hong Kong Profits Tax

Hong Kong Profits Tax is calculated at 16.5% (2015: 16.5%) of the estimated assessable profits for both years.

No provision for Hong Kong Profits Tax has been made as the Group did not generate any assessable profits in Hong Kong for both years.

As at 31 December 2016, the Group had estimated unused tax losses of approximately HK$122,080,000 (2015: HK$102,310,000) available for offset against future profits. No deferred tax asset in respect of tax loss has been recognised due to the unpredictability of future profit streams.

PRC Corporate Income Tax

During the year ended 31 December 2014, Shangri-la Winery Company Limited has successfully applied a tax reduction with the tax rate of 20% from Yunnan State Administration of Taxation of the PRC for 3 years starting from 1 January 2014.

The tax rate applicable for all other subsidiaries established in the PRC is 25% (2015: 25%).

South Korea Corporate Income Tax

MegaLuck Co., Ltd. (formerly known as Development Golden Beach Co., Ltd.) ("MegaLuck") and Glorious Hill Co., Ltd. ("Glorious Hill") were incorporated in South Korea and are subject to the South Korea Corporate Income Tax. It is calculated on a progressive rate of the assessable income (tax rate are 11% up to KRW200,000,000, 22% between KRW200,000,000 and KRW20,000,000,000 and 24.2% over KRW20,000,000,000) in accordance with the relevant corporate tax law in South Korea.

8. DIVIDEND

The Board does not recommend the payment of any dividend for the year ended 31 December 2016 (2015: Nil).

9. LOSS PER SHARE

The calculation of basic and diluted loss per share is based on the following data:

	2016	2015
	HK$'000	*HK$'000*
Loss for the year attributable to owners of the Company for the purpose of basic and diluted loss per ordinary share	**(80,064)**	(35,336)

	Number of shares	
	2016	2015
		(restated)
Weighted average number of shares for the purpose of basic and diluted loss per ordinary share	**2,342,515,905**	1,918,867,534

For the years ended 31 December 2016, the computation of diluted loss per share assumes that the Company's share options would not be exercised as the exercise price of these share options was higher than the average market price of the shares.

For the year ended 31 December 2015, diluted loss per share were same as the basic loss per share as there were no potential dilutive ordinary shares.

The number of ordinary shares adopted in the calculation of the basic and diluted loss per share for the years ended 31 December 2016 and 2015 have been retrospectively adjusted to reflect the effect of the Open Offer.

10. INTANGIBLE ASSETS

	Casino license	Farmland development	Technical know-how	Trademarks	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Cost					
At 1 January 2015	–	16,073	1,923	26,981	44,977
Acquisition of a subsidiary	443,099	–	–	–	443,099
Exchange alignment	7,548	(674)	(86)	(1,213)	5,575
At 31 December 2015 and 1 January 2016	450,647	15,399	1,837	25,768	493,651
Exchange alignment	(26,835)	(1,074)	(137)	(1,934)	(29,980)
At 31 December 2016	423,812	14,325	1,700	23,834	463,671
Accumulated amortisation and impairment					
At 1 January 2015	–	6,881	1,923	26,981	35,785
Exchange alignment	–	(282)	(86)	(1,213)	(1,581)
Charge for the year	–	715	–	–	715
At 31 December 2015 and 1 January 2016	–	7,314	1,837	25,768	34,919
Exchange alignment	–	(498)	(137)	(1,934)	(2,569)
Charge for the year	–	670	–	–	670
At 31 December 2016	–	7,486	1,700	23,834	33,020
Carrying amounts					
At 31 December 2016	**423,812**	**6,839**	**–**	**–**	**430,651**
At 31 December 2015	450,647	8,085	–	–	458,732

11. GOODWILL

	HK$'000
Cost	
At 1 January 2015	177,959
Acquisition of a subsidiary	75,221
At 31 December 2015, 1 January 2016 and 31 December 2016	253,180
Accumulated impairment losses	
At 1 January 2015	177,959
Impairment loss recognised for the year	–
At 31 December 2015, 1 January 2016 and 31 December 2016	177,959
Carrying amounts	
At 31 December 2016	**75,221**
At 31 December 2015	75,221

Goodwill is allocated to the Group's cash generating units identified according to the business as follows:

	2016	2015
	HK$'000	*HK$'000*
Casino business	**75,221**	75,221

12. STOCK OF PROPERTIES

	2016	2015
	HK$'000	*HK$'000*
Properties under development	**—**	281,452

Properties under development represented the freehold land located in Jeju, South Korea which were acquired by the Group through the subscription of new shares in Glorious Hill in 2015. These freehold land will be developed into a comprehensive integrated resort complex (the "Glorious Hill Project") which is expected to be completed by the end of 2020. During the year ended 31 December 2016, the Group reclassified these freehold land into property, plant and equipment under non-current assets in accordance with its nature and the latest development plan of the Glorious Hill Project. The Glorious Hill Project will include a comprehensive resort, hotel, shopping centre, healthcare and recreation facilities and certain commercial properties which will be held for long-term development and investment purposes.

13. TRADE AND BILLS RECEIVABLES

The Group generally allows an average credit period ranging from 30 to 90 days (2015: 30 to 90 days) to its trade customers.

	2016	2015
	HK$'000	*HK$'000*
Trade and bills receivables	**9,626**	38,337
Less: Allowance for doubtful debts	**(251)**	(3,801)
	9,375	34,536

An aged analysis of the trade and bills receivables as at the end of the reporting period, based on the invoice date and net of allowance for doubtful debts, is as follows:

	2016	2015
	HK$'000	*HK$'000*
Within 30 days	**9,251**	12,724
More than 30 days and within 60 days	**98**	1,685
More than 60 days and within 90 days	**26**	666
More than 90 days and within 180 days	**–**	10,641
More than 180 days and within 360 days	**–**	8,820
At 31 December	**9,375**	34,536
Represented by:		
Receivables from related parties	**1,415**	20,967
Receivables from third parties	**7,960**	13,569
	9,375	34,536

All trade and bills receivables were denominated in Renminbi ("RMB") and Won ("KRW").

The movements in allowance for doubtful debts were as follows:

	2016	2015
	HK$'000	*HK$'000*
At 1 January	**3,801**	81
Exchange alignment	**(231)**	(5)
Recognised during the year	**187**	–
Acquisition of a subsidiary	**–**	3,725
Written off during the year as uncollectible	**(3,440)**	–
Amounts recovered during the year	**(66)**	–
At 31 December	**251**	3,801

The Group does not hold any collateral over these balances.

The aged analysis of the trade and bills receivables that are not considered to be impaired is as follows:

	2016	2015
	HK$'000	*HK$'000*
Neither past due nor impaired	**9,375**	15,075
One to six months past due	**–**	10,641
Six months to one year past due	**–**	8,820
	9,375	34,536

Receivables that were neither past due nor impaired related to customers for whom there was no recent history of default.

At 31 December 2016 and 2015, receivables that were past due but not impaired related to a number of independent customers that have a good track record with the Group. Based on past experience, the Directors are of the opinion that no impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral or other credit enhancements over these balances.

14. TRADE PAYABLES

An aged analysis of the trade payables as at the end of the reporting period, based on the invoice date is as follows:

	2016	2015
	HK$'000	*HK$'000*
Within 90 days	**19,555**	26,437
More than 90 days and within 180 days	**2,166**	6,713
More than 180 days and within 360 days	**9,515**	16,431
	31,236	49,581

Trade payables are non interest-bearing and are repayable within credit periods.

15. ACCRUALS, DEPOSITS RECEIVED AND OTHER PAYABLES

	2016	2015
	HK$'000	*HK$'000*
Accruals	**38,985**	38,685
Deposits received	**56,192**	78,601
Other payables (Note)	**1,515,976**	51,884
	1,611,153	169,170

Note:

On 18 October 2016, the Company proposed the Open Offer at a subscription price of HK$ 1.60 per share. Included in other payables of approximately HK$ 1,466,327,000 represented the proceeds received from the Open Offer. Upon completion of the Open Offer on 10 January 2017, the issued share capital of the Company was increased from 2,291,136,910 to 3,207,591,674 shares.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL INFORMATION

Revenue

During the year under review, turnover from production and distribution of wine and Chinese baijiu in the PRC and revenue from casino business in South Korea were the main contributors to the Group's turnover which made up the total revenue of HK$274 million, representing an increase of 13.5% as compared to the total revenue of HK$241 million last year. This increment signified the contribution from our casino business.

As the competition brought by imported wine getting more fierce, market demand on local wine products plunged. The wine segment, which accounted for 45.6% (2015: 68.0%) of the Group's revenue, was badly hit and recorded a significant decline in revenue by 23.9% to HK$125 million (2015:HK$164 million).

Chinese baijiu industry experienced rebound after years of deterioration and exhibited a modest sign of improvement. Chinese baijiu segment, which accounted for 27.7% (2015:31.1%) of the Group's revenue, was relatively stable by showing a slight increase in revenue by 1.0% to HK$76 million (2015: HK$75 million).

The casino business which was acquired in late 2015 has contributed gaming revenue of HK$73 million (2015:HK$2 million), representing 26.7% of the Group's total revenue.

Cost of Sales of Winery Businesses

Cost of sales decreased by 16.8% to HK$116 million (2015: HK$140 million) as revenue on wine and Chinese baijiu segments decreased leading to a drop in cost of sales by 20.1% to HK$71 million (2015: HK$89 million) and 11.0% to HK$46 million (2015: HK$51 million) respectively. Cost of sales to winery revenue decreased slightly by 0.5% to 58.0% (2015: 58.5%).

Cost of Gaming Operation

Cost of gaming operation which is related to direct costs amounted to HK$34 million. Cost of gaming operation accounted for 46.5% of gaming revenue for the year ended 31 December 2016.

Gross Profit

The Group's gross profit increased by 22.4% to HK$123 million (2015: HK$101 million). The increase was mainly due to the contribution from casino business which contributed HK$39 million to the Group's gross profit, representing 53.5% of the gross profit margin.

Gross profit of winery businesses decreased by 15.0% to HK$84 million (2015: HK$99 million). Wine and Chinese baijiu segments each accounted for HK$54 million and HK$30 million respectively. The share of gross profit margin from wine segment decreased slightly by 2.7% to 43.2% whereas the share of gross profit margin from Chinese baijiu segment increased by 8.2% to 39.9%.

Selling and Distribution Expenses

Selling and distribution expenses decreased by 27.7% to HK$58 million (2015: HK$80 million) mainly due to reduced advertising and promotional expenses on wine and Chinese baijiu businesses. Selling and distribution expenses as a percentage of revenue decreased by 12.0% points to 21.0% (2015: 33.0%) for the year.

Administrative Expenses

Administrative expenses mainly consisted of management staff salaries, office rental, professional fees and other administrative expenses. During the year, administrative expenses increased by 44.5% to HK$113 million (2015: HK$78 million). Such increase was mainly due to consolidation of the full year's related expenses of Glorious Hill and MegaLuck.

Loss Before Tax

Loss before taxation increased by 116.6% to HK$82 million (2015: HK$38 million) mainly due to accounting recognition of share-based payment expenses of HK$59 million as a result of the share options granted during the year. Such share-based payment expenses were a one-off accounting treatment which did not incur any outflow of cash. Should such effect have been taken out, loss before taxation would be narrow down to HK$23 million which demonstrated an improvement by 39.7%.

Taxation

Taxation comprises current income tax and deferred tax credit. Current income tax increased by 21.0% to HK$3.4 million (2015: HK$ 2.8 million). During the year, deferred tax credit of HK$2.2 million (2015: Nil) was recognised to the consolidated statement of profit or loss leading to a drop in taxation by 57.4% to HK$1.2 million (2015: 2.8 million).

Loss Attributable to Owners

Taking into consideration the abovementioned share-based payment expenses, loss after tax for the year increased by 104.5% to HK$84 million (2015: HK$41 million). Loss attributable to owners of the Company increased by 126.6% to HK$80 million (2015: HK$35 million). Basic loss per share attributable to owners of the Company for the year increased by 85.9% to HK3.42 cents (2015: HK1.84 cents).

Should the effect of the share-based payment expenses have been taken out, the loss after tax for the year would be HK$24 million, demonstrating an improvement of 41.0% as compared to 2015, and the net loss attributable to owners of the Company would be HK$21 million with the basic loss per share would amount to HK0.88 cent.

Open Offer

On 18 October 2016, the Company announced its proposal to raise a net proceeds of approximately HK$1,446 million by way of the Open Offer at a subscription price of HK$1.60 per Offer Share. After completion of the Open Offer, the Group's financial position has been enhanced.

The Open Offer was fully-underwritten by MIL pursuant to the underwriting agreement dated 18 October 2016 entered into between the Company and MIL. On 10 January 2017, the Company issued and allotted a total of 916,454,764 new shares with an aggregate nominal value of HK$9.16 million. Details of the Open Offer and the results of the Open Offer were set out in the Company's prospectus dated 14 December 2016 and the Company's announcement dated 9 January 2017.

LIQUIDITY AND FINANCIAL RESOURCES

Cash and Bank Borrowing

During the year, the Group's sources of fund were generated from proceeds of the Open Offer, operating activities, loans from immediate holding companies as well as bank facilities provided by Agricultural Development Bank of China. As at 31 December 2016, the Group had cash and cash equivalents of HK$1,585 million (2015: HK$306 million), posting a 418.2% increase due to the proceeds received from the Open Offer.

As at 31 December 2016, total bank borrowing decreased by 16.1% to HK$56 million (2015: HK$67 million) mainly due to repayment of a bank loan. Our major borrowing is denominated in RMB. In view of the Group's cash and bank balances, funds generated internally from our operations and the unutilised bank facilities available, we are confident that barring any unforeseen circumstances, the Group will have sufficient resources to meet its debt commitment and working capital requirements in the foreseeable future.

Capital Expenditure

During the year, our total capital expenditure amounted to HK$129 million (2015: HK$23 million) which was mainly used for the acquisition of land in Jeju, South Korea. For year 2017, we have budgeted HK$938 million on capital expenditure mainly for the development of Glorious Hill.

Inventories

Our inventories primarily consist of finished goods, work in progress and raw materials. The Group's inventories decreased by 3.7% to HK$221 million (2015: HK$229 million). Finished goods increased by 7.0% to HK$48 million (2015: HK$45 million) and finished goods turnover ratio (being average closing finished goods divided by cost of sales) was 148 days for the year (2015: 137 days).

Balance Sheet Analysis

As at 31 December 2016, total assets of the Group soared by 61.1% to HK$3,370 million (2015: HK$2,092 million) which were composed of current assets of HK$1,936 million (2015: HK$940 million) and non-current assets of HK$1,434 million (2015: HK$1,152 million). Such increase was mainly attributable to (1) the share based prepayment of HK$38 million to Melco Group for provision of associated consultancy services in relation to the casino in Jeju, South Korea; and (2) the increase in bank balances of HK$1,279 million as a result of the Open Offer.

As at 31 December 2016, total liabilities, which included current liabilities of HK$1,971 million (2015: HK$317 million) and non-current liabilities of HK$453 million (2015: HK$660 million), substantially increased by 148.1% to HK$2,424 million (2015: HK$977 million) of which current liabilities of HK$1,466 million represented the proceeds from the Open Offer temporarily recorded in other payables in relation to the unissued Offer Shares. Such amount has been transferred to equity after the Offer Shares were issued in January 2017.

As at 31 December 2016, our total equity composed of owners' equity of HK$673 million (2015: HK$748 million) and non-controlling interests of HK$273 million (2015: HK$367 million).

Taking into account of the aforementioned, the Group's current ratio as at 31 December 2016 was 0.98 (2015: 3.0) as current liabilities increased. Gearing ratio, representing total borrowings divided by total equity, was 61.7% (2015: 54.0%). About 88.8% of borrowings are from immediate holding companies which are unsecured and repayable within a 5-year period. Taking out the temporary effect of unissued Offer Shares, the Group's current ratio and gearing ratio would be 3.84 and 24.2% respectively, both of which are at healthy level indicating that the Group is able to meet its short-term and long-term debts.

Trade receivables turnover (being average trade receivables divided by revenue) for the year was 15 days (2015: 16 days). The Group did not experience any material doubtful debts that were required to be written off in 2016.

The Group had capital commitments amounted to HK$18 million (2015: HK$37 million) but had no material contingent liabilities as at 31 December 2016.

MAJOR SUPPLIERS AND CUSTOMERS

The Group's five largest suppliers accounted for 37.5% (2015: 43.3%) of the Group's total purchases and the purchases attributable to the Group's largest supplier was 19.3% (2015: 20.6%). Excluding Yunnan Jinliufu Trading Limited and VATS Chain Liquor Store Management Company Limited which are connected persons of the Company within the meaning of the Listing Rules, the Group's five largest customers accounted for 8.8% (2015: 13.9%) of the Group's total revenue and the sales attributable to the Group's largest customer was 4.2% (2015: 3.5%).

None of the Directors, their close associates (within the meaning of the Listing Rules) or shareholders of the Company which, to the knowledge of the Directors, owned more than 5% of the Company's issued share capital had any beneficial interest in the five largest suppliers or customers of the Group.

GOVERNMENT SUBSIDIES

During the year, the Group has been granted an aggregate amount of HK$19 million (2015: HK$19 million) from the respective local finance department for subsidising the Group's technical development.

DIVIDEND

The Board does not recommend payment of any dividend for the year ended 31 December 2016 (2015: Nil).

PLEDGE OF ASSETS

At 31 December 2016, the Group pledged its land, property, plant and equipment with net book value amounted to HK$23 million (2015: HK$25 million) to secure general bank facilities granted.

EXPOSURE TO FLUCTUATION IN EXCHANGE RATES

The Group's revenue, expenses, assets and liabilities are denominated in RMB, HK$ and KRW.

The functional currency of the Group's subsidiaries in the PRC is RMB whereas the functional currencies of the Group's subsidiaries in South Korea are in KRW and RMB. As the impact of the fluctuation of RMB is low, therefore, no material exchange rate risk is anticipated and no financial instruments for hedging purposes are engaged. To enhance overall risk management, the Group has already strengthened its treasury management function and will closely monitor its currency and interest rate exposures. We will engage suitable foreign exchange hedging policy as and when appropriate in order to prevent the related risks.

MATERIAL ACQUISITION AND DISPOSAL

No material acquisition or disposal of subsidiaries or associated companies was made by the Group during the year.

EMPLOYEE INFORMATION AND EMOLUMENT POLICY

As at 31 December 2016, the Group employed a total of 948 (2015: 870) full time employees, in which 417 staff were related to sales and marketing, 248 staff were related to production, 90 staff were related to management and 193 staff were related to administration. The Group's emolument policies are formulated based on the performance of individual employees and are reviewed annually. The Group also provides medical insurance coverage and provident fund schemes (as the case may be) to its employees in compliance with the applicable laws and regulation.

LITIGATION

MegaLuck has been summoned by Jeju District Court due to an indictment brought by Jeju District Prosecutor Office for outsourcing management of slot machines regarding a slot machine leasing agreement signed on 10 March 2013 with Global Game Co., Ltd., allegedly in violation of the Tourism Promotion Act in Korea (the "First Case"). Global Game Co., Ltd. also filed a civil lawsuit against MegaLuck and its ex-director in October 2016 claiming for damages up to KRW3,000 million (equivalent to about HK$20 million) (the "Second Case"). The Company has engaged its Korean legal representatives to contest both cases.

As at the date of this announcement, court hearing for the First Case has commenced but has been delayed as the prosecutor's witness had failed to attend the hearing. In the event that MegaLuck is convicted, an administrative sanction such as an order of business suspension for a short period and a penalty of not exceeding KRW20 million (equivalent to about HK$133,000) may be imposed on MegaLuck. Court hearing for the Second Case has been scheduled in May 2017.

ECONOMIC OUTLOOK

The world economy sustained an average growth of about 3% throughout 2016. Activity rebounded strongly in the United States after a weak first half, and the economy was approaching full employment. Stronger-than-expected growth was seen in some European economies, such as Spain and the United Kingdom, where domestic demand held up better than expected in the aftermath of the Brexit vote. Historical growth revisions indicate that Japan's growth rate in 2016 and in preceding years was stronger than previously estimated. In China, the growth rate was stronger than expected, supported by a continued policy stimulus. A recently released forecast by The International Monetary Fund puts global growth in 2017 at 3.4%, primarily driven by accelerating economic activities in both advanced and emerging economies.

STRATEGIC ACCOMPLISHMENTS FOR THE YEAR

With the strong support from our shareholders and the team, we made three strategic accomplishments during the year that prepared ourselves adequately for the launch of our region-wide culturaltainment foothold and for the completion of our cultural tourism value chain:

1. Inking of partnerships with Melco and UTour

We signed in May 2016 an alliance arrangement with Melco International Development Limited ("Melco International", HKEx Code: 200) for the provision of associated consultancy services for our casino in Jeju, South Korea. The Melco International-New Silkroad alliance was further strengthened with our issuance to Melco International of 22,604,764 shares, representing approximately 0.99% of the then enlarged issued share capital of the Company. This represented a win-win strategy as, through this arrangement, we had brought in a strategic partner with vast experience in the development and operation of a large scale casino and at the same time we further diversified our shareholder base. By taking a minority stake in the

Company, Melco International will benefit from our future Jeju operation as well as our regional expansion strategy. We believe this will be a precursor to a more exciting and lucrative collaboration with the renowned casino operator, taking our business development to the next level.

In September 2016, our substantial shareholder Macrolink Culturaltainment Development Co., Ltd. ("Macrolink", SZSE Code: 000620) entered into an array of cooperation agreements with UTour Group Co., Ltd. ("UTour", SZSE Code: 002707), a travel services operator in China. This cooperation will see UTour provide support to the projects co-invested in by the Company and/or Macrolink, including tourism marketing and promotion, customer channels development, product development, investments and operations. The strategic cooperation will give us access to a vast pool of potential customers from China, laying a solid foundation to the future development of our gaming and cultural tourism projects.

2. Rebranding completed, MegaLuck to reach out to global guests

After completing a series of deals that secured our control of 72% of the casino inside the Jeju KAL Hotel in South Korea, we completed rebranding of this casino as MegaLuck Casino in September 2016 to reflect our leadership of the new MegaLuck subsidiary.

Located on Jeju Island, MegaLuck offers 25 Baccarat tables, 2 Blackjack tables, 1 Cussec, 1 Roulette table and 24 slot machines in a 1,500 sq.m floor layout. The new name "MegaLuck" highlights our aspiration to offer a fascinating environment and world-class gaming and entertainment facilities and a joyful gaming experience to all guests from around the world.

The rebranding underlines our commitment to usher in a brighter future for this casino, grasping the opportunities brought about by the rapid development of gaming and tourism in Jeju and taking a step forward in developing one of the largest integrated resort complexes in South Korea.

We are on schedule to launch marketing offices for MegaLuck in Seoul and Macau in 2017. Each office will be responsible for promoting our MegaLuck branding and new entertainment experiences through advertisements and marketing campaigns enhance our competitiveness and strengthen our industry presence, thereby increasing our market share in the growing Korean and Macau tourism industry. These offices will also serve as the reception points for VIP customers in Seoul and Macau by arranging tailor made travel and accommodation services for better client retention.

We intend to groom MegaLuck into a world-class gaming and entertainment conglomerate with the highest standards in operational and internal controls. We believe that MegaLuck will enable us to grow and enhance our core value while we expand our business into cultural tourism areas, thereby broadening our income sources and enhancing business growth.

3. Glorious Hill to acquire more land to support its next stage of development

Having been proactively purchasing land since its inception, subsequent to our acquisition of Glorious Hill in 2015, we further acquired six parcels of land located at Hallim Eup, Kumak-ri, Jejusi, Jejudo, Korea, with an aggregate land area of approximately 16,999 sq.m. These new land acquisitions increased our total land bank reserve in the Hallim area to around 1.25 million sq.m. which will be used for future development of the Glorious Hill Project, an integrated tourist resort complex that includes hotel, commercial and residential real estate, entertainment complex, healthcare, theme park, golf courses, etc.

We envisage the future revenue of Glorious Hill to primarily comprise property sales, rental income, management fee and profit sharing of certain operations generated from the Glorious Hill Project, which would in turn further diversify our income stream. We are on schedule for the upcoming submission of our finalised development plan to the relevant authorities for approval and target to complete construction by 2020. We shall remain cautious on future land acquisitions, though, in view of the country's volatile political and economic environments.

OUR ASSESSMENT OF THE OPERATING ENVIRONMENT

We saw progress in the gaming industry in South Korea in 2016 even though Koreans continued to be forced to travel outside the country, or to the remote Kangwon Land Casino, the only casinos in the country that accept local Koreans.

The country echoed movements similar to what other Asian nations experienced in 2016 — including a greater influx of VIP Chinese gamblers who currently prefer to stay away from Macau due to the continued austerity from Beijing on the city's gaming industry. By year-end most of the operators in South Korea experience recovery from the disastrous decline in 2015 and early 2016, on account of the MERS outbreak.

Throughout the year, initiatives for developing integrated resorts in different parts of the country continued. According to the Korea Tourism Organization (KRO), the strong growth in tourist visits from East Asia and Asia Pacific during the year had more than offset the declines in 2015.

As for Macau, after a dismal 2016, the city is on track to return to mid-to-high single-digit growth in gaming revenues for 2017, underpinned by the recovery in both VIP player and premium mass segments, the stabilization in China's economic growth, and the opening of new gaming casino resorts. The asset price inflation in China since the third quarter last year helped boost demand. With more big players from a wider range of origins returning to the city, we believe they will welcome initiatives of being introduced to gaming destinations that will offer equally exciting yet different experiences.

In response to the escalating national security pressure from North Korea, South Korea sped up deployment of the THAAD (Terminal High Altitude Area Defense) system on the country's soil in recent months. Having risked a rapid reversal of Sino-South Korea relationship, South Korea is caught in a dilemma of serving its national security needs at the expense of economic interests. This will potentially introduce uncertainties to the Group's operation in South Korea.

COMPLETION OF THE SHARE OPEN OFFER

In January 2017, we completed the Open Offer and raised approximately HK$1.45 billion in net proceeds. This exercise helped us to strengthen our shareholder structure, capital base and balance sheet, and enriched our ammunition to acquire more land resources and to prospect more lucrative acquisition opportunities.

WINE AND CHINESE BAIJIU OPERATION

Our wine operation had confronted with significant challenges during the year, in the wake of declining demand for local wine products. Shangri-la Winery experienced a difficult year and recorded a drop in revenue of around 23.9% to HK$125 million (2015: HK$164 million) yet the division was still able to sustain its profitability at HK$6 million. On the contrary, Chinese baijiu started to benefit from production mix adjustments and showed a slight increase in revenue of around 1.0% to HK$76 million (2015: HK$75 million). Yuquan posted a narrowed operating loss of HK$0.4 million for the year as compared to the operating loss of HK$11 million for the year ended 31 December 2015.

The quality of Shangri-la products once again received recognition, which was encouraging. Shangri-la Winery joined the 7th Asian Wine Competition in March 2016 and our 'AAA' cabernet sauvignon (2014) and 'A8' cabernet sauvignon (2014) were awarded gold medal and silver prize respectively. Shangri-la (Qinhuangdao) Winery also joined the 'Silk Route Conference and Competition' in 2016, our Shangri-la cabernet sauvignon (12 years old) and Shangri-la cabernet sauvignon (wine A) were both awarded gold medals.

In addition, Shangri-la plateau wines and Yuquan baijiu both obtained the certificates of "Protected Eco-Origin Product" ("PEOP") (生態原產地產品保護證書) issued by General Administration of Quality Supervision, Inspection and Quarantine of PRC (中華人民共和國國家質量監督檢驗檢疫總局) in March 2016. Both products conformed to the requirements and standards of environment protection and health regulation. The 'PEOP' label is now officially used on our products.

PROSPECTS

The collaboration with Melco International and U-Tour, the completion of MegaLuck rebranding and the scheduled opening of sales offices in Seoul and Macau, and the acquisition of more land resources for Glorious Hill were strategic moves in 2016 which represented important stages in the progress of our master development plan. They were conducive to the forthcoming launch of a fully-fledged region-wide culturaltainment foothold.

They will put us in the league of the world's best gaming and cultural tourism operators. After having assumed this status and with the extra funding ammunition, we are ready to prospect further lucrative cultural tourism and real estate opportunities in more developed markets in the asia pacific region and beyond.

Our professional management team is encouraged by these accomplishments of the Group. They are looking forward to moving to the next level and becoming part of the establishment of this cultural tourism value chain. Their devotion and commitment have never been stronger. We work tightly and more diligently that can create a better return and greater value for our shareholders in the years ahead.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities during the year.

EVENT AFTER THE REPORTING PERIOD

On 18 October 2016, the Company announced the Open Offer to raise approximately HK$1,466 million before expenses. The net proceeds raised shall be used (i) to repay the indebtedness of the Group due to MIL and its concert parties; (ii) to repay other indebtedness of the Group; (iii) to develop the Group's casino business in Seoul, Jeju and Macau; (iv) to increase the Group's land bank reserve; (v) to develop the Group's integrated tourist resort complex in Jeju; and (vi) for general working capital of the Group.

Upon completion of the Open Offer on 10 January 2017, the issued share capital of the Company were increased from 2,291,136,910 to 3,207,591,674 shares.

CORPORATE GOVERNANCE CODE

Throughout the year ended 31 December 2016, the Company has complied with all the applicable code provisions of the Corporate Governance Code as set out in Appendix 14 of the Listing Rules, except for the deviation from code provision A.6.7. Code provision A.6.7 provides that independent non-executive directors and non-executive directors should attend general meetings. Mr. Cao Kuangyu, being the independent non-executive Director, was unable to attend the annual general meeting and the special general meeting of the Company held on 6 June 2016 and 5 December 2016 respectively due to his overseas business engagement.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS (THE "MODEL CODE")

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules. Upon specific enquiry by the Company, all Directors confirmed that they have complied with the required standards as set out in the Model Code throughout the year ended 31 December 2016.

AUDIT COMMITTEE

The Audit Committee comprises three independent non-executive Directors namely Mr. Ting Leung Huel, Stephen (Chairman), Mr. Tse Kwong Hon and Mr. Cao Kuangyu.

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a review of the Group's annual results for the year ended 31 December 2016. The Audit Committee was content that the accounting policies of the Group are in accordance with the current best practice in Hong Kong.

By Order of the Board
New Silkroad Culturaltainment Limited
Ng Kwong Chue, Paul
Executive Director

Hong Kong, 28 March 2017

As at the date of this announcement, the Board comprises six executive Directors, namely, Mr. Su Bo, Mr. Yan Tao, Mr. Ng Kwong Chue, Paul, Mr. Zhang Jian, Mr. Hang Guanyu and Mr. Liu Huaming, and three independent non-executive Directors, namely Mr. Ting Leung Huel, Stephen, Mr. Tse Kwong Hon and Mr. Cao Kuangyu.