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

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2017

The board (the "**Board**") of directors (the "**Directors**") of New Silkroad Culturaltainment Limited (the "**Company**") is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively the "**Group**") for the six months ended 30 June 2017, together with the comparative results for the previous period as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		For the six months ended 30 June	
		2017	2016
		(Unaudited)	(Unaudited)
	Note	***HK$'000***	*HK$'000*
Revenue	*3*	**130,463**	113,892
Sales of wines and Chinese baijiu		**96,048**	97,009
Cost of sales of wines and Chinese baijiu		**(58,192)**	(55,408)
Gross profit of wines and Chinese baijiu		**37,856**	41,601
Gaming revenue		**34,415**	16,883
Cost of gaming operation		**(24,648)**	(8,600)
Gross profit of gaming operation		**9,767**	8,283

		For the six months ended 30 June	
		2017	2016
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'000*
Gross profit		**47,623**	49,884
Other revenue		**7,651**	6,699
Selling and distribution expenses		**(56,572)**	(46,247)
Administrative expenses		**(30,306)**	(31,255)
Share-based payment expenses		**(1,468)**	–
Loss from operating activities	*5*	**(33,072)**	(20,919)
Finance costs		**(2,148)**	(1,680)
Loss before taxation		**(35,220)**	(22,599)
Taxation	*6*	**(755)**	(431)
Loss for the period		**(35,975)**	(23,030)
Attributable to:			
Owners of the Company		**(25,909)**	(16,110)
Non-controlling interests		**(10,066)**	(6,920)
		(35,975)	(23,030)
Loss per share attributable to owners of the Company			(restated)
Basic and diluted	*7*	**HK(0.81) cent**	HK(0.72) cent

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	For the six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Loss for the period	**(35,975)**	(23,030)
Other comprehensive income/(loss), net of income tax		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences arising from translation of foreign operations	**69,716**	(35,311)
Total comprehensive income/(loss) for the period	**33,741**	(58,341)
Attributable to:		
Owners of the Company	**26,600**	(45,352)
Non-controlling interests	**7,141**	(12,989)
	33,741	(58,341)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	As at 30 June 2017 (Unaudited) HK$'000	As at 31 December 2016 (Audited) HK$'000
ASSETS			
Non-current assets			
Land use rights		**26,702**	26,345
Property, plant and equipment	*8*	**953,050**	899,555
Intangible assets		**462,954**	430,651
Available-for-sale investment		**1,644**	1,598
Goodwill		**75,221**	75,221
Deferred tax assets		**884**	761
		1,520,455	1,434,131
Current assets			
Inventories		**219,342**	220,819
Stock of properties	*9*	**469,685**	–
Trade and bills receivables	*10*	**3,710**	9,375
Prepayments, deposits paid and other receivables		**121,233**	117,252
Short-term loans receivables		**3,370**	3,226
Cash and cash equivalents		**927,469**	1,584,897
		1,744,809	1,935,569
Total assets		**3,265,264**	3,369,700
EQUITY			
Capital and reserves attributable to owners of the Company			
Share capital		**32,076**	22,911
Reserves		**2,128,708**	650,133
		2,160,784	673,044
Non-controlling interests		**456,540**	272,607
Total equity		**2,617,324**	945,651

	Note	As at 30 June 2017 (Unaudited) HK$'000	As at 31 December 2016 (Audited) HK$'000
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities		**125,068**	106,936
Loan from immediate holding company		**–**	342,422
Net defined benefits liabilities		**4,722**	4,021
		129,790	453,379
Current liabilities			
Trade payables	*11*	**33,432**	31,236
Accruals, deposits received and other payables		**258,294**	1,611,153
Amounts due to related parties		**15,527**	87,683
Loan from immediate holding company		**50,050**	175,465
Bank and other borrowings – due within one year		**153,257**	55,795
Deferred revenue		**6,118**	5,996
Tax payables		**1,472**	3,342
		518,150	1,970,670
Total liabilities		**647,940**	2,424,049
Total equity and liabilities		**3,265,264**	3,369,700
Net current assets/(liabilities)		**1,226,659**	(35,101)
Total assets less current liabilities		**2,747,114**	1,399,030

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The Company is an exempted company incorporated in Bermuda with limited liability and its issued shares (the "**Shares**") are listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

The Company's registered office is at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.

The Company is an investment holding company and its principal subsidiaries are engaged in the (i) development and operation of real estate in South Korea and Canada; (ii) development and operation of integrated resort and cultural tourism in South Korea; (iii) operation of casino business in Jeju, South Korea; and (iv) production and distribution of wine and Chinese baijiu in the People's Republic of China (the "**PRC**").

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed interim financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") and the Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**").

The unaudited condensed interim financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's financial statements for the year ended 31 December 2016 (the "**2016 Financial Statements**").

The accounting policies used in preparing the interim financial statements are consistent with those used in the 2016 Financial Statements, except for the new and revised Hong Kong Financial Reporting Standards, amendments and interpretations (collectively "**new and revised HKFRSs**") issued by the HKICPA which have become effective in this period as detailed in note 2 of the 2016 Financial Statements. The adoption of such new and revised HKFRSs has no material impact on the accounting policies in the Group's interim financial statements for the period.

3. REVENUE

	For the six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Casino business	**34,415**	16,883
Production and distribution of wine	**65,547**	66,759
Production and distribution of Chinese baijiu	**30,501**	30,250
	130,463	113,892

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) development and operation of real estate, integrated resort and cultural tourism; (ii) operation of casino business; (iii) production and distribution of wine; and (iv) production and distribution of Chinese baijiu. These segmentations are based on the business nature of the Group's operations that management uses to make decisions.

The Group's measurement methodology used to determine reporting segment profit or loss remain unchanged from 2016.

(a) Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable segments for the six months ended 30 June 2017 and 2016:

	Casino business		Real estate, integrated resort and cultural tourism		Wine		Chinese baijiu		Total	
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)	**(Unaudited)**	(Unaudited)	**(Unaudited)**	(Unaudited)	**(Unaudited)**	(Unaudited)
	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	**34,415**	16,883	**-**	-	**65,547**	66,759	**30,501**	30,250	**130,463**	113,892
Segment (loss) profit	**(23,765)**	(11,023)	**(1,965)**	(3,220)	**4,533**	4,297	**(6,960)**	(6,720)	**(28,157)**	(16,666)
Unallocated corporate income									**882**	384
Unallocated corporate expenses									**(5,797)**	(4,637)
Finance costs									**(2,148)**	(1,680)
Loss before taxation									**(35,220)**	(22,599)
Taxation									**(755)**	(431)
Loss for the period									**(35,975)**	(23,030)

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

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 revenue 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 or 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.

(b) Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable segments as at 30 June 2017 and 31 December 2016:

	Casino business		Real estate, integrated resort and cultural tourism		Wine		Chinese baijiu		Total	
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016
	(Unaudited)	(Audited)	**(Unaudited)**	(Audited)	**(Unaudited)**	(Audited)	**(Unaudited)**	(Audited)	**(Unaudited)**	(Audited)
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment assets	**574,887**	562,297	**1,339,138**	671,815	**403,775**	409,054	**202,434**	203,571	**2,520,234**	1,846,737
Unallocated									**745,030**	1,522,963
									3,265,264	3,369,700
Segment liabilities	**41,304**	49,845	**126,801**	414,291	**141,226**	170,634	**56,686**	54,662	**366,017**	689,432
Unallocated									**281,923**	1,734,617
									647,940	2,424,049

For the purposes 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 liabilities are allocated to reportable segments except for bank and other borrowings, deferred tax liabilities and other financial liabilities which are managed on a group basis.

(c) Geographical information

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

The following is an analysis of the Group's revenue from external customers and information about its non-current assets by geographical location of the assets:

	Revenue from external customers		Non-current assets	
	For the six months ended 30 June		As at 30 June	As at 31 December
	2017	2016	2017	2016
	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	HK$'000	HK$'000	HK$'000	HK$'000
PRC (including Hong Kong)	**96,048**	97,009	**313,806**	297,418
South Korea	**34,415**	16,883	**1,206,649**	1,136,713
Canada	**–**	–	**–**	–
	130,463	113,892	**1,520,455**	1,434,131

5. LOSS FROM OPERATING ACTIVITIES

	For the six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Loss from operating activities has been arrived at after charging:		
Staff costs, including directors' emoluments		
– Salaries and allowances	**41,400**	35,252
– Retirement benefit scheme contributions	**5,567**	5,655
Total staff costs	**46,967**	40,907
Amortisation of intangible assets	**326**	336
Amortisation of land use rights	**258**	399
Cost of inventories recognised as expenses	**48,680**	46,413
Loss on disposal of property, plant and equipment	**647**	115
Depreciation of property, plant and equipment	**10,677**	11,962
Share-based payments arising from grant of share options	**1,468**	–

6. TAXATION

	For the six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
PRC Corporate Income Tax	**755**	431

No provision for Hong Kong Profits Tax has been made for the six months ended 30 June 2017 (2016: Nil) as the Group has no assessable profits derived from Hong Kong for the period.

As at 30 June 2017, the Company had estimated unused tax losses of approximately HK$117,435,000 (31 December 2016: HK$113,708,000) available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams.

Shangri-la Winery Company Limited, a subsidiary of the Company, was granted a tax reduction rate of 20% from Yunnan State Administration of Taxation of the PRC for 3 years starting from 1 January 2014 (the "**Tax Reduction**"). The Tax Reduction had expired in year 2016. Save as disclosed above, all other subsidiaries established in the PRC are subject to a tax rate of 25% (2016: 25%).

Taxation of overseas subsidiaries (other than Hong Kong and the PRC) are calculated at the applicable rates prevailing in the jurisdictions in which the subsidiary operates.

7. LOSS PER SHARE

The calculation of basic and diluted loss per Share is based on the loss for the period attributable to owners of the Company of approximately HK$25,909,000 and weighted average of 3,207,591,674 Shares during the period (six months ended 30 June 2016: loss attributable to owners of the Company of HK$16,110,000 and 2,228,190,322 Shares which have been retrospectively adjusted to reflect the effect of the open offer on the basis of two offer shares (the "**Offer Shares**") for every five Shares held (the "**Open Offer**")).

For the period ended 30 June 2017, 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.

Diluted loss per Share and the basic loss per Share for the six months ended 30 June 2016 were the same as there were no potential dilutive ordinary Shares in such period.

8. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2017, the Group acquired items of property, plant and equipment at a total cost of approximately HK$38,097,000 (six months ended 30 June 2016: HK$18,775,000). Loss on disposal of property, plant and equipment was approximately HK$647,000 during the period (six months ended 30 June 2016: HK$115,000).

9. STOCK OF PROPERTIES

	As at 30 June 2017 (Unaudited) ***HK$'000***	As at 31 December 2016 (Audited) *HK$'000*
Properties under development, at cost	**469,685**	–

Properties under development represented the freehold land (the "**Land**") located in Markham, Ontario, Canada which was acquired by the Company through the subscriptions of units in those subsidiaries during the period. The Land will be developed for residential and commercial uses (the "**Mackenzie Creek Project**") which are scheduled to be completed by the end of 2018 and 2020 respectively.

10. TRADE AND BILLS RECEIVABLES

The Group generally allows an average credit period ranging from 30 to 90 days (31 December 2016: 30 to 90 days) to its trade customers. An aging analysis of trade and bills receivables is as follows:

	As at 30 June 2017 (Unaudited) ***HK$'000***	As at 31 December 2016 (Audited) *HK$'000*
Within 30 days	**408**	9,251
More than 30 days and within 60 days	**129**	98
More than 60 days and within 90 days	**212**	26
More than 90 days and within 180 days	**1,854**	–
More than 180 days and within 360 days	**1,107**	–
More than 360 days	**–**	251
	3,710	9,626
Less: Impairment loss of trade and bills receivables	**–**	(251)
	3,710	9,375

	As at 30 June 2017 (Unaudited) *HK$'000*	As at 31 December 2016 (Audited) *HK$'000*
Represented by:		
Receivables from related parties	**–**	1,415
Receivables from third parties	**3,710**	7,960
	3,710	9,375

All trade and bills receivables were denominated in Renminbi ("**RMB**") and Won ("**KRW**"). The carrying amounts of trade and bills receivables approximate their fair values.

11. TRADE PAYABLES

An aging analysis of trade payables is as follows:

	As at 30 June 2017 (Unaudited) *HK$'000*	As at 31 December 2016 (Audited) *HK$'000*
Within 90 days	**19,537**	19,555
More than 90 days and within 180 days	**3,571**	2,166
More than 180 days and within 360 days	**10,324**	9,515
	33,432	31,236

Trade payables are non interest-bearing and have an average credit term of four months (31 December 2016: four months).

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL INFORMATION

Revenue

The Group's revenue for the six months ended 30 June 2017 (the "**Period**") increased by 14.6% to approximately HK$130.5 million (six months ended 30 June 2016: HK$113.9 million) due to the growth in our casino business segment.

The wine business segment, which accounted for 50.2% (six months ended 30 June 2016: 58.6%) of the Group's revenue, recorded a slight downward adjustment by 1.8% to approximately HK$65.5 million (six months ended 30 June 2016: HK$66.8 million).

The Chinese baijiu business segment, which accounted for 23.4% (six months ended 30 June 2016: 26.6%) of the Group's revenue, showed moderate improvement after years of industry adjustment. Revenue of Chinese baijiu climbed slightly by 0.8% to approximately HK$30.5 million (six months ended 30 June 2016: HK$30.3 million).

The casino business led by a strong growth of in-house players sourced through direct marketing channels hit a gaming revenue of approximately HK$34.4 million (six months ended 30 June 2016: HK$16.9 million), representing an increase of 103.8%.

Gross Profit

The Group's gross profit decreased by 4.5% to approximately HK$47.6 million (six months ended 30 June 2016: HK$49.9 million) due to rising material costs and manufacturing overheads of the wine business segment.

Gross profit of the wine business segment decreased by 12.2% to approximately HK$26.7 million (six months ended 30 June 2016: HK$30.4 million) whereas the Chinese baijiu business segment maintained a relatively stable gross profit of approximately HK$11.2

million (six months ended 30 June 2016: HK$11.2 million). Gross profit margin of the wine business segment and the Chinese baijiu business segment dropped to 40.7% (six months ended 30 June 2016: 45.6%) and 36.6% (six months ended 30 June 2016: 37.0%) respectively.

Though gross profit of the casino business increased by 17.9% to approximately HK$9.8 million (six months ended 30 June 2016: HK$8.3 million), the gross profit margin declined to 28.4% (six months ended 30 June 2016: 49.1%). The decline in gross profit margin was mainly due to sharp increase of direct gaming costs including promotional expenses and gaming tax, which led to an increase of 186.6% to approximately HK$24.6 million (six months ended 30 June 2016: HK$8.6 million).

Other Revenue

Other revenue mainly represented government subsidies granted by the respective local finance department in subsidising the Group's research and development in wine operation. During the Period, other revenue increased by 14.2% to approximately HK$7.7 million (six months ended 30 June 2016: HK$6.7 million).

Selling and Distribution Expenses

Selling and distribution expenses, which accounted for 43.4% (six months ended 30 June 2016: 40.6%) of the Group's revenue, increased by 22.3% to approximately HK$56.6 million (six months ended 30 June 2016: HK$46.2 million). Such increase was mainly due to the increase in marketing expenses in the casino business to promote gaming revenue growth.

Administrative Expenses

Administrative expenses mainly consisted of management staff salaries, office rental, professional fee and other administrative expenses. During the Period, administrative expenses decreased slightly by 3.0% to approximately HK$30.3 million (six months ended 30 June 2016: HK$31.3 million).

Share-based Payment Expenses

During the Period, share-based payment expenses of approximately HK$1.5 million (six months ended 30 June 2016: Nil) was recognised as a result of the share options granted.

Loss before Tax

Taking into account of the aforementioned, loss before taxation increased by 55.8% to approximately HK$35.2 million (six months ended 30 June 2016: HK$22.6 million).

Taxation

Current income tax expense for the Period increased by 75.2% to approximately HK$0.8 million (six months ended 30 June 2016: HK$0.4 million).

Loss Attributable to Owners of the Company

Loss after tax for the Period increased by 56.2% to approximately HK$36.0 million (six months ended 30 June 2016: HK$23.0 million). Loss attributable to owners of the Company increased by 60.8% to approximately HK$25.9 million (six months ended 30 June 2016: HK$16.1 million). Basic loss per Share attributable to owners of the Company for the Period increased by 12.5% to HK0.81 cent (six months ended 30 June 2016: HK0.72 cent).

Balance Sheet Analysis

Total assets of the Group, which consisted of non-current assets of approximately HK$1,520.5 million (31 December 2016: HK$1,434.1 million) and current assets of approximately HK$1,744.8 million (31 December 2016: HK$1,935.6 million), decreased by 3.1% to approximately HK$3,265.3 million (31 December 2016: HK$3,369.7 million). The decrease of total assets was mainly as a result of repayment of shareholders' loans.

Total liabilities, which included current liabilities of approximately HK$518.2 million (31 December 2016: HK$1,970.7 million) and non-current liabilities of approximately HK$129.8

million (31 December 2016: HK$453.4 million), decreased by 73.3% to approximately HK$647.9 million (31 December 2016: HK$2,424.0 million). Such decrease was mainly because of (i) the transfer of proceeds from the Open Offer amounted to approximately HK$1,466.3 million to equity account upon issuance of the Offer Shares in January 2017; and (ii) the repayment of shareholders' loans of approximately HK$595.1 million.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the Period (six months ended 30 June 2016: Nil).

LIQUIDITY AND FINANCIAL RESOURCES

The Group's sources of fund were generated from proceeds of the Open Offer, operating activities and loan from an immediate holding company as well as bank facilities provided by Agricultural Development Bank of China. As at 30 June 2017, the Group had cash and cash equivalents of approximately HK$927.5 million (31 December 2016: HK$1,584.9 million).

As at 30 June 2017, bank and other borrowings increased by 174.7% to approximately HK$153.3 million (31 December 2016: HK$55.8 million) mainly due to the consolidation of a mortgage loan from CIM Development (Markham) LP (the "**Residential LP**") and CIM Commercial LP (the "**Commercial LP**") which the Company acquired through the subscriptions of units in May 2017.

Our major borrowings are denominated in RMB and Canadian dollars ("**CAD**"). In view of the Group's cash and bank balances, funds generated internally from our operations and the bank facilities available, barring any unforeseen circumstances, we are confident that the Group will have sufficient resources to meet its debt commitment and working capital requirements in the foreseeable future.

PLEDGE OF ASSETS

As at 30 June 2017, the Group had pledged its land, property, plant and equipment with a total carrying value amounting to approximately HK$22.0 million (31 December 2016: HK$23.0 million) in favour of Agricultural Development Bank of China – Diqing Tibetan Autonomous Prefecture Branch to secure general banking facilities. In addition, the Group pledged the Land located in Markham, Ontario, Canada which amounted to approximately HK$469.7 million to secure a mortgage loan in favour of a financial institution in Canada.

CONTINGENT LIABILITIES

As at 30 June 2017, the Group did not have any significant contingent liabilities (31 December 2016: Nil).

EXPOSURE TO FLUCTUATION IN EXCHANGE RATES

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

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 and Canada are in KRW and CAD respectively. As the impact of the foreign exchange fluctuation is low and no material exchange rate risk is anticipated, no financial instruments for hedging purposes are engaged. To enhance overall risk management, the Group will investigate into its treasury management function and will closely monitor its currency and interest rate exposures in order to implement suitable foreign exchange hedging policy as and when appropriate to prevent related risks.

MATERIAL ACQUISITION AND DISPOSAL

On 30 May 2017 (Toronto time), NSR Toronto Holdings Ltd. ("**NSR Toronto**"), a wholly-owned subsidiary of the Company, entered into subscription agreements to subscribe for 51 units in each of the Residential LP and the Commercial LP, representing 51% of the total number of units in each of the Residential LP and the Commercial LP respectively, at a total subscription price of approximately CAD31.7 million (equivalent to approximately HK$184.0 million).

On the same date, NSR Toronto acquired 51 shares in each of CIM Mackenzie Creek Residential GP Inc. (the "**Residential GP**") and CIM Mackenzie Creek Commercial GP Inc. (the "**Commercial GP**") , representing 51% of the total number of issued shares in each of the Residential GP and the Commercial GP respectively, for each of CAD51 (equivalent to approximately HK$295). The Commercial GP also owns the entire issued share capital of CIM Mackenzie Creek Inc. which is the nominee of the Mackenzie Creek Project.

The above subscriptions and acquisitions were completed on 30 May 2017 (Toronto time).

Details of the transactions were set out in the Company's announcement dated 31 May 2017.

EMPLOYEE INFORMATION AND EMOLUMENT POLICY

As at 30 June 2017, the Group employed a total of 971 (31 December 2016: 948) full time employees, of which 438 staff were related to sales and marketing, 250 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 Co., Ltd. ("**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. 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.

The court hearings for the First Case and the Second Case have been commenced but delayed as the prosecutors' witnesses had failed to attend. As at the date of this announcement, the First Case and the Second Case are still pending.

REVIEW OF OPERATION AND PROSPECTS

ECONOMIC OUTLOOK

The global economy mood has brightened during the first half of 2017. Confidence indicators, industrial production, employment and cross-border trade flows all showed improvements in most economies. The pickup in global growth anticipated in the World Economic Outlook remains on track, with global output projected to grow by 3.5% in 2017 and 3.6% in 2018.

However, challenges still remain as Moody's downgraded China's long-term local currency and foreign currency issuer ratings to A1 from Aa3 in May 2017. It was the first time in almost three decades for Moody's to raise concerns about the China's growing debt and slowing economy. Besides the premature commencement of U.S. Federal Reserve's balance sheet normalization may cause significant adverse market impact in the second half of 2017 if not communicated well and executed cautiously.

OPERATION REVIEW

We have experienced a challenging period in the first half of 2017. Although the Group has recorded an increase in revenue by 14.6% to approximately HK$130.5 million (30 June 2016: HK$113.9 million), it was not robust enough to cover the risen operating expenses of approximately HK$88.3 million (30 June 2016: HK$77.5 million). As a result, the Group's loss attributable to shareholders deepened to approximately HK$25.9 million (30 June 2016: HK$16.1 million), representing a deterioration of 60.8% compared to the corresponding period in 2016.

While the wine and baijiu businesses, which constituted over 70% of our total revenue, remained relatively stable. Our casino business was the main revenue driver for the Period, hitting a record growth of 103.8%. However, the never-ending debate between China and South Korea on the deployment of THAAD anti-missile system has adversely affected the casino's performance and more direct marketing resources and promotion expenses were being consumed to drive the gaming revenue up.

It is always our intention to seek suitable investment opportunities to fuel our future growth. Although South Korea is still one of the potential areas, the political tension between China and South Korea together with North Korea's threatened missile attack have casted shadow over South Korea's market and economic development in the foreseeable future. For risk mitigation and diversification purpose and to sustain future growth, we have adjusted our strategy to invest in politically relatively stable countries. The level of our investment criteria has also been set higher with a greater degree of certainty for financial return.

Diversification of Business - Canada

During the Period, we made a milestone investment with the acquisition of 51% equity interest in the Mackenzie Creek Project for a total consideration of approximately CAD31.7 million (equivalent to approximately HK$184.0 million). Mackenzie Creek Project is composed of two phases. The first phase is a residential project located at 5899 Major Mackenzie Drive East, Markham, Ontario, Canada comprised of 195 townhouses, of which 100 units are scheduled to be completed by mid of 2018 and the remainder by end of 2018. The ground breaking ceremony already took place in June 2017 to officially start the construction. Among the 195 units, over 70% of the units were presold.

The second phase is composed of residential apartments and a commercial complex located at 9900 Markham Road, Markham, Ontario, Canada. The total saleable area will be not less than 40,414 square meters, with no less than 34,840 square meters for around 500 residential condominium apartment units and no more than 5,574 square meters for sale or lease of commercial use space.

Outlook

The addition of Mackenzie Creek Project has enhanced our investment portfolio mix, expanding and diversifying our business and widening our coverage in other country. With this newly acquired business, our company's revenue and profit bases will be strengthened. Building on this successful acquisition momentum, we will continue to pursue further growth opportunities. With our strong management capabilities, we are optimistic about prospects for our Group and well-positioned ourselves to advance on our growth direction. We will continue to look for potential investment projects to further strengthen our business portfolio.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

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

CORPORATE GOVERNANCE

The Company has applied the principles and complied with all the applicable code provisions under the Corporate Governance Code as set out in Appendix 14 to the Listing Rules throughout the Period except for the deviations from code provisions A.6.7 and E.1.2 which are explained as follows:

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 held on 16 June 2017 (the "**2017 AGM**") due to his overseas business engagement.

Code provision E.1.2 provides that the chairmen of the board and board committees should attend the annual general meeting to be available to answer questions thereat. Mr. Su Bo, who is the chairmen of the Board and Nomination Committee of the Company, was unable to attend the 2017 AGM due to his overseas business engagement. However, Mr. Ng Kwong Chue, Paul, being the executive Director and company secretary of the Company, took the chair of the 2017 AGM, and the chairmen of the Audit Committee and Remuneration Committee of the Company, and the auditors attended the 2017 AGM to answer any questions from the shareholders. The Company considers that their presence is sufficient for effective communication with shareholders at the 2017 AGM.

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

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

AUDIT COMMITTEE REVIEW

The Audit Committee has reviewed with the unaudited consolidated interim results and interim report of the Group for the six months ended 30 June 2017 and agreed to the accounting principles and practices adopted by the Group. The Audit Committee comprises three independent non-executive Directors, namely Mr. Ting Leung Huel, Stephen, Mr. Tse Kwong Hon and Mr. Cao Kuangyu.

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

Hong Kong, 25 August 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.