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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 2017

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 2017, together with the comparative figures for the year ended 31 December 2016 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2017

	Note	**2017 HK$'000**	2016 HK$'000 (Restated) *(Note 1)*
Revenue	*4*	**325,858**	273,710
Sales of wines and Chinese baijiu		**202,893**	200,664
Cost of sales of wines and Chinese baijiu		**(118,546)**	(116,469)
Gross profit of wines and Chinese baijiu		**84,347**	84,195
Gaming revenue		**122,965**	73,046
Cost of gaming operation		**(110,161)**	(33,952)
Gross profit of gaming operation		**12,804**	39,094

	Notes	2017 HK$'000	2016 HK$'000 (Restated) *(Note 1)*
Gross profit		**97,151**	123,289
Other revenue		**29,337**	44,263
Selling and distribution expenses		**(66,020)**	(70,156)
Administrative and other operating expenses		**(142,340)**	(125,070)
Share-based payment expenses		**(1,468)**	(59,479)
Loss from operating activities	*6*	**(83,340)**	(87,153)
Finance costs	*7*	**(2,885)**	(10,778)
Loss before taxation		**(86,225)**	(97,931)
Taxation	*8*	**(3,087)**	(1,211)
Loss for the year		**(89,312)**	(99,142)
Attributable to:			
Owners of the Company		**(70,986)**	(92,482)
Non-controlling interests		**(18,326)**	(6,660)
		(89,312)	(99,142)
Loss per share attributable to owners of the Company			
Basic and diluted	*10*	**HK(2.23) cents**	HK(3.95) cents

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2017

	2017	2016
	HK$'000	HK$'000
		(Restated)
		(Note 1)
Loss for the year	**(89,312)**	(99,142)
Other comprehensive income/(loss), net of income tax		
Item that will not be reclassified to profit or loss:		
Remeasurement of defined benefit plans	**(141)**	130
Item that may be reclassified subsequently to profit or loss:		
Exchange differences arising from translation of foreign operations	**146,547**	(96,772)
Total comprehensive income/(loss) for the year	**57,094**	(195,784)
Attributable to:		
Owners of the Company	**42,699**	(168,822)
Non-controlling interests	**14,395**	(26,962)
	57,094	(195,784)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2017

	Notes	**2017 HK$'000**	2016 HK$'000 (Restated) *(Note 1)*
ASSETS			
Non-current assets			
Land use rights		**31,552**	26,345
Property, plant and equipment		**1,021,766**	902,009
Intangible assets	*11*	**489,288**	430,651
Interest in an associate		**–**	–
Available-for-sale investment		**1,719**	1,598
Goodwill	*12*	**75,221**	75,221
Deferred tax assets		**1,462**	761
		1,621,008	1,436,585
Current assets			
Inventories		**253,599**	220,819
Stock of properties	*13*	**1,735,767**	984,257
Trade and bills receivables	*14*	**4,926**	9,375
Prepayments, deposits paid and other receivables	*15*	**300,840**	189,612
Short-term loans receivables		**2,927**	3,226
Cash and cash equivalents		**334,206**	1,669,194
		2,632,265	3,076,483
Total assets		**4,253,273**	4,513,068
EQUITY			
Capital and reserves attributable to owners of the Company			
Share capital		**32,076**	22,911
Reserves		**1,906,555**	411,881
		1,938,631	434,792
Non-controlling interests		**671,481**	480,294
Total equity		**2,610,112**	915,086

	Notes	2017 HK$'000	2016 HK$'000 (Restated) *(Note 1)*
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities		**169,831**	106,936
Loan from an immediate holding company		**721,011**	1,344,001
Loan from a non-controlling shareholder of a subsidiary		**114,053**	105,338
Net defined benefits liabilities		**7,266**	4,021
Bank and other borrowings – due after one year		**162,062**	–
		1,174,223	1,560,296
Current liabilities			
Trade payables	*16*	**57,268**	31,236
Accruals, deposits received and other payables	*17*	**333,159**	1,613,895
Amounts due to related parties		**18,918**	151,957
Loans from immediate holding companies		**56,561**	175,465
Bank borrowing – due within one year		**–**	55,795
Deferred revenue		**346**	5,996
Tax payables		**2,686**	3,342
		468,938	2,037,686
Total liabilities		**1,643,161**	3,597,982
Total equity and liabilities		**4,253,273**	4,513,068
Net current assets		**2,163,327**	1,038,797
Total assets less current liabilities		**3,784,335**	2,475,382

Notes:

1. MERGER ACCOUNTING AND RESTATEMENTS

The Group accounts for all its business combinations involving entities under common control using the principles of merger accounting.

On 29 September 2017 (as supplemented), Wealth Venture Asia Limited ("Wealth Venture"), a direct wholly-owned subsidiary of the Company, entered into a subscription agreement to subscribe for 104 redeemable preference shares of Macrolink Australia Investment Limited ("MAI") at the consideration of approximately HK$ 222,525,000, which was fully settled by the Company in cash on 20 December 2017 (the "Subscription").

Since the Company and MAI are under common control of Macro-Link International Land Limited ("MIL") before and after the Subscription, the Group has applied the principles of merger accounting with reference to Accounting Guideline 5 "Merger Accounting for Common Control Combinations" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") as if the common control combination had been effected since 29 December 2015, the date when MAI was incorporated by MIL and thereby the Group and MAI first came under common control of MIL.

On 5 January 2016, MAI and an Australian property developer, an independent third party, established an Australia company, Macrolink & Landream Australia Land Pty Ltd ("MLAL") which is owned as to 80% by MAI and as to 20% by the Australian property developer. MLAL is principally engaged in development and sales of property. Since the principal activity of MAI is investment holding which had not commenced any business and had no assets and liabilities as at 31 December 2015 and accordingly, no restatement for the consolidated financial statement of the Group as at 1 January 2016 is presented.

The consolidated statements of financial position of the Group as at 31 December 2016, the consolidated statement of profit or loss and other comprehensive income and the consolidated statement of cash flows of the Group for the year ended 31 December 2016 have been restated to include the assets, liabilities, results and cash flows of MAI and MLAL as MAI and the Group were under common control of MIL since 29 December 2015.

The effects of the application of merger accounting on the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2016 are as follows:

	For the year ended 31 December 2016 as previously reported HK$'000	**Adjustment for the Subscription using merger accounting** HK$'000	**For the year ended 31 December 2016 as restated** HK$'000
Revenue	273,710	–	273,710
Sales of wines and Chinese baijiu	200,664	–	200,664
Cost of sales of wines and Chinese baijiu	(116,469)	–	(116,469)
Gross profit of wines and Chinese baijiu	84,195	–	84,195
Gaming revenue	73,046	–	73,046
Cost of gaming operation	(33,952)	–	(33,952)
Gross profit of gaming operation	39,094	–	39,094
Gross profit	123,289	–	123,289
Other revenue	34,727	9,536	44,263
Selling and distribution expenses	(57,513)	(12,643)	(70,156)
Administrative expenses	(112,655)	(12,415)	(125,070)
Share-based payment expenses	(59,479)	–	(59,479)
Loss from operating activities	(71,631)	(15,522)	(87,153)
Finance costs	(10,778)	–	(10,778)
Loss before taxation	(82,409)	(15,522)	(97,931)
Taxation	(1,211)	–	(1,211)
Loss for the year	(83,620)	(15,522)	(99,142)
Attributable to:			
Owners of the Company	(80,064)	(12,418)	(92,482)
Non-controlling interests	(3,556)	(3,104)	(6,660)
	(83,620)	(15,522)	(99,142)
Loss per share attributable to owners of the Company			
Basic and diluted	(HK3.42) cents		HK(3.95) cents
Total comprehensive loss attributable to:			
Owners of the Company	(144,369)	(24,453)	(168,822)
Non-controlling interests	(20,850)	(6,112)	(26,962)
	(165,219)	(30,565)	(195,784)

The effects of the application of merger accounting on the consolidated statement of financial position as a 31 December 2016 are summarised below:

	As at 31 December 2016 as previously reported HK$'000	Adjustment for the Subscription using merger accounting HK$'000	As at 31 December 2016 as restated HK$'000
ASSETS			
Non-current assets			
Land use rights	26,345	–	26,345
Property, plant and equipment	899,555	2,454	902,009
Intangible assets	430,651	–	430,651
Available-for-sale investment	1,598	–	1,598
Goodwill	75,221	–	75,221
Deferred tax assets	761	–	761
	1,434,131	2,454	1,436,585
Current assets			
Inventories	220,819	–	220,819
Stock of properties	–	984,257	984,257
Trade and bills receivables	9,375	–	9,375
Prepayments, deposits paid and other receivables	117,252	72,360	189,612
Short-term loans receivables	3,226	–	3,226
Cash and cash equivalents	1,584,897	84,297	1,669,194
	1,935,569	1,140,914	3,076,483
Total assets	3,369,700	1,143,368	4,513,068
EQUITY			
Capital and reserves attributable to owners of the Company			
Share capital	22,911	–	22,911
Reserves	650,133	(238,252)	411,881
	673,044	(238,252)	434,792
Non-controlling interests	272,607	207,687	480,294
Total equity	945,651	(30,565)	915,086

	As at 31 December 2016 as previously reported HK$'000	Adjustment for the Subscription using merger accounting HK$'000	As at 31 December 2016 as restated HK$'000
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities	106,936	–	106,936
Loan from an immediate holding company	342,422	1,001,579	1,344,001
Loan from a non-controlling shareholder of a subsidiary	–	105,338	105,338
Net defined benefits liabilities	4,021	–	4,021
	453,379	1,106,917	1,560,296
Current liabilities			
Trade payables	31,236	–	31,236
Accruals, deposits received and other payables	1,611,153	2,742	1,613,895
Amounts due to related parties	87,683	64,274	151,957
Loans from immediate holding companies	175,465	–	175,465
Bank borrowing – due within one year	55,795	–	55,795
Deferred revenue	5,996	–	5,996
Tax payables	3,342	–	3,342
	1,970,670	67,016	2,037,686
Total liabilities	2,424,049	1,173,933	3,597,982
Total equity and liabilities	3,369,700	1,143,368	4,513,068
Net current (liabilities)/assets	(35,101)	1,073,898	1,038,797
Total assets less current liabilities	1,399,030	1,076,352	2,475,382

The effects of the application of merger accounting on the consolidated statement of cash flows for the year ended 31 December 2016 are summarised below:

	For the year ended 31 December 2016 as previously reported	Adjustment for the Subscription using merger accounting	For the year ended 31 December 2016 as restated
	HK$'000	HK$'000	HK$'000
Net cash generated from/(used in) operating activities	57,511	(1,000,879)	(943,368)
Net cash used in investing activities	(229,825)	(2,720)	(232,545)
Net cash generated from financing activities	1,466,977	1,102,818	2,569,795
Net increase in cash and cash equivalents	1,294,663	99,219	1,393,882
Cash and cash equivalents at the beginning of the year	305,867	–	305,867
Effect of exchange rate changes on the balance of cash held in foreign currency	(15,633)	(14,922)	(30,555)
Cash and cash equivalents at the end of the year	1,584,897	84,297	1,669,194

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

(i) Amendments to HKFRSs adopted by the Group

In the current year, the Group has applied the following amendments to HKFRSs issued by the HKICPA, which are effective for the Group's financial year beginning on 1 January 2017:

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to HKFRS 12	As part of the Annual Improvements to HKFRSs 2014 – 2016 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 amendments to HKFRSs have been issued but are not yet effective for the financial year beginning on 1 January 2017

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

HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers and the related Amendments[1]
HKFRS 16	Leases[2]
HKFRS 17	Insurance Contracts[3]
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration[1]

HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments[2]
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 9	Prepayment Features with Negative Compensation[2]
Amendments to HKFRS 10 and HKAS 28	Sales or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[2]
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014-2016 Cycle[1]
Amendments to HKAS 40	Transfers of Investment Property[1]
Amendments to HKFRSs	Annual Improvement to HKFRSs 2015-2017 Cycle[2]

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 1 January 2021

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

3.1 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 (the "Stock Exchange") and the Hong Kong Companies Ordinance.

3.2 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.

4. REVENUE

	2017	2016
	HK$'000	HK$'000
Casino business	**122,965**	73,046
Production and distribution of wine	**124,666**	124,882
Production and distribution of Chinese baijiu	**78,227**	75,782
	325,858	273,710

5. 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) operation of casino business in South Korea; (ii) development and operation of real estate, integrated resort and cultural tourism in South Korea, Canada and Australia; (iii) production and distribution of wine in the People's Republic of China (the "PRC"); and (iv) production and distribution of Chinese baijiu in the PRC. 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:

	Casino business		Real estate, integrated resort and cultural tourism		Wine		Chinese baijiu		Total	
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016
	HK$'000	HK$'000	**HK$'000**	HK$'000 (Restated)	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000 (Restated)
Segment revenue										
Revenue from external customers	**122,965**	73,046	**–**	–	**124,666**	124,882	**78,227**	75,782	**325,858**	273,710
Segment (loss) profit	**(26,855)**	3,638	**(27,561)**	(24,357)	**(1,004)**	10,201	**(6,196)**	(3,225)	**(61,616)**	(13,743)
Unallocated corporate income									**4,403**	1,205
Unallocated corporate expenses									**(26,127)**	(74,615)
Finance costs									**(2,885)**	(10,778)
Loss before taxation									**(86,225)**	(97,931)
Taxation									**(3,087)**	(1,211)
Loss for the year									**(89,312)**	(99,142)

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 (loss incurred) profit earned by each segment without allocation of central administration costs including directors' emoluments, share-based payment expense, 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:

	Casino business		Real estate, integrated resort and cultural tourism		Wine		Chinese baijiu		Total	
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016
	HK$'000	HK$'000	**HK$'000**	HK$'000 (Restated)	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000 (Restated)
Segment assets	**609,993**	562,297	**2,951,572**	1,815,183	**426,860**	409,054	**217,303**	203,571	**4,205,728**	2,990,105
Unallocated									**47,545**	1,522,963
									4,253,273	4,513,068
Segment liabilities	**39,487**	49,845	**1,285,948**	1,588,224	**71,312**	170,634	**78,985**	54,662	**1,475,732**	1,863,365
Unallocated									**167,429**	1,734,617
									1,643,161	3,597,982

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.

	Casino business		Real estate, integrated resort and cultural tourism		Wine		Chinese baijiu		Unallocated		Total	
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016
	HK$'000	HK$'000	**HK$'000**	HK$'000 (Restated)	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000 (Restated)	**HK$'000**	HK$'000 (Restated)
Additions to non-current assets	**5,309**	1,629	**2,031**	102,544	**31,337**	15,166	**4,128**	10,268	**–**	1,832	**42,805**	131,439
Depreciation of property, plant and equipment	**5,263**	3,946	**1,026**	6,650	**12,735**	12,420	**7,208**	2,212	**393**	57	**26,625**	25,285
Amortisation of land use rights	**–**	–	**–**	–	**212**	215	**608**	615	**–**	–	**820**	830
Amortisation of intangible assets	**–**	–	**–**	–	**662**	670	**–**	–	**–**	–	**662**	670
Recovery of impairment loss in respect of trade receivables and short-term loan receivabless	**–**	(7,092)	**–**	–	**(116)**	(166)	**–**	–	**–**	–	**(116)**	(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 2017 (2016: Nil).

Geographical information

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

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**	
	2017	2016	**2017**	2016
	HK$'000	HK$'000	**HK$'000**	HK$'000
				(Restated)
The PRC (including Hong Kong)	**202,893**	200,664	**337,498**	297,418
South Korea	**122,965**	73,046	**1,280,417**	1,136,713
Australia	**–**	–	**3,093**	2,454
Canada	**–**	–	**–**	–
	325,858	273,710	**1,621,008**	1,436,585

6. LOSS FROM OPERATING ACTIVITIES

	2017	2016
	HK$'000	HK$'000
		(Restated)
Loss from operating activities has been arrived at after charging:		
Staff costs, including directors' emoluments		
– Salaries and allowances	**94,795**	75,806
– Retirement benefits scheme contributions	**13,354**	5,501
– Share-based payments to directors	**–**	18,513
– Share-based payments to other employees	**–**	10,241
Total staff costs	**108,149**	110,061
Auditors' remuneration	**2,105**	1,650
Amortisation of intangible assets	**662**	670
Amortisation of land use rights	**820**	830
Cost of inventories recognised as expenses	**96,626**	95,454
Loss on disposal of property, plant and equipment	**1,397**	314
Depreciation of property, plant and equipment	**26,625**	25,285
Impairment loss of trade receivables	**–**	187
Impairment loss of short-term loans receivables	**–**	409
Research and development costs	**1,095**	878
Minimum lease payments under operating leases:		
– Land and building	**2,839**	2,839
Share-based payments to other participants	**1,468**	30,725

7. FINANCE COSTS

	2017 HK$'000	2016 HK$'000 (Restated)
Interest expenses on bank borrowings	**8,556**	3,399
Interest expenses on loan from immediate holding companies	**40,281**	89,295
	48,837	92,694
Less: Amounts capitalised in the cost of qualifying assets	**(45,952)**	(81,916)
	2,885	10,778

Borrowing costs capitalised to properties under development at a rate of 6.85% (restated in 2016: 6.16%) per annum.

8. TAXATION

	2017 HK$'000	2016 HK$'000
Current tax:		
Hong Kong Profits Tax	**–**	–
The PRC Corporate Income Tax		
– current year	**2,365**	3,444
– under-provision in prior year	**1,796**	–
Other than Hong Kong and the PRC	**–**	–
Deferred tax	**(1,074)**	(2,233)
	3,087	1,211

Hong Kong Profits Tax

Hong Kong Profits Tax is calculated at 16.5% (2016: 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 2017, the Group had estimated unused tax losses of approximately HK$134,088,000 (restated in 2016: HK$113,639,000) 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 reduction had expired in year 2016.

The tax rate applicable for all other subsidiaries established in the PRC was 25% (2016: 25%).

Other Jurisdictions

Taxation arising in each of the other jurisdictions including South Korea, Canada and Australia is calculated at the rate prevailing in the relevant jurisdictions.

9. DIVIDEND

The Board does not recommend the payment of any dividend for the year ended 31 December 2017 (2016: Nil).

10. LOSS PER SHARE

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

	2017 HK$'000	2016 HK$'000 (Restated)
Loss for the year attributable to owners of the Company for the purpose of basic and diluted loss per ordinary share	**(70,986)**	(92,482)

	Number of shares 2017	2016
Weighted average number of shares for the purpose of basic and diluted loss per ordinary share	**3,184,932,078**	2,342,515,905

For the year ended 31 December 2017 and 2016, the computations of diluted loss per share assume that the Company's share options would not be exercised as the exercise prices of these options were higher than the average market price of the Company's shares.

The number of ordinary shares adopted in the calculation of the basic and diluted loss per share for the year ended 31 December 2016 have been retrospectively adjusted to reflect the effect of the open offer on the basis of two offer shares for every five shares held at the offer price of HK$1.60 per share as announced by the Company on 18 October 2016 (the "Open Offer").

11. INTANGIBLE ASSETS

	Casino license HK$'000	Farmland development HK$'000	Technical know-how HK$'000	Trademarks HK$'000	Total HK$'000
Cost					
At 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 and 1 January 2017	423,812	14,325	1,700	23,834	463,671
Exchange alignment	58,812	999	128	1,799	61,738
At 31 December 2017	482,624	15,324	1,828	25,633	525,409
Accumulated amortisation and impairment					
At 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 and 1 January 2017	–	7,486	1,700	23,834	33,020
Exchange alignment	–	512	128	1,799	2,439
Charge for the year	–	662	–	–	662
At 31 December 2017	–	8,660	1,828	25,633	36,121
Carrying amounts					
At 31 December 2017	**482,624**	**6,664**	**–**	**–**	**489,288**
At 31 December 2016	423,812	6,839	–	–	430,651

12. GOODWILL

	HK$'000
Cost	
At 1 January 2016, 31 December 2016, 1 January 2017 and 31 December 2017	253,180
Accumulated impairment losses	
At 1 January 2016, 31 December 2016, 1 January 2017 and 31 December 2017	177,959
Carrying amounts	
At 31 December 2017	**75,221**
At 31 December 2016	75,221

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

	2017	2016
	HK$'000	HK$'000
Casino business	**75,221**	75,221

13. STOCK OF PROPERTIES

	2017	2016
	HK$'000	HK$'000
		(Restated)
Properties under development	**1,735,767**	984,257

Properties under development represented the project cost, land acquisition cost, finance cost and other preliminary infrastructure costs in relation to the Group's property development projects situated in Australia and Canada. As at 31 December 2017, the Group's freehold lands in Canada and Australia as included in the above properties under development were pledged as securities for the Group's borrowings.

14. TRADE AND BILLS RECEIVABLES

The Group generally allows an average credit period ranging from 30 to 90 days (2016: 30 to 90 days) to its trade customers.

	2017	2016
	HK$'000	HK$'000
Trade and bills receivables	**5,084**	9,626
Less: Allowance for doubtful debts of trade receivables	**(158)**	(251)
	4,926	9,375

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:

	2017	2016
	HK$'000	HK$'000
Within 30 days	**4,762**	9,251
More than 30 days and within 60 days	**98**	98
More than 60 days and within 90 days	**66**	26
At 31 December	**4,926**	9,375
Represented by:		
Receivables from related parties	**–**	1,415
Receivables from third parties	**4,926**	7,960
	4,926	9,375

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

The movements in allowance for doubtful debts of trade receivables were as follows:

	2017 HK$'000	2016 HK$'000
At 1 January	**251**	3,801
Exchange alignment	**23**	(231)
Recognised during the year	**–**	187
Written off during the year as uncollectible	**–**	(3,440)
Amounts recovered during the year	**(116)**	(66)
At 31 December	**158**	251

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:

	2017 HK$'000	2016 HK$'000
Neither past due nor impaired	**4,926**	9,375
One to six months past due	**–**	–
Six months to one year past due	**–**	–
	4,926	9,375

15. PREPAYMENTS, DEPOSITS PAID AND OTHER RECEIVABLES

	2017 HK$'000	2016 HK$'000 (Restated)
Prepayments (notes (i), (ii) and (iii))	**140,282**	106,667
Deposit paid (note (iv))	**78,781**	67,600
Other receivables (note (v))	**91,319**	24,219
	310,382	198,486
Less: Allowance for doubtful debts of other receivables	**(9,542)**	(8,874)
	300,840	189,612
Represented by:		
Amounts due from related parties	**99,444**	37,094
Amounts due from third parties	**201,396**	152,518
	300,840	189,612

Notes:

(i) Prepayment of commission made to sales agent for the pre-sales of properties amounted to approximately HK$43,429,000 (2016: HK$6,347,000).

(ii) Prepayment made to a non-controlling shareholder of a subsidiary amounted to approximately HK$37,622,000 (2016: HK$34,986,000) and locals amounted to approximately HK$8,139,000 (2016: HK$7,373,000) for the purpose of acquisition of land in Jeju, South Korea.

(iii) Prepayment made to Melco Gaming Assets Management (Korea) Limited ("Melco Korea") amounted to approximately HK$38,428,000 (2016: HK$38,428,000) for the provision of technical services by Melco Korea to the Group's casino operation in South Korea. The prepayment was made by allotment and issuance of the Company's shares which was non-cash in nature, details of which were set out in the announcements of the Company dated 10 May 2016 and 11 May 2016 respectively.

(iv) Deposit paid of approximately HK$65,272,000 (2016: HK$56,367,000) was guarantee deposits denominated in Australian dollar(s) ("AUD") for construction of the property placed in designated accounts in accordance with relevant government requirements.

(v) Other receivables of approximately HK$ 61,366,000 (2016: Nil) was amount due from the associate, CIM Global Development Inc.. The amount was unsecured, interest free and repayable on demand.

The movements in allowance for doubtful debts of other receivables were as follows:

	2017	2016
	HK$'000	HK$'000
At the beginning of the year	**8,874**	9,809
Exchange alignment	**668**	(769)
Amount recovered during the year	**–**	(166)
	9,542	8,874

Included in the allowance for doubtful debts above with an aggregate balance of approximately HK$9,542,000 (2016: HK$8,874,000) were individual impaired other receivables. The individual impaired other receivables related to other debtors that were past due over one year or in default of payments. The Group's management assessed that these receivables are generally not recoverable. The Group does not hold any collateral over these balances.

The carrying amounts of the remaining other receivables that were neither past due nor impaired related to other debtors for whom there were no recent history of default.

16. 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:

	2017	2016
	HK$'000	HK$'000
Within 90 days	**42,921**	19,555
More than 90 days and within 180 days	**3,005**	2,166
More than 180 days and within 360 days	**11,342**	9,515
	57,268	31,236

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

17. ACCRUALS, DEPOSITS RECEIVED AND OTHER PAYABLES

	2017	2016
	HK$'000	HK$'000
		(Restated)
Accruals	**48,875**	39,235
Deposits received (note (i))	**220,471**	56,200
Other payables (note (ii))	**63,813**	1,518,460
	333,159	1,613,895

Notes:

(i) Included in deposits received of approximately HK$127,907,000 (2016: Nil) was receipt in advance from customers on pre-sale of properties.

(ii) 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. The Open Offer was completed on 10 January 2017.

The carrying amounts of accruals, deposits received and other payables at the end of each reporting period approximate to their fair values due to their short-term maturity.

18. EVENTS AFTER THE REPORTING PERIOD

On 13 October 2017, the Company entered into a sale and purchase agreement (as supplemented) (the "Sale and Purchase Agreement") with Paison Technology Group Inc. ("Paison Technology"), pursuant to which, among other things, the Company has conditionally agreed to acquire and Paison Technology has conditionally agreed to sell the controlling right and the entire economic benefits of Shenzhen Niiwoo Financial Information Services Ltd. ("Niiwoo Financial"), for a consideration of HK$1,411,800,000, which shall be satisfied by allotment and issuance of 1,086,000,000 shares at the issue price of HK$1.30 per share by the Company subject to the terms and conditions of the Sale and Purchase Agreement.

The proposed transaction is yet to complete and is subject to certain conditions precedent as stated in the Sale and Purchase Agreement. Details of the Sale and Purchase Agreement are set out in the announcements of the Company dated 18 October 2017, 3 November 2017 and 13 March 2018 respectively.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL INFORMATION

During the year, the Group has acquired the Opera Residences Project in Sydney, Australia which was owned by its common controlling party of MAI, namely MIL. In accordance with the requirements under Accounting Guideline 5 "Merger Accounting for Common Control Combinations", upon completion of the restructuring by the Group, the consolidated statement of financial position and the consolidated statement of profit or loss and other comprehensive income of the Group as at 31 December 2016 have been restated to consolidate the assets, liabilities and results of MAI and its subsidiary as if the consolidation had been effected since their inceptions. Accordingly, the consolidated statement of financial position and the consolidated statement of profit or loss and other comprehensive income of the Group have been restated to include the assets, liabilities and results of the related project companies.

Revenue

The Group generated revenue from the casino business in South Korea, and sales and distribution of wine and Chinese baijiu in the PRC. During the year under review, the Group's revenue increased by 19.1% to approximately HK$325.9 million (2016: HK$273.7 million) which was mainly attributable to the contribution from the casino business segment.

The gaming revenue, which accounted for 37.7% (2016: 26.7%) of the Group's revenue, recorded a substantial increase of 68.3% to approximately HK$123.0 million (2016: HK$73.0 million) mainly driven by increase in direct marketing and promotion efforts.

The revenue of wine business segment, which accounted for 38.3% (2016: 45.6%) of the Group's revenue, recorded a slight decrease of 0.2% to approximately HK$124.7 million (2016: HK$124.9 million).

Chinese baijiu industry experienced a stable growth after years of adjustment. The revenue of Chinese baijiu segment, which accounted for 24.0% (2016: 27.7%) of the Group's revenue, showed a moderate 3.2% improvement to approximately HK$78.2 million (2016: HK$75.8 million).

Gross Profit

The Group's gross profit decreased by 21.2% to approximately HK$97.2 million (2016: HK$123.3 million) in accordance with the decrease in gross profit margin to 29.8% (2016: 45.0%). The decrease in gross profit was due to increase of direct gaming costs.

Gross profit of the casino business decreased by 67.2% to approximately HK$12.8 million (2016: HK$39.1 million), and the gross profit margin declined to 10.4% (2016: 53.5%). The declines in both gross profit and gross profit margin were due to sharp increase in direct gaming expenses which soared by 224.5% to approximately HK$110.2 million (2016: HK$34.0 million).

Gross profit of the wine business segment decreased by 4.7% to approximately HK$51.4 million (2016: HK$54.0 million) while gross profit of the Chinese baijiu business segment maintained a moderate growth of 9.0% to approximately HK$32.9 million (2016: HK$30.2 million). Gross profit margin of the wine business segment decreased slightly by 2.0% to 41.2% (2016: 43.2%) while gross profit margin of the Chinese baijiu segment increased by 2.2% to 42.1% (2016: 39.9%).

Other Reveune

During the year under review, other revenue recorded a significant decrease of 33.7% to approximately HK$29.3 million (restated in 2016: HK$44.3 million) as the base of other revenue in previous year included a recovery of bad debts of approximately HK$7.3 million which was non-recurrence in nature and reduction in government subsidies by approximately HK$4.9 million.

Selling and Distribution Expenses

Selling and distribution expenses decreased by 5.9% to approximately HK$66.0 million (restated in 2016: HK$70.2 million). The reduction was mainly due to the fact that pre-sales of the residential properties for the Australian real estate project was almost finished in 2016 and such expenses decreased significantly by 74.9% to approximately HK$3.2 million (2016: HK$12.6 million) in 2017. Selling and distribution expenses as a percentage of revenue decreased by 5.3 points to 20.3% (restated in 2016: 25.6%).

Administrative and Other Operating Expenses

Administrative and other operating expenses mainly consisted of management staff salaries, office rental, professional fees and other operating expenses. During the year, administrative and other operating expenses increased by 13.8% to approximately HK$142.3 million (restated in 2016: HK$125.1 million). Such increase was mainly due to consolidation of the administrative expenses in relation to the real estate business in Canada of approximately HK$4.8 million and the increase in merger and acquisition cost of approximately HK$9.5 million.

Loss before Tax

The Group's loss before tax decreased by 12.0% to approximately HK$86.2 million (restated in 2016: HK$97.9 million) due to a significant decrease in share-based payment expenses of approximately HK$1.5 million (2016: HK$59.5 million) recognised for the year.

Taxation

Taxation recorded a significant increase of 154.9% to approximately HK$3.1 million (2016: HK$1.2 million) mainly due to under-provision of the PRC corporate income tax in prior years.

Loss Attributable to Owners

Taking into consideration the abovementioned reasons, loss after tax for the year decreased by 9.9% to approximately HK$89.3 million (restated in 2016: HK$99.1 million). Loss attributable to owners of the Company decreased by 23.2% to approximately HK$71.0 million (restated in 2016: HK$92.5 million). Basic loss per share attributable to owners of the Company decreased by 23.5% to HK2.23 cents (restated in 2016: HK3.95 cents).

LIQUIDITY AND FINANCIAL RESOURCES

Cash and Borrowings

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 loan facilities provided by financial institutions. The Group recorded a significant decline in cash and cash equivalents by 80.0% to approximately HK$334.2 million (2016: HK$1,669.2 million) due to repayment of shareholders' loans of approximately HK$1,279.0 million, and investments of approximately HK$184.0 million for the Mackenzie Creek Project in Canada and of approximately HK$222.5 million for the Opera Residence Project in Sydney, Australia during the year.

As at 31 December 2017, total borrowings decreased by 37.3% to approximately HK$1,053.7 million (restated in 2016: HK$1,680.6 million) mainly due to repayment of shareholders' loan.

Our major borrowings are denominated in RMB, Canadian dollar(s) ("CAD") and AUD. In view of the Group's cash and bank balances, funds generated internally from our operations and the unutilised loan 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 approximately HK$42.8 million (restated in 2016: HK$131.4 million) which was mainly used for the purchase of machineries and construction of winery factories. For year 2018, we have budgeted HK$1,588.3 million on capital expenditure mainly for development of the Mackenzie Creek Project in Canada, Opera Residence Project in Sydney, Australia and Glorious Hill Project in Jeju, South Korea.

Inventories

Our inventories primarily consist of finished goods, work in progress and raw materials. The Group's inventories increased by 14.8% to approximately HK$253.6 million (2016: HK$220.8 million). Finished goods also increased by 44.7% to approximately HK$69.8 million (2016: HK$48.3 million) and finished goods turnover ratio (being average closing finished goods divided by cost of sales) was 182 days for the year (2016: 148 days).

Balance Sheet Analysis

As at 31 December 2017, total assets of the Group decreased by 5.8% to approximately HK$4,253.3 million (restated in 2016: HK$4,513.1 million) which were composed of current assets of approximately HK$2,632.3 million (restated in 2016: HK$3,076.5 million) and non-current assets of approximately HK$1,621.0 million (restated in 2016: HK$1,436.6 million). The decline was mainly as a result of repayment of shareholders' loan in cash of approximately HK$1,279.0 million.

Total liabilities, which included current liabilities of approximately HK$469.0 million (restated in 2016: HK$2,037.7 million) and non-current liabilities of approximately HK$1,174.2 million (restated in 2016: HK$1,560.3 million), decreased significantly by 54.3% to approximately HK$1,643.2 million (restated in 2016: HK$3,598.0 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$1,279.0 million.

As at 31 December 2017, our total equity was composed of owners' equity of approximately HK$1,938.6 million (restated in 2016: HK$434.8 million) and non-controlling interests of approximately HK$671.5 million (restated in 2016: HK$480.3 million).

The Group's current ratio as at 31 December 2017 was improved at 5.6 (restated in 2016: 1.5) as current liabilities decreased significantly. Gearing ratio, representing total borrowings divided by total equity, was 40.4% (restated in 2016: 183.7%). About 73.8% of borrowings are from the immediate holding company which are unsecured and repayable within a 5-year period.

Trade receivables turnover (being average trade receivables divided by revenue) for the year was 9 days (2016: 15 days). The Group did not experience any material doubtful debts that were required to be written off in 2017.

MAJOR SUPPLIERS AND CUSTOMERS

The Group's five largest suppliers accounted for 26.0% (2016: 37.5%) of the Group's total purchases and the purchases attributable to the Group's largest supplier was 6.9% (2016: 19.3%). 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 6.0% (2016: 8.8%) of the Group's total revenue and the sales attributable to the Group's largest customer was 1.6% (2016: 4.2%).

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 or 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 approximately HK$14.2 million (2016: HK$19.0 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 2017 (2016: Nil).

PLEDGE OF ASSETS

At 31 December 2017, the Group pledged its land, property, plant and equipment with net book value amounted to approximately HK$28.8 million (2016: HK$23.0 million) to secure general bank facilities granted. In addition, the Group pledged several lands located in Markham, Ontario, Canada and Sydney, Australia in favour of the financial institutions which in aggregate amounted to approximately HK$1,735.8 million to obtain loans for land development.

CONTINGENT LIABILITIES

As at 31 December 2017, the Group had provided guarantees in an aggregate amount of approximately HK$221.4 million to a financial institution in Canada in favour of its non-wholly owned subsidiary in respect of a mortgage loan for the re-financing and pre-construction of the property situated in Markham, Ontario, Canada.

EXPOSURE TO FLUCTUATION IN EXCHANGE RATES

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

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, Canada and Australia are in KRW, CAD and AUD 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

Disclosable transaction in relation to acquisition of 51% equity interest of Mackenzie Creek Project composed of residential and commercial complex in Canada

In May 2017, NSR Toronto Holdings Ltd., which is a wholly-owned subsidiary of the Company, acquired 51% equity interest of the Mackenzie Creek Project which is composed of residential and commercial complex located in Markham, Ontario, Canada at the total consideration of approximately HK$184.0 million, representing the subscriptions for 51% of the respective units in CIM Development (Markham) LP (the "Residential LP") and CIM Commercial LP (the "Commercial LP"). For details, please refer to the announcement of the Company dated 31 May 2017.

Major and connected transactions in relation to acquisition of the entire economic benefits of the Opera Residence Project in Sydney, Australia

In September 2017, Wealth Venture, which is a direct wholly-owned subsidiary of the Company, and Macrolink Australia entered into each of the subscription agreement, the loan agreement and the total return swap agreement for the purpose of acquiring the entire economic benefits of the Opera Residence Project in Sydney, Australia. Wealth Venture subscribed for 104 redeemable preference shares of Macrolink Australia (representing 51% of its voting right) for approximately HK$222.5 million and provided a loan of approximately HK$461.3 million to Macrolink Australia. For details, please refer to the announcement and circular of the Company dated 29 September 2017 and 30 November 2017 respectively.

Major transaction in relation to proposed acquisition of the controlling right and the entire economic benefits of Niiwoo Financial

In October 2017, the Company announced for the proposed acquisition of the controlling right and the entire economic benefits of Niiiwoo Financial through the variable interest entity contracts at the consideration of HK$1,411.8 million to be satisfied by the allotment and issuance of 1,086,000,000 shares of the Company at the issue price of HK$1.30 per share. The transaction is subject to the approval of the Stock Exchange and the shareholders' approval at the general meeting of the Company. For details, please refer to the announcements of the Company dated 18 October 2017, 3 November 2017 and 13 March 2018 respectively.

EMPLOYEE INFORMATION AND EMOLUMENT POLICY

As at 31 December 2017, the Group employed a total of 1,059 (2016: 948) full time employees. 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 in several occasion 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.

USE OF PROCEEDS FROM THE OPEN OFFER

On 10 January 2017, the Company completed the Open Offer and raised approximately HK$1,446.0 million in net proceeds after deducting the costs and expenses in relation to the Open Offer.

As stated in the prospectus of the Company dated 14 December 2016, the Company intended to use the net proceeds (i) as to about HK$576.5 million to repay the indebtedness of the Group due to Macro-Link International Land Limited and its concert parties; (ii) as to HK$84.0 million to repay other indebtedness of the Group; (iii) as to HK$100.0 million for the development of the Group's casino business in Seoul, Jeju and Macau; (iv) as to HK$430.0 million for the acquisition of land bank reserve; (v) as to HK$200.0 million for the preliminary land development of the integrated tourist resort complex (being the Glorious Hill project); and (vi) as to the remaining HK$55.5 million for general working capital of the Group. As announced by the Company dated 31 May 2017 and 29 September 2017, the use of proceeds from the Open Offer was changed to cater for the Mackenzie Creek Project and the Opera Residence Project respectively.

As at 31 December 2017, a total amount of approximately HK$1,325.1 million of net proceeds from the Open Offer was utilized, of which (i) approximately HK$595.1 million was used for the repayment of the indebtedness due to Macro-Link International Land Limited and its concert parties; (ii) approximately HK$184.0 million was used for the payment of the subscription of 51 units in each of the Residential LP and the Commercial LP in relation to the Mackenzie Creek Project in Canada; and (iii) approximately HK$546.0 million was used for the payment of the subscription of 104 redeemable preference shares of Macrolink Australia and the provision of a loan in relation to the Opera Residence Project in Sydney, Australia. The Company intended to allocate the remaining net proceeds of approximately HK$120.9 million as originally disclosed.

ECONOMY OVERVIEW

The global economy retains a steady recovery path and gradually improved throughout the year. China being the world's second largest economy, is benefiting from the supply side reform and the continuous optimisation of the local economic structure. China's gross domestic product in 2017 has increased by 6.9%, evidencing a sustainable growth trend.

While the global economy has been reviving, there are still underlying uncertainties. Important among these are the upward trend of interest rates in the aftermath of the interest rate hikes by the US Federal Reserve and the US tax reform. The Chinese government's tightened capital control also caused cost of fund to rise. Last but not least, the geopolitical tensions in North Asia and, in particular, the rising tensions between the US and North Korea had adversely affected the relations between Japan, Korea and China. Even Russia was inevitably dragged into the scene, leading to a more complicated political situation. Amongst all the relations, the Sino-Korean relationship was the most adversely affected, leading to the implementation of retardation policies by China to discourage tourist and trade between Korea. This has adversely affected operation in Jeju Island, Korea, especially the casino operation which relied heavily on Chinese tourists. Against all these uncertainties, we have actively adjusted our business strategies and pursued acquisitions in order to enrich investment portfolio and achieve diversification in investment risks.

THE TRANSFORMATION

If 2016 was a year of transformation, then 2017 was a year of expansion. During the year, we had conducted several major acquisitions which laid a solid foundation for our future development.

Prior to 2015, our business interests were confined to wine and Chinese baijiu via the ownership of Shangri-la Winery and Yuquan Winery, which are engaged in wine and Chinese baijiu operations respectively.

In 2015 and 2016, through the acquisition of 55% equity interest in Glorious Hill and progressive acquisition of 72% equity interest in MegaLuck, we paved the path to our cultural tourism business with the development of a large-scale integrated resort project and entering into the gaming business which has enriched our cultural tourism value chain.

In 2017, we had further made three significant acquisitions, including: (i) 51% equity interest in the Mackenzie Creek Project in Markham, Ontario, Canada; (ii) the entire economic benefits in the Opera Residence Project in Sydney, Australia; and (iii) the entire economic benefits in Niiwoo Financial, though the last one is still in progress and pending for approval from the relevant authorities. Through these acquisitions, the Group has further expanded its business scale and enhanced its investment portfolio, extending its presence to overseas real estate and the FinTech industries. These breakthroughs had enhanced our business quality and coverage with the objective to reinforce future income sources and promote shareholder values.

BUSINESS REVIEW

1. Existing wine and Chinese baijiu operation

In 2017, the macro-economy in China maintained stable growth momentum, yet the depressed situation of winery industry, coupled with fierce industry competition, put pressure on the operating performance of the Group's winery business. During the year, although the total revenue of our winery business rose slightly by 1.1% to approximately HK$202.9 million (2016: HK$200.7 million), the operating loss of Yuquan Winery increased from approximately HK$0.4 million in 2016 to approximately HK$6.6 million. Shangri-la Winery even turned to a loss of approximately HK$6.2 million.

Faced with challenges from industry competition, the Group is committed to strengthening its own brand. Shangri-la Winery and Yuquan Winery continued to gain market recognition. During the year, Shangri-la Winery and Yuquan Winery were honored as "The Gold-Medal Winery in China" and designated as "National Honest Wine Demonstration Corporation" respectively.

2. Casino business operated by MegaLuck in Jejiu Island

At present, with a controlling 72% stake in the casino inside the Jeju KAL Hotel in Jeju, South Korea, the Group engages in the gaming operation under the brand of 'MegaLuck Casino'. The venue hosted 19 Baccarat tables, one Blackjack table, one Cussec table, one Roulette table, 6 Texas poker tables, one three-card poker table and 24 slot machines. The Group will collaborate with leading global gaming entertainment companies in its future operation.

Despite the adverse impact as a result of the political tensions between China and South Korea, in particular, the implementation of retardation policies by China to discourage tourist, the Group had stepped up efforts to open up other markets so as to diversify our market risk. During the year, we have set up representation offices in Seoul and Macau in order to reach out to our VIP guests and to optimise ancillary services in order to provide a better gaming and tourism experience for our guests. During the year, the gaming revenue rose notably by 68.3% to approximately HK$123.0 million.

3. Glorious Hill Project under construction

We are dedicated to bring the Glorious Hill Project into a state-of-the-art integrated resort that match with international standard. The Glorious Hill Project is situated on a prime geographic location with beautiful landscapes, close to Hallasan Mountain and a world-class golf course. With a land area of approximately 1,250,000 square metres, the project is to include five-star hotels, commercial and residential real estate, duty free shopping centre, entertainment complex, healthcare facilities, theme park, golf course, and more. We have just obtained the project development approval recently. The Group expects the Glorious Hill Resort to become a major attraction in Korea and to bring sustainable and promising revenue to the Group.

Actively Acquiring Assets Abroad – Overseas Property Development Business

Through the acquisitions of the Opera Residence Project in Sydney, Australia and the Mackenzie Creek Poject in Markham, Ontario, Canada which is composed of residential and commercial complex, the Group has successfully ventured into overseas real estate operation. These two projects are strategically located with strong marketing potential, and the pre-sales of the existing development projects had been mostly completed, paving the way for contributions to the business results in the coming years.

4. Mackenzie Creek Project in Markham, Ontario, Canada

In May 2017, the Group acquired a total of 51% equity interest in the Mackenzie Creek Project in Canada through the subscription for 51 units in each of the Residential LP and the Commercial LP at a consideration of approximately HK$184 million.

The Mackenzie Creek Project is to be developed in two phases. After adjustment of the building plan, the first phase will comprise 190 townhouse units instead and is expected to be completed in around 2018 and 2019. The second phase will comprise a high-rise residential apartment and commercial shopping centre which is to be developed into 500 residential condominium apartments with a total saleable area of no less than 34,840 square metres. Of this, a total saleable area of no more than 5,574 square metres is to be used for sale or lease of commercial use space. Pre-sale is expected to commence in 2019.

As at 31 December 2017, 141 townhouses of Phase 1 of the Mackenzie Creek Project have been sold. The properties are expected to be completed in 2018 and 2019 in succession and to begin to contribute revenue and profit to the Group in these respective years.

5. Opera Residence Project in Sydney, Australia

In September 2017, the Group subscribed for 104 redeemable preference shares of MAI (a wholly-owned subsidiary of its substantial shareholder, Macrolink Group) for a consideration of approximately HK$222.5 million, representing 51% of its voting rights. At the same time, through an interest swap agreement and a loan of approximately HK$461.3 million, the Group obtained all economic benefits in the Opera Residence Project in Sydney, Australia. The project restructuring has been completed in December 2017.

Opera Residence's site was the former headquarters of Coca-Cola in Australia. The site is perfectly located in Sydney, Australia's Circular Quay which has been described as the world's most beautiful harbour. It is situated in a prime location, a hub for Sydney's economic, cultural and tourist centre and a core metropolitan district on par with other major cities in the world. The property has a site area of approximately 1,207 square metres with a total floor area of 26,308 square metres of which a 20-storey mixed use development complex comprising 104 luxury residential apartments, four-storey premium retail premises with a gross floor area of 980 square metres, and a six-storey basement with 103 carpark spaces will be developed.

Opera Residence was well-received by the market and has broken the record for the highest apartment price in Australia several times. So far, 102 apartments and 103 carpark spaces have been sold, with a total contract sales amount of approximately AUD524.1 million (equivalent to approximately HK$3,249.4 million), of which approximately AUD47.9 million (equivalent to approximately HK$297.0 million) was deposits held by the stakeholders. The commercial section was also sold for AUD41.3 million (equivalent to approximately HK$256.1 million). The amounts are expected to be booked after the properties are delivered in 2020.

6. Shenzhen Niiwoo Financial

In October 2017, the Group has announced the proposed acquisition of the entire economic benefits in Niiwoo Financial, a subsidiary of Paison Technology, by way of variable interest entities contracts for a consideration of approximately HK$1,411.8 million. The consideration is to be satisfied by the Group issuing 1,086,000,000 shares at the issue price of HK$1.30 each. The acquisition marks our first entry to the growing internet financing market in Mainland China.

Paison Technology warranted that the profits of Niiwoo Financial will not be less than RMB70 million, RMB200 million and RMB300 million from 2017 to 2019 respectively, which lays a strong foundation for the results of the Company for the coming years. The transaction is pending the approval of the Stock Exchange and shareholders' approval at a general meeting of the Company.

PROSPECTS

Although the development potential of the gaming business in Jeju cannot be fully reflected amid a tense geopolitical situation, the Sino-Korean relationship is gradually improving, and the Group has enhanced its marketing efforts, so we believe the gaming operation is set to improve. Besides, as the property projects in Australia and Canada are to be completed and delivered sequentially over the next two-to-three years, relevant revenue would be recorded, which would subsequently strengthen our financial performance.

The Group will closely observe the trends and developments in the global economy and the market. We will adhere to our diversified investment and development strategy and strive to actively develop our cultural tourism roadmap and innovative FinTech businesses. In addition, the Group will adjust its investment strategy when appropriate, so as to create and capture business opportunities, and generate long-term substantial returns for both shareholders and itself alike.

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.

CORPORATE GOVERNANCE CODE

Throughout the year ended 31 December 2017, 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 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 of the Company held on 16 June 2017 (the "2017 AGM") and the special general meeting of the Company held on 20 December 2017 (the "2017 SGM") due to his overseas business engagement. In addition, Mr. Tse Kwong Hon, being the independent non-executive Director, was unable to attend the 2017 SGM 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. Mr. Su Bo, who is the chairman of the Board and Nomination Committee, 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 at the 2017 AGM, and the chairman of both the Audit Committee and Remuneration Committee, and the auditors attended the 2017 AGM. 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 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 2017.

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 2017. 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, 26 March 2018

As at the date of this announcement, the Board comprises five executive Directors, namely, Mr. Su Bo, 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.