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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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2018

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 2018, 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	
		2018	2017
		(Unaudited)	(Unaudited)
	Note	***HK$'000***	*HK$'000*
			(Restated)
			(Note 2)
Revenue	*4*	**150,864**	130,463
Sales of wines and Chinese baijiu		**96,545**	96,048
Cost of sales of wines and Chinese baijiu		**(51,619)**	(58,192)
Gross profit of wines and Chinese baijiu		**44,926**	37,856
Gaming revenue		**54,319**	34,415
Cost of gaming operation		**(25,634)**	(24,648)
Gross profit of gaming operation		**28,685**	9,767

	Notes	For the six months ended 30 June 2018 (Unaudited) HK$'000	2017 (Unaudited) HK$'000 (Restated) (Note 2)
Gross profit		**73,611**	47,623
Other revenue		**12,629**	13,134
Selling and distribution expenses		**(37,614)**	(27,866)
Administrative and other operating expenses		**(66,419)**	(67,330)
Share-based payment expenses		**–**	(1,468)
Loss from operating activities	*6*	**(17,793)**	(35,907)
Finance costs		**(1,903)**	(2,148)
Loss before taxation		**(19,696)**	(38,055)
Taxation	*7*	**(1,051)**	(755)
Loss for the period		**(20,747)**	(38,810)
Attributable to:			
Owners of the Company		**(14,626)**	(28,177)
Non-controlling interests		**(6,121)**	(10,633)
		(20,747)	(38,810)
Loss per share attributable to owners of the Company			
Basic and diluted	*8*	**HK(0.46) cent**	HK(0.89) cent

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	For the six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
		(Restated)
		(Note 2)
Loss for the period	**(20,747)**	(38,810)
Other comprehensive (loss)/income, net of income tax		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences arising from translation of foreign operations	**(56,088)**	70,282
Total comprehensive (loss)/income for the period	**(76,835)**	31,472
Attributable to:		
Owners of the Company	**(57,192)**	24,785
Non-controlling interests	**(19,643)**	6,687
	(76,835)	31,472

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	As at 30 June 2018 (Unaudited) HK$'000	As at 31 December 2017 (Audited) HK$'000
ASSETS			
Non-current assets			
Land use rights		**32,250**	31,552
Property, plant and equipment	9	**1,010,485**	1,021,766
Intangible assets		**469,518**	489,288
Interest in an associate		**–**	–
Equity investment at fair value through other comprehensive income		**1,697**	–
Available-for-sale investment		**–**	1,719
Goodwill		**75,221**	75,221
Deferred tax assets		**1,410**	1,462
		1,590,581	1,621,008
Current assets			
Inventories		**262,215**	253,599
Stock of properties	10	**1,838,284**	1,735,767
Trade and bills receivables	11	**23,371**	4,926
Prepayments, deposits paid and other receivables		**293,568**	300,840
Short-term loans receivables		**2,573**	2,927
Cash and cash equivalents		**196,825**	334,206
		2,616,836	2,632,265
Total assets		**4,207,417**	4,253,273
EQUITY			
Capital and reserves attributable to owners of the Company			
Share capital		**32,076**	32,076
Reserves		**1,849,363**	1,906,555
		1,881,439	1,938,631
Non-controlling interests		**651,838**	671,481
Total equity		**2,533,277**	2,610,112

	Note	As at 30 June 2018 (Unaudited) HK$'000	As at 31 December 2017 (Audited) HK$'000
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities		**169,262**	169,831
Amounts due to an immediate holding company		**612,400**	721,011
Loan from a non-controlling shareholder of a subsidiary		**107,584**	114,053
Net defined benefits liabilities		**6,868**	7,266
Bank and other borrowings – due after one year		**212,764**	162,062
		1,108,878	1,174,223
Current liabilities			
Trade payables	*12*	**44,537**	57,268
Accruals, deposits received and other payables		**298,049**	333,159
Amounts due to related parties		**25,880**	18,918
Loans from immediate holding companies		**–**	56,561
Bank borrowing – due within one year		**195,000**	–
Deferred revenue		**292**	346
Tax payables		**1,504**	2,686
		565,262	468,938
Total liabilities		**1,674,140**	1,643,161
Total equity and liabilities		**4,207,417**	4,253,273
Net current assets		**2,051,574**	2,163,327
Total assets less current liabilities		**3,642,155**	3,784,335

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

2. 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, 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**"), representing 51% of its voting rights, 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 rather than the date when the Subscription was completed by the Group.

On 5 January 2016, MAI and an Australian property developer, an independent third party, established an Australian 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.

The comparative figures of the condensed consolidated statement of profit or loss, the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of changes in equity, the condensed consolidated statement of cash flows and related notes have been restated to include the results of MAI and MLAL, as MAI and the Group were under common control of MIL since 29 December 2015.

3. 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 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 audited financial statements for the year ended 31 December 2017 (the "**2017 Financial Statements**").

The accounting policies used in preparing the interim financial statements are consistent with those used in the 2017 Financial Statements, except for the new and amended Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the HKICPA which have become effective in this period as detailed below:

3.1 New and amended standards adopted by the Group

A number of new or amended standards became applicable for the current reporting period and the Group had to change its accounting policies and make retrospective adjustments as a result of adopting the following standards:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers

The impact of the adoption of these standards are disclosed in note 3.2 below. The other standards did not have any impact on the Group's accounting policies and did not require retrospective adjustments.

3.2 Impact on the financial statements – HKFRS 9 and HKFRS 15 (collectively, the "New HKFRSs")

The adoption of the New HKFRSs from 1 January 2018 resulted in changes in the Group's accounting policies.

(i) HKFRS 9 Financial Instruments

(a) Classification and measurement

On 1 January 2018 (the date of initial adoption of the New HKFRSs), the Group's management has assessed which business models apply to the financial assets held by the Group and has classified its financial instruments into the appropriate categories of the New HKFRSs.

Reclassification from available-for-sale investment ("**AFS**") to fair value through other comprehensive income ("**FVOCI**").

The Group elected to present in other comprehensive income changes in the fair value of its equity investments previously classified as AFS because the investments are not held for trading. As a result, assets with a fair value of HK$1,719,000 were reclassified from AFS to FVOCI as at 1 January 2018.

No retrospective adjustments were required and no impact on accumulated losses at 1 January 2018 in respect of this change in accounting policy.

(b) *Impairment of financial assets*

The Group has two types of financial assets that are subject to the new expected credit loss model of the New HKFRSs:

– trade receivables and receivables from gaming customers; and

– other financial assets at amortised costs.

The Group was required to revise its impairment methodologies under the New HKFRSs for each of these classes of assets. The impact of the change in impairment methodology on the Group's accumulated losses and equity is insignificant.

While cash and cash equivalents are also subject to the impairment requirements of the New HKFRSs, the identified impairment loss was immaterial.

Trade receivables and receivables from gaming customers

The Group applies the New HKFRSs simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all trade receivables and receivables from gaming customers.

To measure the expected credit losses, trade receivables and receivables from gaming customers have been grouped based on shared credit risk characteristics and the days past due. The Group applied different expected loss rates to different classes of trade receivables and receivables from gaming customers, according to their respective risk characteristics.

Trade receivables and receivables from gaming customers are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group.

The Group has assessed the expected credit loss model applied to the trade receivables and receivables from gaming customers as at 1 January 2018 and the change in impairment methodologies has no significant impact of the Group's consolidated financial statements and the opening loss allowance is not restated in this respect.

Other financial assets at amortised cost

Other financial assets at amortised cost include other receivables. The Group has assessed the expected credit loss model apply to the other receivables as at 1 January 2018 and the change in impairment methodologies has no impact of the Group's consolidated financial statements and the opening loss allowance is not restated in this respect.

(ii) HKFRS 15 Revenue from contracts with customers

HKFRS 15 supersedes HKAS 11 Construction Contracts, HKAS 18 Revenue and related interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The Group adopted HKFRS 15 using the modified retrospective method of adoption and it elected to apply that method to only those contracts that were not completed at the date of initial application. The comparative information for each of the primary financial statements would be presented based on the requirements of HKAS 18 and related interpretations, thus the comparative figures have not been restated.

Gaming revenue

Upon the adoption of HKFRS 15, the commission and allowances to gaming counterparties are now presented as a reduction of gaming revenue. Since the gaming revenue of prior period was already presented after deduction of commission and allowances to gaming counterparties, the adoption of the new revenue standard does not have significant impact on the gaming revenue for the prior and current periods.

Revenue from the production and distribution of wine and Chinese baijiu

Under HKAS 18, revenue from sale of goods is generally recognised when the risks and rewards of ownership have passed to the customers. Under HKFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. Adoption of the new revenue standard does not have significant impact on the timing of revenue recognition.

(iii) Impact of the adoption of the New HKFRSs on financial statements

The impact on the Group's financial statements by adoptions of the New HKFRSs are as follows:

Consolidated statement of financial position (extract)

	As at 31 December 2017 *HK$'000* (As previously reported)	Effect on reclassification *HK$'000*	**As at 1 January 2018** ***HK$'000*** **(Restated)**
Non-current assets			
Equity investment at fair value through other comprehensive income	–	1,719	**1,719**
Available-for-sale investment	1,719	(1,719)	**–**

The adoptions of the New HKFRSs have no impact to the Group's consolidated net assets as at 31 December 2017, and the condensed consolidated results, loss per Share (basic and diluted) and condensed consolidated cash flows for the period ended 30 June 2017.

4. REVENUE

	For the six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Casino business	**54,319**	34,415
Production and distribution of wine	**61,535**	65,547
Production and distribution of Chinese baijiu	**35,010**	30,501
	150,864	130,463

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) casino business; (ii) development and operation of real estate, integrated resort and cultural tourism; (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 2017.

(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 2018 and 2017:

	Casino business		Real estate, integrated resort and cultural tourism		Wine		Chinese baijiu		Total	
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017
	(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*
				(Restated)						(Restated)
Segment revenue										
Revenue from external customers	**54,319**	34,415	**–**	–	**61,535**	65,547	**35,010**	30,501	**150,864**	130,463
Segment (loss) profit	**(3,749)**	(23,765)	**(6,165)**	(4,800)	**3,516**	4,533	**(4,631)**	(6,960)	**(11,029)**	(30,992)
Unallocated corporate income									**1,628**	882
Unallocated corporate expenses									**(8,392)**	(5,797)
Finance costs									**(1,903)**	(2,148)
Loss before taxation									**(19,696)**	(38,055)
Taxation									**(1,051)**	(755)
Loss for the period									**(20,747)**	(38,810)

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

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 2018 and 31 December 2017:

	Casino business		Real estate, integrated resort and cultural tourism		Wine		Chinese baijiu		Total	
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017
	(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	**596,274**	609,993	**2,943,138**	2,951,572	**401,445**	426,860	**207,073**	217,303	**4,147,930**	4,205,728
Unallocated									**59,487**	47,545
									4,207,417	4,253,273
Segment liabilities	**39,076**	39,487	**272,892**	1,285,948	**90,973**	71,312	**75,503**	78,985	**478,444**	1,475,732
Unallocated									**1,195,696**	167,429
									1,674,140	1,643,161

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, Canada and Australia.

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 For the six months ended 30 June		Non-current assets	
			As at 30 June	As at 31 December
	2018	2017	**2018**	2017
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Audited)
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
PRC (including Hong Kong)	**96,545**	96,048	**330,092**	337,498
South Korea	**54,319**	34,415	**1,257,727**	1,280,417
Australia	**–**	–	**2,762**	3,093
Canada	**–**	–	**–**	–
	150,864	130,463	**1,590,581**	1,621,008

6. LOSS FROM OPERATING ACTIVITIES

	For the six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
		(Restated)
Loss from operating activities has been arrived at after charging:		
Staff costs, including directors' emoluments		
– Salaries and allowances	**43,841**	43,793
– Retirement benefit scheme contributions	**8,399**	5,753
Total staff costs	**52,240**	49,546
Amortisation of intangible assets	**312**	326
Amortisation of land use rights	**501**	258
Cost of inventories recognised as expenses	**40,051**	48,680
Loss on disposal of property, plant and equipment	**28**	647
Depreciation of property, plant and equipment	**10,438**	10,677
Share-based payments arising from grant of share options	**–**	1,468

7. TAXATION

	For the six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
PRC Corporate Income Tax	**1,051**	755

No provision for Hong Kong Profits Tax has been made for the six months ended 30 June 2018 (2017: Nil) as the Group has no assessable profits derived from Hong Kong for the period.

As at 30 June 2018, the Company had estimated unused tax losses of approximately HK$63,387,000 (31 December 2017: HK$134,088,000) available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams.

Subsidiaries established in the PRC are subject to a tax rate of 25% (2017: 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.

8. LOSS PER SHARE

The calculation of basic and diluted loss per Share are based on the loss for the period attributable to owners of the Company of approximately HK$14,626,000 and weighted average of 3,207,591,674 Shares in issue during the period (restated for the six months ended 30 June 2017: loss attributable to owners of the Company of HK$28,177,000 and 3,161,768,936 Shares in issue).

For the periods ended 30 June 2018 and 2017, the computations of diluted loss per Share assume 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 2018 and 2017 were the same as there were no potential dilutive ordinary Shares in these periods.

9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2018, the Group acquired items of property, plant and equipment at a total cost of approximately HK$7,104,000 (restated for the six months ended 30 June 2017: HK$38,965,000). Loss on disposal of property, plant and equipment was approximately HK$28,000 during the period (six months ended 30 June 2017: HK$647,000).

10. STOCK OF PROPERTIES

	As at 30 June 2018 (Unaudited) ***HK$'000***	As at 31 December 2017 (Audited) *HK$'000*
Properties under development, at cost	**1,838,284**	1,735,767

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 30 June 2018 and 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.

11. TRADE AND BILLS RECEIVABLES

The Group generally allows an average credit period ranging from 30 to 90 days (31 December 2017: 30 to 90 days) to its trade customers. An aging analysis of trade and bills receivables is as follows:

	As at 30 June 2018 (Unaudited) *HK$'000*	As at 31 December 2017 (Audited) *HK$'000*
Within 30 days	**21,082**	4,762
More than 30 days and within 60 days	**374**	98
More than 60 days and within 90 days	**879**	66
More than 90 days and within 180 days	**424**	–
More than 180 days and within 360 days	**612**	–
More than 360 days	**–**	158
	23,371	5,084
Less: Impairment loss of trade and bills receivables	**–**	(158)
	23,371	4,926

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.

12. TRADE PAYABLES

An aging analysis of trade payables is as follows:

	As at 30 June 2018 (Unaudited) *HK$'000*	As at 31 December 2017 (Audited) *HK$'000*
Within 90 days	**21,228**	42,921
More than 90 days and within 180 days	**5,882**	3,005
More than 180 days and within 360 days	**17,427**	11,342
	44,537	57,268

Trade payables are non interest-bearing and have an average credit term of four months (31 December 2017: four months).

13. EVENTS AFTER THE REPORTING PERIOD

On 13 October 2017, the Company entered into a sale and purchase agreement (as supplemented) with Paison Technology Group Ltd. ("**Paison Technology**"), pursuant to which, among other things, the Company conditionally agreed to acquire and Paison Technology 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 would be satisfied by allotment and issuance of 1,086,000,000 Shares (the "**Consideration Shares**") at the issue price of HK$1.30 per Share by the Company.

The completion of the acquisition took place on 1 August 2018. The issued share capital of the Company was increased from 3,207,591,674 Shares to 4,293,591,674 Shares as a result of the allotment and issuance of the Consideration Shares.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL INFORMATION

Revenue

The Group's revenue for the six months ended 30 June 2018 (the "**Period**") increased by 15.6% to approximately HK$150.9 million (six months ended 30 June 2017: HK$130.5 million) mainly due to the continuing growth of the casino business in South Korea.

The gaming revenue recorded a substantial increase of 57.8% to approximately HK$54.3 million (six months ended 30 June 2017: HK$34.4 million), which accounted for approximately 36.0% (six months ended 30 June 2017: 26.4%) of the Group's revenue. The strong increase was driven by higher tourist turnover from China to Korea as a result of gradual improvement of Sino-Korean relationship and the continued expansion of the VIP player market arising from successful promotion campaigns.

Confronted with competition from raft of imported wine products, the wine business, which accounted for approximately 40.8% (six months ended 30 June 2017: 50.2%) of the Group's revenue, experienced a 6.1% slight decline to approximately HK$61.5 million (six months ended 30 June 2017: HK$65.5 million).

Chinese baijiu market continues its upward trend after years of adjustment. Market sentiment remains positive to support revenue growth. Being accounted for approximately 23.2% (six months ended 30 June 2017: 23.4%) of the Group's revenue, the Chinese baijiu business grew by 14.8% to approximately HK$35.0 million (six months ended 30 June 2017: HK$30.5 million).

Gross Profit

The Group's overall gross profit surged by 54.6% to approximately HK$73.6 million (six months ended 30 June 2017: HK$47.6 million).

Gross profit of the casino business soared by 193.7% to approximately HK$28.7 million (six months ended 30 June 2017: HK$9.8 million), and the gross profit margin grew from 28.4% to 52.8% as compared with the same period last year. The increases in both gross profit and gross profit margin were mainly attributable to the growth of VIP gaming operation. Most of the VIP guests were sourced by our house team with no share of wins, thus resulted in a higher gross profit margin.

Riding on the success of the new product mix, gross profit of the wine segment increased slightly by 3.9% to approximately HK$27.7 million (six months ended 30 June 2017: HK$26.7 million). Gross profit of Chinese baijiu segment also climbed by 54.2% to approximately HK$17.2 million (six months ended 30 June 2017: HK$11.2 million). Combined gross profit margin of the wine and Chinese baijiu segments grew by 4.4% to 45.1% (six months ended 30 June 2017: 40.7%) and by 12.5% to 49.1% (six moths ended 30 June 2017: 36.6%) respectively.

Other Revenue

Other revenue, mainly representing government subsidies granted by respective local finance departments in subsidising the Group's research and development in wine operation, decreased by 3.8% to approximately HK$12.6 million (restated for the six months ended 30 June 2017: HK$13.1 million) for the Period.

Selling and Distribution Expenses

Selling and distribution expenses, which accounted for 24.9% (restated for the six moths ended 30 June 2017: 21.4%) of the Group's revenue, increased by 35.0% to approximately HK$37.6 million (restated for the six months ended 30 June 2017: HK$27.9 million). The increase was mainly due to more marketing and promotion for the winery business.

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 Period, administrative and operating expenses decreased slightly by 1.4% to approximately HK$66.4 million (restated for the six months ended 30 June 2017: HK$67.3 million).

Loss Before Tax

The Group's loss before tax fell by 48.2% to approximately HK$19.7 million (restated for the six months ended 30 June 2017: HK$38.1 million).

Taxation

Current income tax expense for the Period increased by 39.2% to approximately HK$1.1 million (six months ended 30 June 2017: HK$0.8 million).

Loss Attributable to Owners of the Company

Taking into account of the aforementioned reasons, loss after tax for the Period declined by 46.5% to approximately HK$20.7 million (restated for the six months ended 30 June 2017: HK$38.8 million). Loss attributable to owners of the Company narrowed down by 48.1% to approximately HK$14.6 million (restated for the six months ended 30 June 2017: HK$28.2 million). Basic loss per Share attributable to owners of the Company reduced by 48.3% to HK0.46 cent (restated for the six months ended 30 June 2017: HK0.89 cent).

Balance Sheet Analysis

Total assets of the Group, which consisted of non-current assets of approximately HK$1,590.6 million (31 December 2017: HK$1,621.0 million) and current assets of approximately HK$2,616.8 million (31 December 2017: HK$2,632.3 million), decreased slightly by 1.1% to approximately HK$4,207.4 million (31 December 2017: HK$4,253.3 million).

Total liabilities which included current liabilities of approximately HK$565.3 million (31 December 2017: HK$469.0 million) and non-current liabilities of approximately HK$1,108.9 million (31 December 2017: HK$1,174.2 million), increased slightly by 1.9% to approximately HK$1,674.2 million (31 December 2017: HK$1,643.2 million) mainly due to the increase in bank and other borrowings.

INTERIM DIVIDEND

The Board does not recommend payment of any interim dividend for the Period (six months ended 30 June 2017: Nil).

LIQUIDITY AND FINANCIAL RESOURCES

The Group's sources of fund were generated from operating activities, advances from immediate holding company as well as bank facilities provided by financial institutions. As at 30 June 2018, the Group had cash and cash equivalents of approximately HK$196.8 million (31 December 2017: HK$334.2 million).

As at 30 June 2018, bank and other borrowings increased substantially by 151.6% to approximately HK$407.8 million (31 December 2017: HK$162.1 million) mainly to support the development of real estate projects.

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

PLEDGE OF ASSETS

As at 30 June 2018, the Group had pledged its land, property, plant and equipment with a total carrying value amounting to approximately HK$29.9 million (31 December 2017: HK$28.8 million) to secure general banking facilities granted. In addition, the Group had pledged several lands located in Markham, Ontario, Canada and Sydney, Australia in favour of the financial institutions which in aggregate amounted to approximately HK$1,838.3 million to obtain loans for land development.

CONTINGENT LIABILITIES

As at 30 June 2018, the Group had provided guarantees in an aggregate amount of approximately HK$211.4 million (31 December 2017: 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 re-financing and pre-construction of the real estate project located at 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 carry out 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

In October 2017, the Company announced the proposed acquisition of the controlling right and the entire economic benefits of Niiwoo Financial via a set of variable interest entity contracts at a consideration of HK$1,411.8 million to be satisfied by the allotment and issuance of 1,086,000,000 Shares at an issue price of HK$1.30 per Share. The acquisition was completed on 1 August 2018.

Details of the transaction were set out in the circular and the announcement of the Company dated 29 June 2018 and 1 August 2018 respectively.

EMPLOYEE INFORMATION AND EMOLUMENT POLICY

As at 30 June 2018, the Group employed a total of 1,016 (31 December 2017: 1,059) full time employees, of which 437 staffs were related to sales and marketing, 260 staffs were related to production, 107 staffs were related to management and 212 staffs 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 in various jurisdictions.

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 related to a slot machine leasing agreement signed on 10 March 2013 with Global Game Co., Ltd. ("**Global Game**"), allegedly in violation of the Tourism Promotion Act in Korea (the"**First Case**"). Global Game also filed a civil lawsuit against MegaLuck in 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.

The court hearing for the First Case has been commenced but delayed in several occasions as the prosecutors' witnesses had failed to attend. As at the date of this announcement, the First Case is still pending.

The judgement of the Second Case had ruled that MegaLuck shall pay a damage of approximately KRW89 million (equivalent to about HK$630,000) to Global Game. However, Global Game has filed an appeal against the judgement with the Jeju District Court and the hearing date is still pending as at the date of this announcement.

USE OF PROCEEDS FROM THE OPEN OFFER

In January 2017, the Company completed the open offer on the basis of two offer shares for every five Shares held (the "**Open Offer**") and raised net proceeds of approximately HK$1,446.0 million.

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 MIL 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 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 re-allocated to cater for the Mackenzie Creek project and the Opera Residence project.

As at 30 June 2018, a total amount of approximately HK$1,362.1 million of net proceeds from the Open Offer was utilised, of which (i) approximately HK$595.1 million was used for the repayment of the indebtedness due to MIL and its concert parties; (ii) approximately HK$184.0 million was used for the payment of the subscription of 51 units in each of CIM Development (Markham) LP and CIM Commercial LP in relation to the Mackenzie Creek project in Markham, Ontario, Canada; (iii) approximately HK$546.0 million was used for the payment of the subscription of 104 redeemable preference shares of MAI and the provision of a loan in relation to the Opera Residence project in Sydney, Australia; and (iv) approximately HK$37.0 million was used for the general working of the Group. The Company intended to apply the remaining net proceeds of approximately HK$83.9 million in the areas as originally disclosed.

REVIEW OF OPERATION AND PROSPECTS

ECONOMIC OUTLOOK

Though the first half of 2018 is still standing on a growth rate above China's 6.5% annual economic growth target, the Chinese economy has experienced the weakest pace of expansion since the third quarter of 2016 amid intensifying "U.S.-China Trade Battle" and efforts to deleverage debt and financial risks. Trade tensions between the world's two biggest economies crossed swords leaving a chunk of Hong Kong's economy hanging in the balance. The pace of U.S. central bank monetary tightening and the international trading environment have resulted in continued significant currency volatility. Market uncertainties lead to degree of low confidence. Economic growth could be substantially affected if the trade war persists or escalates.

However, operating conditions including consumer confidence and consumer spending remained solid in most of the markets in which the Group operates. As a result, the Group has still managed to deliver steady underlying growth in our core businesses.

OPERATION REVIEW

Revenue of the Group during the Period increased by 15.6% to approximately HK$150.9 million (30 June 2017: HK$130.5 million) with accretive contribution from the casino business. Though still in a loss position, the Group's loss attributable to shareholders for the Period has narrowed down significantly by 48.1% to approximately HK$14.6 million (restated on 30 June 2017: HK$28.2 million). Loss per Share for the Period was amounted to HK0.46 cent (restated on 30 June 2017: HK0.89 cent).

Niiwoo Financial

Business environments and conditions are never stagnant especially with the evolving technological development. To keep pace with the market and with the objective to broaden the Group's income stream to sustain business diversification and growth, in late 2017, the Company had made its first move to step into the growing P2P finance sector in China with the acquisition of the controlling right and the entire economic interests of Niiwoo Financial. This acquisition was finally approved by the Company's shareholders at the special general meeting held on 30 July 2018 and was completed in August 2018. The PRC Government has initiated the "Interim Measures for the Administration of the Business Activities of Online Lending Information Intermediary Institutions" (the "**Interim Measures**") in order to strengthen the supervision and administration of the business activities of online lending institutions and to promote sound development of the online lending industry. As mentioned in our circular dated 29 June 2018, Niiwoo Financial is ready to follow the Interim Measures' guidelines to obtain a business license for its operation as soon as the application window is opened. We have confidence that after the required license has been obtained, Niiwoo Financial will be one of the core operations that drive the growth of our revenue and profits.

Jejiu Operation – MegaLuck and Glorious Hill

Since the second quarter, there was an upward trend in the number of flights and tourists from China visiting Jeju, South Korea. This was encouraging and a welcome relief to the entire tourism industry in Jeju after years of downward trend resulting from the THAAD (Terminal High Altitude Area Defense). Driven by the favourable sentiment, the revenue from our MegaLuck casino increased substantially by 57.8% to approximately HK$54.3 million (30 June 2017: HK$34.4 million) during the Period and we shall see this trend to continue to the end of the year.

The development approval of our Glorious Hill resort had passed the provincial congress and we believe it will not be long before the final approval be granted. Further information will be announced when this has been achieved.

Real Estate Operation – Opera Residence and Mackenzie Creek Projects

The development of our landmark project, Opera Residence, in Sydney, Australia is well on track. Demolishing of the old commercial building has almost been completed. Followed the marketing success achieved from the sales of the residential apartments, the commercial floors were also been sold, which bring the total contract sales to a record high of AUD565.4 million (equivalent to approximately HK$3,276.4 million).

Our Mackenzie Creek project has experienced a delay due to slack momentum in the Canadian real estate market. Sales was not picked up as expected and we will need to revisit the marketing strategy to promote sales in the second half of the year.

Wine and Baijiu Operation

Driven by stable economy and improving consumer sentiment, the winery market in China has been picking up steadily as we see our wine and baijiu business show signs of improvement during the Period. Customers are also changing; with the rise of middle class and millennials, increasing urbanization leading to a stable demand growth, along with the rapid shift in their preferences. This division will continue to pursue cost saving initiatives as well as strengthening strategic alliances with distributors in order to maximise profits from an expected modest growth.

OUTLOOK

Operating against a backdrop of an uncertain economy, the Group focused on its core strengths to deliver increased revenue during the Period. Although the change of business cycles will come and go, we are confident in our ability to adapt and evolve to meet business challenges. We believe that the Chinese government will deploy increased measures to vitalise domestic consumption and to secure a decisive victory in keeping the pace of its targeted economic development. We are fully confident and optimistic about the long-term prospects of our investments and are ready to reap the fruits of success.

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 of the Company held on 4 June 2018 (the "**2018 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 2018 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 2018 AGM, and the chairmen of the Audit Committee and Remuneration Committee of the Company, and the auditors attended the 2018 AGM to answer any questions from the shareholders. The Company considers that their presence is sufficient for effective communication with shareholders at the 2018 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 unaudited condensed consolidated interim financial information of the Group for the six months ended 30 June 2018 has been reviewed by the Audit Committee. The Audit Committee has also reviewed with the management in relation to the accounting principles and practices adopted by the Group and has discussed internal control, risk management and financial reporting matters of the Group. The Audit Committee comprises the 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, 27 August 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.