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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 2019**

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 2019, 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	
		2019	2018
		(Unaudited)	(Unaudited)
	<i>Notes</i>	HK\$'000	HK\$'000
Continuing operations			
Revenue	3	146,233	150,864
Cost of revenue		(91,211)	(93,879)
Gross profit		55,022	56,985
Other revenue		7,079	12,629
Selling and distribution expenses		(34,947)	(37,614)
Administrative and other operating expenses		(48,057)	(49,793)
Loss from operating activities	5	(20,903)	(17,793)
Finance costs		(1,892)	(1,903)

		For the six months ended	
		30 June	
		2019	2018
		(Unaudited)	(Unaudited)
<i>Notes</i>		HK\$'000	HK\$'000
Loss before taxation		(22,795)	(19,696)
Taxation	6	<u>160</u>	<u>(1,051)</u>
Loss for the period from continuing operations		(22,635)	(20,747)
Discontinued operation			
Loss for the period from a discontinued operation	7	<u>(82,761)</u>	<u>–</u>
Loss for the period		<u>(105,396)</u>	<u>(20,747)</u>
Attributable to:			
<i>Owners of the Company</i>			
Loss for the period from continuing operations		(17,645)	(14,626)
Loss for the period from a discontinued operation		<u>(82,761)</u>	<u>–</u>
		<u>(100,406)</u>	<u>(14,626)</u>
<i>Non-controlling interests</i>			
Loss for the period from continuing operations		(4,990)	(6,121)
Loss for the period from a discontinued operation		<u>–</u>	<u>–</u>
		<u>(4,990)</u>	<u>(6,121)</u>
		<u>(105,396)</u>	<u>(20,747)</u>
Loss per share attributable to owners of the Company			
from continuing and discontinued operations			
Basic and diluted	8	<u>HK(2.34) cents</u>	<u>HK(0.46) cent</u>
Loss per share attributable to owners of the Company			
from continuing operations			
Basic and diluted	8	<u>HK(0.41) cent</u>	<u>HK(0.46) cent</u>
Loss per share attributable to owners of the			
Company from a discontinued operation			
Basic and diluted	8	<u>HK(1.93) cents</u>	<u>–</u>

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	For the six months ended	
	30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Loss for the period	(105,396)	(20,747)
Other comprehensive loss, net of income tax		
<i>Item that will not be reclassified to profit or loss:</i>		
Change in fair value of financial asset at fair value through other comprehensive income	(416)	(1,396)
<i>Item that may be reclassified to profit or loss:</i>		
Exchange differences arising from translation of foreign operations	(29,481)	(56,088)
Total comprehensive loss for the period	(135,293)	(78,231)
Attributable to:		
Owners of the Company	(120,111)	(58,120)
Non-controlling interests	(15,182)	(20,111)
	(135,293)	(78,231)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 30 June 2019 (Unaudited) HK\$'000	As at 31 December 2018 (Audited) HK\$'000
	Notes		
ASSETS			
Non-current assets			
Land use rights		–	30,491
Right-of-use assets		69,665	–
Property, plant and equipment	9	973,411	975,688
Intangible assets		450,252	1,398,694
Interest in an associate		–	–
Financial asset at fair value through other comprehensive income		3,792	4,211
Contract costs		39,229	45,106
Contingent consideration receivable		–	10,374
Goodwill		75,221	75,221
Deferred tax assets		1,652	2,172
		<u>1,613,222</u>	<u>2,541,957</u>
Current assets			
Inventories		261,815	264,885
Stock of properties	10	2,023,754	1,900,707
Trade and bills receivables	11	27,900	70,220
Prepayments, deposits paid and other receivables		246,274	312,876
Short-term loans receivables		2,692	2,593
Cash and cash equivalents		158,320	247,168
		<u>2,720,755</u>	<u>2,798,449</u>
Assets classified as held for sale	7	<u>1,014,635</u>	<u>–</u>
		<u>3,735,390</u>	<u>2,798,449</u>
Total assets		<u><u>5,348,612</u></u>	<u><u>5,340,406</u></u>
EQUITY			
Capital and reserves attributable to owners of the Company			
Share capital		42,936	42,936
Reserves		2,541,195	2,661,306
		<u>2,584,131</u>	<u>2,704,242</u>
Non-controlling interests		<u>612,828</u>	<u>628,010</u>
Total equity		<u><u>3,196,959</u></u>	<u><u>3,332,252</u></u>

		As at 30 June 2019 (Unaudited) HK\$'000	As at 31 December 2018 (Audited) HK\$'000
	<i>Notes</i>		
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities		168,183	308,356
Loan from an immediate holding company		837,726	717,222
Loan from a non-controlling shareholder of a subsidiary		102,247	104,376
Net defined benefits liabilities		7,235	6,911
Lease liabilities		25,505	–
Bank and other borrowings – due after one year		144,690	144,690
		<u>1,285,586</u>	<u>1,281,555</u>
Current liabilities			
Trade payables	12	37,236	69,192
Accruals and other payables		80,738	109,931
Contract liabilities		239,489	219,716
Amounts due to related parties		39,749	50,642
Loan from an immediate holding company		–	66,401
Bank and other borrowings – due within one year		220,120	204,876
Deferred revenue		1,321	1,372
Lease liabilities		14,050	–
Tax payables		649	4,469
		<u>633,352</u>	<u>726,599</u>
Liabilities directly associated with assets classified as held for sale	7	<u>232,715</u>	<u>–</u>
		<u>866,067</u>	<u>726,599</u>
Total liabilities		<u>2,151,653</u>	<u>2,008,154</u>
Total equity and liabilities		<u>5,348,612</u>	<u>5,340,406</u>
Net current assets		<u>2,869,323</u>	<u>2,071,850</u>
Total assets less current liabilities		<u>4,482,545</u>	<u>4,613,807</u>

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 of the continuing operations are engaged in the (i) operation of casino business in 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. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

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

The unaudited condensed interim financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s audited financial statements for the year ended 31 December 2018 (the “**2018 Financial Statements**”).

Certain comparative figures of prior period have been re-represented to conform with the current period’s presentation.

The accounting policies used in preparing the interim financial statements are consistent with those used in the 2018 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:

2.1 New and amended standards adopted by the Group

HKFRS 16	Leases
HK(IFRIC) 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle

Except for the impact of adoption of HKFRS 16 set out below, the adoption of other applicable new and amended standards and interpretations did not have any material impact on the interim condensed consolidated financial statements of the Group.

2.2 Impact on the financial statements – HKFRS 16

The Group has adopted HKFRS 16 from its mandatory adoption date of 1 January 2019. The Group has applied the simplified transition approach and has not restated comparative amounts for the 2018 reporting period. Right-of-use assets will be measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses). The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019.

Adjustments recognised on adoption of HKFRS 16

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as ‘operating leases’ under the principles of HKAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate as of 1 January 2019.

	<i>HK\$’000</i> (Unaudited)
Operating lease commitment as at 31 December 2018	78,985
Discounted operating lease commitments at the date of initial application	44,814
Less: short-term leases and low value leases	(2,000)
Lease liabilities as at 1 January 2019	<u>42,814</u>
Of which are:	
Current lease liabilities	15,412
Non-current lease liabilities	<u>27,402</u>
	<u>42,814</u>

Under the simplified transition approach, the associated right-of-use assets were measured at the amount equal to the lease liabilities on adoption, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the consolidated statement of financial position as at 31 December 2018. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

The land use rights are reclassified to right-of-use assets as of 30 June 2019 and 1 January 2019 respectively.

The recognised right-of-use assets mainly relate to office properties, warehouse, farmland and land use rights.

The change in accounting policy affected the following items in the consolidated statement of financial position on 1 January 2019:

- right-of-use assets – increase by approximately HK\$73,305,000
- lease liabilities – increase by approximately HK\$42,814,000
- land use rights – decrease by approximately HK\$30,491,000

In applying HKFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- reliance on previous assessments on whether leases are onerous;
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases;
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date, the Group relied on its assessment made applying HKAS 17 and HK(IFRIC) 4 Determining whether an Arrangement contains a Lease.

3. REVENUE

	For the six months ended	
	30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Revenue recognised at a point in time		
Continuing operations		
Casino business	63,113	54,319
Production and distribution of wine	51,442	61,535
Production and distribution of Chinese baijiu	31,678	35,010
	146,233	150,864
Discontinued operation		
Loan facilitation platform services	12,936	–
	159,169	150,864

4. SEGMENT INFORMATION

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

The Group has (a) four reportable segments from the continuing operations, 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; and (b) a reportable segment from the discontinued operation, namely loan facilitation platform services. 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 remains unchanged from 2018.

(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 2019 and 2018:

30 June 2019 (Unaudited)

	Continuing operations				Discontinued operation	
	Casino business	Real estate, integrated resort and cultural tourism	Wine	Chinese baijiu	Total	Loan facilitation platform services
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue						
Revenue from external customers	63,113	–	51,442	31,678	146,233	12,936
Segment profit/(loss)	5,318	(8,682)	2,287	(12,151)	(13,228)	(82,746)
Unallocated corporate income						341
Unallocated corporate expenses						(8,016)
Finance costs						(1,892)
Loss before taxation						(105,541)
Taxation						145
Loss for the period						(105,396)

30 June 2018 (Unaudited)

	Continuing operations					Discontinued operation	Total
	Casino business HK\$'000	Real estate, integrated resort and cultural tourism HK\$'000	Wine HK\$'000	Chinese baijiu HK\$'000	Total HK\$'000	Loan facilitation platform services HK\$'000	
Segment revenue							
Revenue from external customers	54,319	–	61,535	35,010	150,864	–	150,864
Segment (loss)/profit	<u>(3,749)</u>	<u>(6,165)</u>	<u>3,516</u>	<u>(4,631)</u>	<u>(11,029)</u>	<u>–</u>	<u>(11,029)</u>
Unallocated corporate income							1,628
Unallocated corporate expenses							(8,392)
Finance costs							<u>(1,903)</u>
Loss before taxation							(19,696)
Taxation							<u>(1,051)</u>
Loss for the period							<u><u>(20,747)</u></u>

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, 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 2019 and 31 December 2018:

30 June 2019 (Unaudited)

	Continuing operations					Discontinued operation	Total HK\$'000
	Casino business HK\$'000	Real estate, integrated resort and cultural tourism HK\$'000	Wine HK\$'000	Chinese baijiu HK\$'000	Total HK\$'000	Loan facilitation platform services HK\$'000	
Segment assets	581,927	3,044,591	402,532	213,741	4,242,791	1,014,635	5,257,426
Unallocated							91,186
							<u>5,348,612</u>
Segment liabilities	39,267	244,681	117,959	99,038	500,945	232,715	733,660
Unallocated							1,417,993
							<u>2,151,653</u>

31 December 2018 (Audited)

	Continuing operations					Discontinued operation	Total HK\$'000
	Casino business HK\$'000	Real estate, integrated resort and cultural tourism HK\$'000	Wine HK\$'000	Chinese baijiu HK\$'000	Total HK\$'000	Loan facilitation platform services HK\$'000	
Segment assets	592,589	2,956,218	428,184	220,540	4,197,531	1,075,956	5,273,487
Unallocated							66,919
							<u>5,340,406</u>
Segment liabilities	37,928	259,734	153,211	93,258	544,131	83,584	627,715
Unallocated							1,380,439
							<u>2,008,154</u>

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		Non-current assets	
	For the six months ended 30 June		As at 30 June	As at 31 December
	2019	2018	2019	2018
	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Continuing operations				
PRC (including Hong Kong)	83,120	96,545	386,270	358,451
South Korea	63,113	54,319	1,224,982	1,230,215
Australia	–	–	1,970	2,296
Canada	–	–	–	–
	<u>146,233</u>	<u>150,864</u>	<u>1,613,222</u>	<u>1,590,962</u>
Discontinued operation				
PRC	<u>12,936</u>	<u>–</u>	<u>882,314</u>	<u>950,995</u>

5. LOSS FROM OPERATING ACTIVITIES

	For the six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Continuing operations		
Loss from operating activities has been arrived at after charging:		
Staff costs, including directors' emoluments		
– Salaries and allowances	44,031	43,841
– Retirement benefit scheme contributions	<u>7,088</u>	<u>8,399</u>
Total staff costs	<u>51,119</u>	<u>52,240</u>
Amortisation of intangible assets	300	312
Amortisation of land use rights	457	501
Cost of inventories recognised as expenses	37,966	40,051
Loss on disposal of property, plant and equipment	630	28
Depreciation of property, plant and equipment	<u>11,093</u>	<u>10,438</u>

6. TAXATION

	For the six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Continuing operations		
Current tax – PRC Corporate Income Tax	92	1,318
Deferred tax – PRC Corporate Income Tax	(252)	(267)
	<u>(160)</u>	<u>1,051</u>

No provision for Hong Kong Profits Tax has been made for the six months ended 30 June 2019 (2018: Nil) as the Group has no assessable profits derived from Hong Kong for the period.

As at 30 June 2019, the Company had estimated unused tax losses of approximately HK\$63,387,000 (31 December 2018: HK\$63,387,000) 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% (2018: 25%).

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

7. DISCONTINUED OPERATION

Reference was made to the sale and purchase agreement dated 13 October 2017 (as supplemented) (the “**Sale and Purchase Agreements**”) entered into between the Company and Paison Technology Group Ltd. (“**Paison Technology**”) in relation to acquisition of the controlling right and the entire economic benefits of Shenzhen Niiwoo Financial Information Services Ltd. (“**Niiwoo Financial**”) through variable interest entity contracts (the “**VIE Contracts**”).

The acquisition was completed on 1 August 2018 and a total of 1,086,000,000 Shares (the “**Consideration Shares**”) were allotted and issued to PAISHENG International Technology Co., Ltd. (“**PAISHENG International**”) at the direction of Paison Technology to satisfy the consideration in full. The fair value of the Consideration Shares, valued at HK\$0.71 per Consideration Share, being the closing price of the Shares as quoted by the Stock Exchange on 1 August 2018, amounted to approximately HK\$771,060,000.

As Niiwoo Financial was not qualified to apply the requisite license, on 8 April 2019, the Group served a notice to Paison Technology to dispose of Niiwoo Financial by way of termination of the VIE Contracts and cancellation of the Consideration Shares pursuant to the condition subsequent of the Sale and Purchase Agreements (the “**Disposal**”). The Disposal was completed on 31 July 2019.

During the six months ended 30 June 2019, Niiwoo Financial was classified as the discontinued operation. Assets and liabilities of Niiwoo Financial were classified as “Assets classified as held for sale” and “Liabilities directly associated with assets classified as held for sale” respectively in accordance with HKFRS 5.

The results, financial position and net cash flows of Niiwoo Financial are presented as follows:

(a) The results

	For the six months ended 30 June 2019 (Unaudited) HK\$'000
Revenue	12,936
Cost of revenue	(61)
Gross profit	12,875
Other revenue	1,742
Selling and distribution expenses	(7,419)
Administrative and other operating expenses	(27,626)
Loss on remeasurement at fair value less cost of disposal	(62,318)
Finance costs	–
Loss before taxation from a discontinued operation	(82,746)
Taxation	(15)
Loss for the period from a discontinued operation	<u>(82,761)</u>

(b) The assets and liabilities classified as held for sale

	As at 30 June 2019 (Unaudited) HK\$'000
Assets classified as held for sale	
Property, plant and equipment	3,904
Intangible asset	877,954
Deferred tax asset	456
Trade receivables	39,470
Prepayments, deposits and other receivables	86,120
Cash and cash equivalents	6,731
	<u>1,014,635</u>
 Liabilities directly associated with assets classified as held for sale	
Trade payables	105
Accruals and other payables	26,778
Amount due to an immediate holding company	66,275
Contract liabilities	68
Tax payables	4
Deferred tax liabilities	139,485
	<u>232,715</u>

(c) **The net cash flows**

	For the six months ended 30 June 2019 (Unaudited) HK\$'000
Net cash outflow from operating activities	(10,609)
Net cash outflow from investing activities	(5)
Net cash inflow/(outflow) from financing activities	<u>—</u>
Net decrease in cash and cash equivalents	<u>(10,614)</u>

8. LOSS PER SHARE

(a) **Continuing and discontinued operations**

The calculation of basic and diluted loss per Share from continuing and discontinued operations are based on the following data:

	For the six months ended 30 June 2019 (Unaudited)	2018 (Unaudited)
Loss for the period attributable to owners of the Company (HK\$'000)	<u>(100,406)</u>	<u>(14,626)</u>
Number of Shares		
Weighted average number of Shares for the purpose of basic and diluted loss per Share	<u>4,293,591,674</u>	<u>3,207,591,674</u>

(b) **Continuing operations**

The calculation of basic and diluted loss per Share from continuing operations attributable to owners of the Company is based on the following data:

	For the six months ended 30 June 2019 (Unaudited)	2018 (Unaudited)
Loss for the period from continuing operations (HK\$'000)	<u>(17,645)</u>	<u>(14,626)</u>

The denominators used are the same as those detailed above for both basic and diluted loss per Share from continuing and discontinued operations.

(c) Discontinued operation

The calculation of basic and diluted loss per Share from the discontinued operation attributable to owners of the Company is based on the following data:

	For the six months ended	
	30 June	
	2019	2018
	(Unaudited)	(Unaudited)
Loss for the period from a discontinued operation (HK\$'000)	<u>(82,761)</u>	<u>–</u>

The denominators used are the same as those detailed above for both basic and diluted loss per Share from continuing and discontinued operations.

For the periods ended 30 June 2019 and 2018, the computation of diluted loss per Share were on the assumption 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 2019 and 2018 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 2019, the Group acquired items of property, plant and equipment at a total cost of approximately HK\$4,481,000 (six months ended 30 June 2018: HK\$7,104,000). Loss on disposal of property, plant and equipment was approximately HK\$630,000 during the period (six months ended 30 June 2018: HK\$28,000).

10. STOCK OF PROPERTIES

	As at	As at
	30 June	31 December
	2019	2018
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
Properties under development, at cost	<u>2,023,754</u>	<u>1,900,707</u>

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 2019 and 31 December 2018, 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 2018: 30 to 90 days) to its trade customers. For receivables from gaming customers, the credit period is generally six months.

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 credit losses, is as follows:

	As at 30 June 2019 (Unaudited) HK\$'000	As at 31 December 2018 (Audited) HK\$'000
Within 30 days	20,061	48,089
More than 30 days and within 60 days	248	371
More than 60 days and within 90 days	424	430
More than 90 days and within 180 days	2,289	519
More than 180 days and within 360 days	4,878	20,811
	<u>27,900</u>	<u>70,220</u>

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 2019 (Unaudited) HK\$'000	As at 31 December 2018 (Audited) HK\$'000
Within 90 days	19,653	31,091
More than 90 days and within 180 days	4,145	5,288
More than 180 days and within 360 days	13,438	32,813
	<u>37,236</u>	<u>69,192</u>

Trade payables are non interest-bearing and have an average credit term of four months (31 December 2018: four months).

13. EVENTS AFTER THE REPORTING PERIOD

On 31 July 2019, the Group completed the disposal of the controlling right and the entire economic interest of Niiwoo Financial by way of termination of the VIE Contracts and cancellation of the Consideration Shares, details of which have been set out in the announcements and the circular of the Company dated 2 May 2019, 31 July 2019 and 5 July 2019 respectively.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL INFORMATION

The Group's operating results from the continuing operations for the six months ended 30 June 2019 (the "Period") were contributed by the (i) operation of casino business in 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 PRC.

On 31 July 2019, the Group completed the disposal of the internet P2P financing platform business in the PRC. As such, its results for the Period were separately disclosed under 'Discontinued Operation' and its underlying assets and liabilities were classified as 'Assets classified as held for sale' and 'Liabilities directly associated with assets classified as held for sale' respectively.

Revenue

Gaming and wine and baijiu businesses were the main revenue contributors of the continuing operations for the Period, yet the Group's total revenue decreased by 3.1% to approximately HK\$146.2 million (six months ended 30 June 2018: HK\$150.9 million).

Gaming revenue, which accounted for 43.2% (six months ended 30 June 2018: 36.0%) of the Group's revenue, recorded an increase of 16.2% to approximately HK\$63.1 million (six months ended 30 June 2018: HK\$54.3 million). Such increase was mainly contributed by the VIP gaming operation.

As a result of the fierce competition from imported wines and the new internet distribution channel against traditional distribution channel, the revenue of winery business experienced a downward pressure. The wine business, which accounted for 35.2% (six months ended 30 June 2018: 40.8%) of the Group's revenue, dropped by 16.4% to approximately HK\$51.4 million (six months ended 30 June 2018: HK\$61.5 million). The Chinese baijiu business, which accounted for 21.7% (six months ended 30 June 2018: 23.2%) of the Group's revenue, also dropped by 9.5% to approximately HK\$31.7 million (six months ended 30 June 2018: HK\$35.0 million).

Gross Profit

Gross profit from the continuing operations for the Period reduced slightly by 3.4% to approximately HK\$55.0 million (six months ended 30 June 2018: HK\$57.0 million).

Benefiting from successful VIP gaming campaigns operated by our house team, gross profit of the casino business achieved a promising growth by 56.3% to approximately HK\$18.9 million (six months ended 30 June 2018: HK\$12.1 million).

Yet affected by the decline in revenue of winery business, the respective gross profits of wine business and Chinese baijiu businesses decreased by 22.1% to approximately HK\$21.6 million (six months ended 30 June 2018: HK\$27.7 million) and 15.4% to approximately HK\$14.6 million (six months ended 30 June 2018: HK\$17.2 million) respectively.

Other Revenue

Other revenue, mainly representing government subsidies granted by respective local finance departments in subsidising the research and development on wine business, decreased by 44.0% to approximately HK\$7.1 million (six months ended 30 June 2018: HK\$12.6 million).

Selling and Distribution Expenses

Selling and distribution expenses, which accounted for 23.9% (six months ended 30 June 2018: 24.9%) of the Group's revenue, decreased by 7.1% to approximately HK\$34.9 million (six months ended 30 June 2018: HK\$37.6 million) in line with the drop in revenue of winery business.

Administrative and Other Operating Expenses

Administrative and other operating expenses mainly consisted of management staff salaries, office rental, professional fees and casino business's operating expenses. During the Period, administrative and operating expenses decreased slightly by 3.5% to approximately HK\$48.1 million (six months ended 30 June 2018: HK\$49.8 million).

Loss Before Tax

The Group's loss before tax from continuing operations increased by 15.7% to approximately HK\$22.8 million (six months ended 30 June 2018: HK\$19.7 million).

Taxation

Taxation of the Group mainly comprised current income tax expenses of approximately HK\$92,000 (six months ended 30 June 2018: HK\$1.3 million) and deferred tax credit of approximately HK\$252,000 (six months ended 30 June 2018: HK\$267,000).

Loss Attributable to Owners of the Company

As a result of the aforementioned, loss after tax from continuing operations for the Period increased by 9.1% to approximately HK\$22.6 million (six months ended 30 June 2018: HK\$20.7 million). Loss attributable to owners of the Company from continuing operations increased by 20.6% to approximately HK\$17.6 million (six months ended 30 June 2018: HK\$14.6 million).

Loss from a discontinued operation

Loss from a discontinued operation of approximately HK\$82.8 million for the Period comprised (i) the net loss of approximately HK\$20.5 million arising from the operating result of the internet P2P financing platform business in the PRC; and (ii) the loss of approximately HK\$62.3 million recognised on remeasurement of its net asset to the fair value of the consideration on 31 July 2019.

Balance Sheet Analysis

Total assets of the Group, which consisted of non-current assets of approximately HK\$1,613.2 million (31 December 2018: HK\$2,542.0 million) and current assets of approximately HK\$3,735.4 million (31 December 2018: HK\$2,798.4 million), increased slightly by 0.2% to approximately HK\$5,348.6 million (31 December 2018: HK\$5,340.4 million).

Total liabilities which included current liabilities of approximately HK\$866.1 million (31 December 2018: HK\$726.6 million) and non-current liabilities of approximately HK\$1,285.6 million (31 December 2018: HK\$1,281.6 million), increased by 7.1% to approximately HK\$2,151.7 million (31 December 2018: HK\$2,008.2 million) mainly due to loans obtained for real estate development.

INTERIM DIVIDEND

The Board does not recommend payment of any interim dividend for the Period (six months ended 30 June 2018: Nil).

LIQUIDITY AND FINANCIAL RESOURCES

The Group's sources of fund were generated from operating activities, advances from an immediate holding company as well as facilities provided by financial institutions. As at 30 June 2019, the Group had cash and cash equivalents of approximately HK\$158.3 million (31 December 2018: HK\$247.2 million).

As at 30 June 2019, total borrowings increased by 5.4% to approximately HK\$1,304.8 million (31 December 2018: HK\$1,237.6 million) mainly due to new loans of approximately HK\$59.0 million drawn for real estate development.

Our major borrowings are denominated in RMB, CAD and Australian dollars ("AUD"). In view of the Group's cash and bank balances, funds generated internally from our operations and the banking 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

At 30 June 2019, the Group pledged its land, property, plant and equipment with net book value amounted to approximately HK\$24.8 million (31 December 2018: HK\$28.7 million) to secure general bank facilities granted. In addition, the Group pledged several parcels of lands located in Markham, Ontario, Canada and Sydney, Australia in favour of a few financial institutions which in aggregate granted loans amounted to approximately HK\$2,023.8 million (31 December 2018: HK\$1,900.7 million) for real estate development.

CONTINGENT LIABILITIES

As at 30 June 2019, the Group had provided guarantees in an aggregate amount of approximately HK\$212.2 million (31 December 2018: HK\$204.2 million) to a financial institution in Canada in favour of its non-wholly owned subsidiary for re-financing of a construction loan for the real estate development project located 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. There is a natural hedge mechanism in place during the course of its respective business operation and the impact of the foreign exchange risk is low, therefore no financial instruments for hedging purposes are considered necessary. To enhance overall risk management, the Group will review its treasury management function from time to time and will closely monitor its currency and interest rate exposures in order to implement suitable foreign exchange hedging policy as and when appropriate to prevent related risks.

MATERIAL ACQUISITION AND DISPOSAL

On 2 May 2019, the Company announced the disposal of Niiwoo Financial by way of termination of the VIE Contracts and cancellation of the Consideration Shares pursuant to the condition subsequent of the Sale and Purchase Agreements. The Disposal was completed on 31 July 2019 and since then Niiwoo Financial ceased to be a subsidiary of the Company and its assets, liabilities and results have been excluded from the Group's financial statements.

Details of the Disposal were set out in the announcements and the circular of the Company dated 2 May 2019, 31 July 2019 and 5 July 2019 respectively.

EMPLOYEE INFORMATION AND EMOLUMENT POLICY

As at 30 June 2019, the Group employed a total of 940 (31 December 2018: 1,148) full time employees from the continuing operations. 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 regulations.

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. (“**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.

Court hearings for the First Case have 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. As advised by the Korean lawyers of the Company, the maximum penalties to be imposed to MegaLuck will be a fine up to KRW20 million (equivalent to about HK\$140,000) and suspension of business operations for a 3-month period.

The court had ruled in the Second Case 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 to request MegaLuck to pay a damage of approximately KRW522 million (equivalent to about HK\$3.65 million). As at the date of this announcement, the Second Case is still pending for adjudication.

NSR Toronto Holdings Ltd. (“**NSR Toronto**”) issued a notice of action dated 30 May 2019 and filed a statement of claim dated 27 June 2019 in Ontario against CIM Development (Markham) LP, CIM Mackenzie Creek Residential GP Inc., CIM Commercial LP, CIM Mackenzie Creek Commercial GP Inc., CIM Mackenzie Creek Inc., which are all non-wholly owned subsidiaries of the Company, CIM Mackenzie Creek Limited Partnership, CIM Homes Inc., CIM Global, 10184861 Canada Inc., and Mr. Jiubin Feng (collectively, the “**Defendants**”) for damages for breach of contract and breach of the duty of good faith, for accounting and disgorgement of profits for breach of fiduciary duty and breach of trust for failure or refusal to disclose self-dealing transactions that harmed NSR Toronto’s interests, and for specific performance (or damages in lieu thereof) for refusal to honour their obligations under the agreement entered into with the Group dated 30 May 2017 in amounts to be particularised in the course of proceedings together with interest and costs.

The Defendants filed a statement of defence and counterclaim dated 16 August 2019 in Ontario, among other matters, (a) to deny any and all liability to NSR Toronto; (b) to ask the action be dismissed; and (c) to claim against NSR Toronto for damages, in an amount to be determined prior to trial, relating to the Defendants’ lost profits relating to the development project. Further announcement will be made by the Company as and when necessary if there is any material development of this case.

REVIEW OF OPERATION AND PROSPECTS

ECONOMIC OUTLOOK

Entering 2019 on a weak footing, Hong Kong economy faces perilous uncertainties, from home-grown political difficulties to escalating trade tensions and a potential tech war between US and China for the competition of supremacy advanced technologies. Consumption growth in China is likely to slow for the rest of the year as a result of the uncertainty created. In the second quarter of 2019, China reported economic growth by 6.2% year-on-year, the lowest figure since records began in March 1992 with this momentum expected to persist into the second half of 2019. With credit policies being further tightened in China and prolonged uncertainty on Brexit, all will exert downward pressure on economic growth.

OPERATION REVIEW

With such uncertainties and weak global economy sentiments among varieties of business lines and markets the Group operated, the overall revenue of the Group from the continuing operations has decreased by 3.1% to approximately HK\$146.2 million (30 June 2018: HK\$150.9 million). The receding performance coupled with an one-off loss of approximately HK\$82.8 million resulted from the discontinued operation of Niiwoo Financial, the Group's loss attributable to shareholders for the Period plunged to a record high of approximately HK\$100.4 million (30 June 2018: HK\$14.6 million), with a loss per Share amounted to HK2.34 cents (30 June 2018: HK0.46 cent).

DISCONTINUED OPERATION OF NIIWOO FINANCIAL

As mentioned above, the major cause of such deterioration of result for the Period was due to the discontinuation of Niiwoo Financial which was the main revenue driver for last year. Due to the PRC regulatory restriction, Niiwoo Financial, which was engaged in operation of online P2P lending business in the PRC, was controlled by the Group through a set of VIE Contracts from 1 August 2018 under which the original shareholder, Paison Technology, acted as a nominee shareholder. In an unexpected incident in late March 2019, the major shareholder of Paison Technology was arrested in suspicious of violation of the PRC law with regards to his personal business. Though his personal business did not relate to Niiwoo Financial's operation yet his misconduct has subsequently led to a disapproval of Niiwoo Financial's application for the value-added telecommunication license for operation of online P2P lending business in the PRC which in turn triggered the condition subsequent of the Sale and Purchase Agreements. In order to minimise the adverse effect, the Group decisively terminated the VIE Contracts and subsequently executed the cancellation of 1,086,000,000 Shares (the "**Transaction**"), being the consideration paid by the Group for the acquisition of Niiwoo Financial. Details of the Transaction was reported in the announcement and the circular of the Company dated 2 May 2019 and 5 July 2019 respectively. The Transaction was completed on 31 July 2019 after the resolutions were passed by more than 75% of votes of the independent shareholders at the special general meeting of the Company held on the same date.

WINE AND BAIJIU OPERATION

As a result of the uncertainty created by trade tensions with the United States, Chinese consumer market has been slowing down during the Period and is likely to continue for the rest of the year. Sluggish consumer spending coupled with fierce competition brought by imported wine has resulted in slow down of our wine and baijiu businesses. The divisions, which constituted 56.8% of our total revenue from the continuing operations, shrank by 13.9% to approximately HK\$83.1 million. We strive to improve the performances by implementation of various marketing and product differentiation measures to tackle the challenges while at the same time continue to restructure the existing management team and recruiting more talents with the precise blend of experience for better fulfilment.

JEJU OPERATIONS – MEGALUCK AND GLORIOUS HILL

With a strategic effort in targeting the VIP players and benefited from the launch of new major Jeju tourism sites, the revenue from our casino business climbed 16.2% to approximately HK\$63.1 million, and become the main revenue driver for the Period. However, due to the political tension between South Korea with its neighboring countries, coupled with a change in our casino management team, we remain conservative about this trend.

We are very excited that the formal development approval was granted by the Governor of Jeju Special Self Governing Province in March 2019 such that we can initiate the funding process for the development of phase one of the Glorious Hill project. The project comprised three phases with the phase one development consisting of the construction of a five-star hotel with more than 580 guest rooms which will be equipped with wide range of entertainment and recreation facilities, restaurants, high-end shops and hydrotherapy spa. In view of the positive outlook of Jeju tourism, it is expected that the Glorious Hill project could capture the rising demand from the tourism market.

REAL ESTATE OPERATIONS – OPERA RESIDENCE AND MACKENZIE CREEK PROJECTS

The development of our landmark project, Opera Residence in Sydney, Australia, is well on track. Around 95% of the residential units and all the commercial spaces of the project were sold generating total contract sales of AUD553.9 million (equivalent to approximately HK\$3,032.3 million).

Given a weak real estate market sentiment in Toronto, Canada and the stagnant development progress of the Mackenzie Creek Project, sales of phase one has not been progressing as expected. We are in the process of seeking alternative measure to unlock our investment in the project with the objective to safeguard the interest of the shareholders.

OUTLOOK

Due to the uncertain economic and political outlooks coupled with the deteriorating operating environment in Hong Kong and China, it is expected to continue challenging in the rest of 2019. Social conflict within Hong Kong continues to cast uncertainties over economic development. The Sino-US trade and political tensions, coupled with the US's bilateral trade policies and retaliatory tariffs, are expected to boost production and transaction costs of all businesses irrespective to the industries and jurisdictions. The risk appetites for investors are expected to become more conservative and competition in fund seeking will be intensified. There will be challenges lying ahead yet the Group will continue to safeguard its financial strength, manage risks cautiously and undertake prudent yet flexible business development strategies with the target to maintain business growth.

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

Save for the notice served by the Company to Paison Technology on 8 April 2019 for, among other matters, cancellation of the Consideration Shares held by PAISHENG International, which was completed on 31 July 2019 and cancelled on 5 August 2019, 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 deviation from code provisions A.6.7.

Code provision A.6.7 provides that independent non-executive directors and non-executive directors should attend general meetings. Mr. Cao Kuangyu, being the independent non-executive Director, was unable to attend the annual general meeting of the Company held on 10 May 2019 due to his overseas business engagement.

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

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

AUDIT COMMITTEE REVIEW

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

The unaudited condensed consolidated interim financial information of the Group for the Period 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 financial reporting matters of the Group.

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

Hong Kong, 27 August 2019

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.