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

ANNOUNCEMENT OF UNAUDITED RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019

As the auditing process for the financial results of New Silkroad Culturaltainment Limited (the "**Company**") and its subsidiaries (together, the "**Group**") has not been completed for the reasons explained below under "Review of Unaudited Annual Results", the board (the "**Board**") of directors (the "**Directors**") of the Company hereby announces the unaudited consolidated results of the Group for the year ended 31 December 2019 together with the comparative figures for the year ended 31 December 2018 as follows:

UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the year ended 31 December 2019

	Notes	**2019** ***HK$'000*** **(Unaudited)**	2018 *HK$'000* (Audited) (Restated)
Continuing operations			
Revenue	*3*	**211,185**	227,852
Cost of revenue		**(135,397)**	(150,872)
Gross profit		**75,788**	76,980
Other revenue		**14,644**	24,692
Selling and distribution expenses		**(42,837)**	(42,294)
Administrative and other operating expenses		**(168,583)**	(94,026)
Allowance for expected credit losses		**(5,397)**	(2,205)
Gain on disposal of subsidiaries		**21,115**	–
Loss from operating activities	*5*	**(105,270)**	(36,853)
Finance costs	*6*	**(5,211)**	(2,881)

	Notes	**2019** ***HK$'000*** **(Unaudited)**	2018 *HK$'000* (Audited) (Restated)
Loss before taxation		**(110,481)**	(39,734)
Taxation	*7*	**(299)**	(5,116)
Loss for the year from continuing operations		**(110,780)**	(44,850)
Discontinued operations			
(Loss)/profit for the year from discontinued operations, net of income tax		**(118,716)**	100,233
(Loss)/profit for the year		**(229,496)**	55,383
Attributable to:			
Owners of the Company			
Loss for the year from continuing operations		**(80,380)**	(37,936)
(Loss)/profit for the year from discontinued operations		**(108,349)**	102,349
		(188,729)	64,413
Non-controlling interests			
Loss for the year from continuing operations		**(30,400)**	(6,914)
Loss for the year from discontinued operations		**(10,367)**	(2,116)
		(40,767)	(9,030)
		(229,496)	55,383
(Loss)/earnings per share attributable to owners of the Company from continuing and discontinued operations			
Basic and diluted	*11*	**HK(4.92) cents**	HK1.76 cents
Loss per share attributable to owners of the Company from continuing operations			
Basic and diluted	*11*	**HK(2.10) cents**	HK(1.04) cents
(Loss)/earnings per share attributable to owners of the Company from discontinued operations			
Basic and diluted	*11*	**HK(2.82) cents**	HK2.80 cents

UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019

	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
(Loss)/profit for the year	**(229,496)**	55,383
Other comprehensive loss, net of income tax		
Items that will not be reclassified to profit or loss:		
Remeasurement of defined benefit plans	**(1,258)**	786
Change in fair value of financial asset at fair value through other comprehensive income	**(434)**	(1,192)
Item that may be reclassified to profit or loss:		
Exchange differences arising from translation of foreign operations	**(48,031)**	(106,852)
Item that was reclassified to profit or loss:		
Release of translation reserve upon disposal of subsidiaries	**12,576**	–
Total comprehensive loss for the year	**(266,643)**	(51,875)
Attributable to:		
Owners of the Company	**(213,823)**	(7,957)
Non-controlling interests	**(52,820)**	(43,918)
	(266,643)	(51,875)

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2019

	Notes	2019 HK$'000 (Unaudited)	2018 HK$'000 (Audited)
ASSETS			
Non-current assets			
Land use rights		–	30,491
Right-of-use assets		38,759	–
Property, plant and equipment		896,413	975,688
Intangible assets	12	448,034	1,398,694
Interest in an associate		–	–
Financial asset at fair value through other comprehensive income		–	4,211
Contract costs		31,303	45,106
Contingent consideration receivable		–	10,374
Goodwill	13	14,130	75,221
Deferred tax assets		2,599	2,172
		1,431,238	2,541,957
Current assets			
Inventories		209,998	264,885
Stock of properties	14	1,539,538	1,900,707
Trade and bills receivables	15	21,996	70,220
Prepayments, deposits paid and other receivables		411,007	312,876
Short-term loans receivables		2,184	2,593
Cash and cash equivalents		266,197	247,168
		2,450,920	2,798,449
Total assets		3,882,158	5,340,406
EQUITY			
Capital and reserves attributable to owners of the Company			
Share capital		32,076	42,936
Reserves		1,676,423	2,661,306
		1,708,499	2,704,242
Non-controlling interests		391,279	628,010
Total equity		2,099,778	3,332,252

	Notes	2019 *HK$'000* (Unaudited)	2018 *HK$'000* (Audited)
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities		**100,151**	308,356
Loan from an immediate holding company		**24,906**	717,222
Loan from a non-controlling shareholder of a subsidiary		**101,969**	104,376
Net defined benefits liabilities		**7,722**	6,911
Lease liabilities		**27,964**	–
Bank and other borrowings – due after one year		**1,255,303**	144,690
		1,518,015	1,281,555
Current liabilities			
Trade payables	*16*	**46,018**	69,192
Accruals and other payables		**123,936**	109,931
Contingent consideration payable		**45,246**	–
Contract liabilities		**35,666**	219,716
Amounts due to related parties		**7,127**	50,642
Loan from an immediate holding company		**–**	66,401
Bank and other borrowings – due within one year		**–**	204,876
Deferred revenue		**134**	1,372
Lease liabilities		**3,606**	–
Tax payables		**2,632**	4,469
		264,365	726,599
Total liabilities		**1,782,380**	2,008,154
Total equity and liabilities		**3,882,158**	5,340,406
Net current assets		**2,186,555**	2,071,850
Total assets less current liabilities		**3,617,793**	4,613,807

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The unaudited consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") which is a collective term that includes all applicable individual HKFRSs, Hong Kong Accounting Standards ("**HKASs**") and interpretations issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") as well as the disclosure requirements of the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") and the Hong Kong Companies Ordinance.

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

2. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs

(i) New and amendments to HKFRSs that are mandatorily effective for the year

The Group has applied the following new and amendments to HKFRSs issued by the HKICPA for the first time in the current year:

HKFRS 16	Leases
HK(IFRIC)-Int 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 as described below, the application of the other new and amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or disclosure set out in these unaudited consolidated financial statements.

HKFRS 16 Lease

The Group has applied HKFRS 16 for the first time in the current year. HKFRS 16 superseded HKAS 17 '*Leases*' ("**HKAS 17**") and the related interpretations.

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 '*Determining whether an Arrangement contains a Lease*' and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019.

As at 1 January 2019, the Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities by applying HKFRS 16.C8(b)(ii) transition. Any difference at the date of initial application is recognised in the opening accumulated losses and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

(i) elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;

(ii) excluded initial direct costs from measuring the right-of-use assets at the date of initial application;

(iii) applied a single discount rate to a portfolio of leases with a similar remaining terms for similar class of underlying assets in similar economic environment; and

(iv) relied on the assessment of whether leases are onerous by applying HKAS 37 '*Provisions, Contingent Liabilities and Contingent Assets*' as an alternative of impairment review.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average incremental borrowing rates applied by the relevant group entities ranged from 4.6% to 6.9%.

The following table reconciles the operating lease commitments as disclosed in annual report as at 31 December 2018 to the opening balance for lease liabilities recognised as at 1 January 2019:

	1 January 2019 *HK$'000*
Operating lease commitments disclosed as at 31 December 2018	78,985
Less: total future interest expenses	(27,427)
Present value of remaining lease payments, discounted using the incremental borrowing rate of at the date of initial application (i.e. 1 January 2019)	51,558
Less: practical expedient-leases with lease term ending within 12 months from date of initial application not recognised as liability	(14,249)
Total lease liabilities recognised at 1 January 2019	37,309
Analysis as:	
Non-current	28,637
Current	8,672
	37,309

The carrying amount of right-of-use assets for own use as at 1 January 2019 comprises the following:

	1 January 2019 *HK$'000*
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16	37,309
Add: reclassification from land use right	30,491
	67,800
By class:	
Office premises	16,579
Warehouse	246
Farmland	20,484
Land use right	30,491
	67,800

(ii) New and amendments to HKFRSs that have been issued but are not yet effective

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

HKFRS 17	Insurance Contracts[1]
Amendments to HKFRS 3	Definition of a Business[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associates or Joint Ventures[3]
Amendments to HKAS 1 and HKAS 8	Definition of Material[4]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform[4]

1 Effective for annual periods beginning on or after 1 January 2021.
2 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.
3 Effective for annual periods beginning on or after a date to be determined.
4 Effective for annual periods beginning on or after 1 January 2020.

In addition to the above new and amendments to HKFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, the Amendments to References to the Conceptual Framework in HKFRS Standards will be effective for annual periods beginning on or after 1 January 2020.

The Directors anticipate that the application of these new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

3. REVENUE

An analysis of the Group's revenue for the year from continuing operations is as follow:

	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
		(Restated)
Revenue recognised at a point in time		
Production and distribution of wine	**128,545**	124,231
Entertainment business	**82,640**	103,621
	211,185	227,852

All revenue contracts are for one year or less. As permitted by practical expedient under HKFRS 15, the transaction price allocated to unsatisfied contracts is not disclosed.

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 three reportable segments from the continuing operations, namely (i) development and operation of real estate, integrated resort and cultural tourism; (ii) production and distribution of wine; and (iii) entertainment business. The segmentations are based on the business nature of the Group's operations that management uses to make decisions.

During the year, the operating segments of internet finance facilitation services and Chinese baijiu were classified as discontinued operations after they have been disposed of on 31 July 2019 and 20 November 2019 respectively. The discontinued operations have resulted in a change in the Group's structure and therefore its composition of reporting segments. Details of discontinued operations are described in note 8.

Segment revenue and results

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

	Continuing operations							
	Real estate, integrated resort and cultural tourism		Wine		Entertainment business		Total	
	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
	(Unaudited)	(Audited)	**(Unaudited)**	(Audited)	**(Unaudited)**	(Audited)	**(Unaudited)**	(Audited)
Segment revenue								
Revenue from external customers	**–**	–	**128,545**	124,231	**82,640**	103,621	**211,185**	227,852
Segment (loss)/profit	**(31,741)**	(15,378)	**3,936**	3,372	**(15,882)**	(4,777)	**(43,687)**	(16,783)
Unallocated corporate income							**452**	2,983
Unallocated corporate expenses							**(22,059)**	(23,053)
Impairment loss of goodwill	–	–	–	–	**(61,091)**	–	**(61,091)**	–
Gain on disposal of subsidiaries	**21,115**	–	–	–	–	–	**21,115**	–
Finance costs							**(5,211)**	(2,881)
Loss before taxation							**(110,481)**	(39,734)
Taxation							**(299)**	(5,116)
Loss for the year							**(110,780)**	(44,850)

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

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

Segment assets and liabilities

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

31 December 2019 (Unaudited)

	Continuing operations			
	Real estate, integrated resort and cultural tourism	**Wine**	**Entertainment business**	**Total**
	HK\$'000	***HK\$'000***	***HK\$'000***	***HK\$'000***
Segment assets	**2,895,189**	**451,982**	**503,782**	**3,850,953**
Unallocated				**31,205**
				3,882,158
Segment liabilities	**1,397,701**	**215,037**	**35,954**	**1,648,692**
Unallocated				**133,688**
				1,782,380

31 December 2018 (Audited)

	Continuing operations				Discontinued operations			
	Real estate, integrated resort and cultural tourism	Wine	Entertainment business	Sub-total	Internet finance facilitation services	Chinese baijiu	Sub-total	Total
	HK\$'000	*HK\$'000*	*HK\$'000*	*HK\$'000*	*HK\$'000*	*HK\$'000*	*HK\$'000*	*HK\$'000*
Segment assets	2,956,218	428,184	592,589	3,976,991	1,075,956	220,540	1,296,496	5,273,487
Unallocated								66,919
								5,340,406
Segment liabilities	259,734	153,211	37,928	450,873	83,584	93,258	176,842	627,715
Unallocated								1,380,439
								2,008,154

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

Geographical information

The Group's operations are located in the People's Republic of China (the "**PRC**") (including Hong Kong), South Korea, Australia and Canada.

The following is a geographical analysis of the Group's revenue from continuing operations from external customers (based on where the goods are sold and the services are provided) and non-current assets (based on the geographical location of the assets) for the current and prior years:

	Revenue from continuing operations from external customers		**Non-current assets**	
	2019	2018	**2019**	2018
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(Unaudited)	(Audited) (Restated)	**(Unaudited)**	(Audited)
PRC (including Hong Kong)	**128,545**	124,231	**225,181**	1,309,446
South Korea	**82,640**	103,621	**1,193,946**	1,230,215
Australia	**–**	–	**12,111**	2,296
Canada	**–**	–	**–**	–
	211,185	227,852	**1,431,238**	2,541,957

5. LOSS FROM OPERATING ACTIVITIES

	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited) (Restated)
Continuing operations		
Loss from operating activities has been arrived at after charging:		
Staff costs, including directors' emoluments		
– Salaries and allowances	**74,582**	77,522
– Retirement benefits scheme contributions	**6,438**	6,696
Total staff costs	**81,020**	84,218
Auditors' remuneration	**1,857**	2,503
Amortisation of intangible assets	**588**	618
Amortisation of land use rights	**–**	372
Cost of inventories recognised as expenses	**57,234**	60,954
Loss on disposal of property, plant and equipment	**841**	208
Depreciation of property, plant and equipment	**17,730**	18,655
Depreciation of right-of-use assets	**6,883**	–
Allowance for expected credit losses of trade receivables	**5,154**	1,881
Allowance for expected credit losses of short-term receivables	**243**	324
Impairment loss of intangible assets	**–**	876
Impairment loss of goodwill	**61,091**	–
Research and development costs	**1,617**	6,214
Minimum lease payment under operating leases	**–**	11,723
Expenses relating to short-term lease	**59**	–

6. FINANCE COSTS

	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Continuing operations		
Interest expenses on bank borrowings	**16,579**	15,414
Interest expenses on loan from an immediate holding company	**33,004**	30,313
Finance charges on lease liabilities	**2,196**	–
	51,779	45,727
Less: Amounts capitalised in the cost of qualifying assets	**(46,568)**	(42,846)
	5,211	2,881

7. TAXATION

	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Continuing operations		
Current tax:		
Hong Kong Profits Tax	**–**	–
PRC Corporate Income Tax		
— current year	**1,303**	3,595
— under-provision in prior year	**–**	983
Other than Hong Kong and the PRC	**–**	818
Deferred tax	**(1,004)**	(280)
	299	5,116

Hong Kong Profits Tax

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

PRC Enterprise Income Tax

Under the Enterprise Income Tax Law of the PRC, the PRC income tax rate for the Company's subsidiaries established in the PRC was 25% for both years.

Other Jurisdictions

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. DISCONTINUED OPERATIONS

(a) Internet finance facilitation services business

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 a PRC vendor (the "**PRC Vendor**") in relation to acquisition of the controlling right and the entire economic benefits of the internet finance facilitation services business 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 "**Share(s)**") of the Company (the "**Consideration Share(s)**") were allotted and issued to the wholly-owned subsidiary of the PRC Vendor at its direction to satisfy the consideration in full.

As the application for the internet finance value-added telecommunication business operation license was rejected, on 8 April 2019, the Group served a notice to the PRC Vendor for termination of the VIE Contracts and cancellation of the Consideration Shares pursuant to the condition subsequent of the Sale and Purchase Agreements. The transaction was completed on 31 July 2019. The fair value of the Consideration Shares, valued at HK$0.72 per Consideration Share, being the closing price of the Shares as quoted by the Stock Exchange on 31 July 2019, amounted to approximately HK$781,920,000. Details of which were set out in the circular and announcement of the Company dated 5 July 2019 and 31 July 2019 respectively.

The (loss)/profit for the period(s) from the internet finance facilitation services business is set out below. The comparative figures in these unaudited consolidated statement of profit or loss and other comprehensive income and related notes have been represented as discontinued operation.

	From 1 January 2019 to 31 July 2019 *HK$'000* **(Unaudited)**	From 1 August 2018 to 31 December 2018 *HK$'000* (Audited)
(Loss)/profit for the period	**(22,417)**	106,552
Loss on disposal	**(73,170)**	–
(Loss)/profit for the period from discontinued operation	**(95,587)**	106,552
Attributable to:		
Owners of the Company	**(95,587)**	106,552
Non-controlling interests	**–**	–
	(95,587)	106,552

Analysis of the results of the discontinued operation is set out below:

	From 1 January 2019 to 31 July 2019 *HK$'000* **(Unaudited)**	From 1 August 2018 to 31 December 2018 *HK$'000* (Audited)
Revenue	**12,981**	153,085
Cost of revenue	**(63)**	(503)
Gross profit	**12,918**	152,582
Other revenue	**1,737**	111
Selling and distribution expenses	**(7,635)**	(7,364)
Administrative and other operating expenses	**(29,422)**	(39,216)
(Loss)/profit from operating activities	**(22,402)**	106,113
Finance costs	**–**	–
(Loss)/profit before taxation	**(22,402)**	106,113
Taxation	**(15)**	439
(Loss)/profit for the period	**(22,417)**	106,552
Attributable to:		
Owners of the Company	**(22,417)**	106,552
Non-controlling interests	**–**	–
	(22,417)	106,552

	31 July 2019
	HK$'000
	(Unaudited)
Fair value of Consideration Shares	**781,920**
Analysis of assets and liabilities over which control was lost:	
Property, plant and equipment	**3,373**
Intangible asset – internet finance platform *(note 12)*	**929,708**
Contingent consideration receivables	**10,374**
Deferred tax assets	**455**
Trade receivables	**39,462**
Prepayment and other receivables	**92,524**
Cash and cash equivalents	**6,144**
Trade payables	**(105)**
Accruals and other payables	**(33,987)**
Amount due to an immediate holding company	**(66,262)**
Contract liabilities	**(68)**
Tax payables	**(92)**
Deferred tax liabilities	**(139,456)**
Net assets disposed of	**842,070**
Loss on disposal of the internet finance facilitation service business:	
Fair value of Consideration Shares	**781,920**
Less: net assets disposed	**(842,070)**
Less: release of translation reserve	**(13,020)**
	(73,170)
Net cash outflows arising on disposal:	
Cash consideration	**–**
Less: cash and cash equivalents disposed of	**(6,144)**
	(6,144)

(b) Chinese baijiu business

In November 2019, Shangri-la Winery Co., Ltd. ("**Shangri-la Winery**"), an indirect 95%-owned subsidiary of the Company, entered into the sale and purchase agreement for disposal of 70% of the equity interests of and the shareholder's loan owed by Yunnan Diqing Shangri-la YuQuan Investment Co., Ltd. ("**YuQuan Investment**"), which in turn owned the entire equity interests in Harbin City Xinlong Winery Co., Ltd. ("**Xinlong Winery**") and Heilongjiang Province YuQuan Winery Co., Ltd. ("**YuQuan Winery**"), at the cash consideration of 70,000,000 Renminbi ("**RMB**") (equivalent to approximately HK$78,145,000). The disposal was completed on 20 November 2019. Details of which were set out in the announcements of the Company dated 15 November 2019 and 20 November 2019.

The loss for the period/year from the Chinese baijiu business is set out below. The comparative figures in these unaudited consolidated statement of profit or loss and other comprehensive income and related notes have been represented as discontinued operation.

	From 1 January 2019 to 20 November 2019	From 1 January 2018 to 31 December 2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Loss for the period/year	(32,316)	(6,319)
Gain on disposal	9,187	–
Loss for the period/year from discontinued operation	(23,129)	(6,319)
Attributable to:		
Owners of the Company	(12,762)	(4,203)
Non-controlling interests	(10,367)	(2,116)
	(23,129)	(6,319)

Analysis of the results of the discontinued operation is set out below:

	From 1 January 2019 to 20 November 2019	From 1 January 2018 to 31 December 2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Revenue	59,414	79,824
Cost of revenue	(31,436)	(40,424)
Gross profit	27,978	39,400
Other revenue	2,253	702
Selling and distribution expenses	(31,480)	(29,782)
Administrative and other operating expenses	(36,665)	(15,875)
Loss from operating activities	(37,914)	(5,555)
Finance costs	–	–
Loss before taxation	(37,914)	(5,555)
Taxation	5,598	(764)
Loss for the period/year	(32,316)	(6,319)
Attributable to:		
Owners of the Company	(21,490)	(4,203)
Non-controlling interests	(10,826)	(2,116)
	(32,316)	(6,319)

	20 November 2019 *HK$'000* (Unaudited)
Cash consideration received	**78,145**
Analysis of assets and liabilities over which control was lost:	
Right-of-use assets	**11,695**
Property, plant and equipment	**86,394**
Financial asset at fair value through other comprehensive income	**3,746**
Deferred tax assets	**43**
Inventories	**57,022**
Trade receivables	**2,615**
Prepayment and other receivables	**20,808**
Cash and cash equivalents	**10,962**
Trade payables	**(24,783)**
Accruals and other payables	**(32,263)**
Shareholder's loan	**(53,105)**
Amount due to a related party	**(7,036)**
Contract liabilities	**(53,452)**
Tax payables	**(406)**
Net assets disposed of	**22,240**
Gain on disposal of YuQuan Investment:	
Cash consideration received	**78,145**
Less: net assets attributable to 70% equity interests disposed of	**(15,568)**
Less: shareholder's loan	**(53,105)**
Less: release of translation reserve	**(285)**
	9,187
Net cash inflows arising on disposal:	
Cash consideration	**78,145**
Less: cash and cash equivalents disposed of	**(10,962)**
	67,183

9. DISPOSAL OF SUBSIDIARIES

In October 2019, NSR Toronto Holdings Ltd. ("**NSR Toronto**"), an indirect wholly-owned subsidiary of the Company, entered into a securities purchase agreement with an independent third party (the "**Purchaser**") for disposal of all units in the capital of limited partnerships and all shares of corporations in the Mackenzie Creek Project (collectively, the "**MC Entities**"). The disposal was completed on 29 November 2019 (Toronto time) (the "**Closing Date**"). The contract price was 41,700,000 Canadian dollars ("**CAD**") (equivalent to approximately HK$245,797,000) which is subject to post-closing adjustments with reference to the financial statements of the MC Entities prepared by the Purchaser and reviewed by NSR Toronto. Up to the date of this announcement, the final price is yet to be determined. On the Closing Date, the aggregate amount of CAD3,000,000 (equivalent to approximately HK$17,863,000) was received by NSR Toronto and the balance will be settled by the Purchaser under certain conditions. If, for any reason, these conditions have not been met by 30 June 2022, all outstanding consideration will be payable on that date. Details of which were set out in the announcements of the Company dated 11 October 2019 and 4 December 2019.

10. DIVIDEND

The Board does not recommend the payment of any dividend for the year ended 31 December 2019 (2018: Nil).

11. (LOSS)/EARNING PER SHARE

(a) Continuing and discontinued operations

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

	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
(Loss)/profit for the year attributable to owners of the Company for the purposes of basic and diluted (loss)/earning per Share	**(188,729)**	64,413

	Number of Shares	
	2019	2018
Weighted average number of Shares for the purposes of basic and diluted (loss)/earning per Share	**3,835,388,934**	3,661,086,179

(b) Continuing operations

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

	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
		(Restated)
Loss for the year attributable to owners of the Company for the purposes of basic and diluted loss per Share	**(80,380)**	(37,936)

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

(c) Discontinued operations

The calculation of basic and diluted (loss)/earning per Share from discontinued operations are based on the following data:

	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
		(Restated)
(Loss)/profit for the year attributable to owners of the Company for the purposes of basic and diluted (loss)/earning per Share	**(108,349)**	102,349

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

For the years ended 31 December 2019 and 2018, the computation of diluted (loss)/earning 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)/earning per Share and the basic (loss)/earning per Share for the years ended 31 December 2019 and 2018 were the same as there were no potential dilutive ordinary Shares in these years.

12. INTANGIBLE ASSETS

	Internet finance platform *HK$'000*	Farmland development *HK$'000*	Technical know-how *HK$'000*	Trademarks *HK$'000*	Entertainment license *HK$'000*	Total *HK$'000*
Cost						
At 1 January 2018	–	15,324	1,828	25,633	482,624	525,409
Acquisition of a subsidiary	941,132	–	–	–	–	941,132
Exchange alignment	(9,476)	(725)	(93)	(1,306)	(20,439)	(32,039)
At 31 December 2018 and 1 January 2019 (Audited)	931,656	14,599	1,735	24,327	462,185	1,434,502
Disposal of subsidiaries	(929,708)	–	–	(23,262)	–	(952,970)
Exchange alignment	(1,948)	(269)	(34)	(483)	(18,330)	(21,064)
At 31 December 2019 (Unaudited)	–	14,330	1,701	582	443,855	460,468
Accumulated amortisation and impairment						
At 1 January 2018	–	8,660	1,828	25,633	–	36,121
Exchange alignment	–	(408)	(93)	(1,306)	–	(1,807)
Charge for the year	–	618	–	–	–	618
Write off	–	876	–	–	–	876
At 31 December 2018 and 1 January 2019 (Audited)	–	9,746	1,735	24,327	–	35,808
Exchange alignment	–	(183)	(34)	(483)	–	(700)
Disposal of subsidiaries	–	–	–	(23,262)	–	(23,262)
Charge for the year	–	588	–	–	–	588
At 31 December 2019 (Unaudited)	–	10,151	1,701	582	–	12,434
Carrying amounts						
At 31 December 2019 (Unaudited)	**–**	**4,179**	**–**	**–**	**443,855**	**448,034**
At 31 December 2018 (Audited)	931,656	4,853	–	–	462,185	1,398,694

13. GOODWILL

	HK$'000
Cost	
At 1 January 2018, 31 December 2018, 1 January 2019 and 31 December 2019	253,180
Accumulated impairment losses	
At 1 January 2018, 31 December 2018 and 1 January 2019 (Audited)	177,959
Impairment loss recognised for the year	61,091
At 31 December 2019 (Unaudited)	239,050
Carrying amounts	
At 31 December 2019 (Unaudited)	**14,130**
At 31 December 2018 (Audited)	75,221

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

	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Entertainment business	**14,130**	75,221

14. STOCK OF PROPERTIES

	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Properties under development	**1,539,538**	1,900,707

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 (2018: Australia and Canada). As at 31 December 2019, the Group's freehold land in Australia (2018: Australia and Canada) as included in the above properties under development was pledged as security for the Group's borrowing.

15. TRADE AND BILLS RECEIVABLES

	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Trade and bills receivables	**5,738**	51,403
Receivables from entertainment customers	**22,700**	22,257
Less: allowance for expected credit losses	**(6,442)**	(3,440)
	21,996	70,220

The Group generally allows an average credit period ranging from 30 to 90 days (2018: 30 to 90 days) to its trade customers. For receivables from entertainment customers, a credit period is generally six months.

(i) Trade and bills receivables

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 expected credit losses, is as follows:

	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Within 30 days	**3,567**	48,089
More than 30 days and within 60 days	**748**	371
More than 60 days and within 90 days	**–**	430
More than 90 days and within 180 days	**155**	519
More than 180 days and within 365 days	**195**	39
At 31 December	**4,665**	49,448

All trade and bills receivables were denominated in RMB.

(ii) Receivables from entertainment customers

An aged analysis of the receivables from entertainment customers which are past due but not impaired as follows:

	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Current (not past due)	**31**	–
1 to 90 days past due	**–**	20,772
91–180 days past due	**5,888**	–
181–365 days past due	**11,412**	–
	17,331	20,772

All receivables from entertainment customers were denominated in Won ("**KRW**")

16. TRADE PAYABLES

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

	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Within 90 days	**33,398**	31,091
More than 90 days and within 180 days	**1,553**	5,288
More than 180 days and within 360 days	**11,067**	32,813
	46,018	69,192

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

MANAGEMENT DISCUSSION AND ANALYSIS

UNAUDITED FINANCIAL INFORMATION

The Group's unaudited operating results from the continuing operations for the year ended 31 December 2019 (the "**Year**") were contributed by the (i) development and operation of integrated resort and cultural tourism in South Korea; (ii) development and operation of real estate in South Korea and Australia; (iii) production and distribution of wine in the PRC; and (iv) operation of entertainment business in South Korea.

The Group's internet finance facilitation service business and Chinese baijiu business were classified as discontinued operations and separately presented under 'Discontinued operations' following completion of the disposals on 31 July 2019 and 20 November 2019 (the "**Disposal Dates**") respectively. Accordingly, the consolidated statement of profit or loss for the prior year has been restated.

Revenue

Revenue from the continuing operations for the Year decreased by 7.3% to approximately HK$211.2 million (restated in 2018: HK$227.9 million) mainly due to reduction in revenue of the entertainment business.

The performance of our wine business has been improved by the development of direct sales channels to distribute products to end consumers. Revenue increased by 3.5% to approximately HK$128.5 million (2018: HK$124.2 million) which accounted for 60.9% (restated in 2018: 54.5%) of the Group's total revenue.

Revenue of the entertainment business, which represented 39.1% (restated in 2018: 45.5%) of the Group's total revenue, dropped by 20.2% to approximately HK$82.6 million (2018: HK$103.6 million) reflecting the effect of the trade dispute on our operation in the second half of the Year.

Gross Profit

Gross profit from the continuing operations dropped slightly by 1.5% to approximately HK$75.8 million (restated in 2018: HK$77.0 million).

Gross profit of wine business increased by 17.4% to approximately HK$63.5 million (2018: HK$54.1 million) while the gross profit margin improved by 5.8 percentage points to 49.4% (2018: 43.6%) benefiting by the increase in direct sales to the end consumers.

Gross profit of the entertainment business decreased by 45.9% to approximately HK$12.3 million (2018: HK$22.9 million) primarily due to steep drop in revenue.

Other Revenue

Other revenue decreased by 40.7% to approximately HK$14.6 million (restated in 2018: HK$24.7 million) mainly due to reduction in government grants.

Selling and Distribution Expenses

Selling and distribution expenses slightly increased by 1.3% to approximately HK$42.8 million (restated in 2018: HK$42.3 million) due to the increase in wine sales. Selling and distribution expenses as a percentage of revenue increased by 1.7 percentage points to 20.3% (2018: 18.6%).

Administrative and Other Operating Expenses

Administrative and other operating expenses mainly consisted of management staff salaries, office rental, professional fees and operating expenses of the entertainment business. During the Year, administrative and other operating expenses substantially increased by 79.3% to approximately HK$168.6 million (restated in 2018: HK$94.0 million) mainly due to the impairment of goodwill of approximately HK$61.1 million (2018: Nil) recognised on the entertainment business.

Gain on Disposal of Subsidiaries

As set out in the announcement dated 4 December 2019, the Group completed the disposal of all units and shares in the MC Entities on the Closing Date (i.e. 29 November 2019 (Toronto time)) at a contract price of CAD 41,700,000 (equivalent to approximately HK$245,797,000), subject to post-closing adjustments with reference to the financial statements of the MC Entities on that date. Up to the date of this announcement, the final price is yet to be determined. After taken into account the possible closing adjustments, a gain on disposal of approximately HK$21.1 million was recognised.

Loss before Taxation

The Group's loss before taxation from continuing operations for the Year was approximately HK$110.5 million (restated in 2018: HK$39.7 million).

Taxation

Taxation decreased by 94.2% to approximately HK$0.3 million (restated in 2018: HK$5.1 million) mainly due to the substantial loss incurred for the Year.

Loss Attributable to Owners of the Company

Taking into consideration the abovementioned factors, loss after taxation from continuing operations for the Year was approximately HK$110.8 million (restated in 2018: HK$44.9 million). Loss attributable to owners of the Company from continuing operations was approximately HK$80.4 million (restated in 2018: HK$37.9 million). Basic loss per Share attributable to owners of the Company from continuing operations was HK2.10 cents (restated in 2018: HK1.04 cents).

Discontinued Operations

Loss from discontinued operations was HK$118.7 million which comprised the unaudited operating results of the discontinued operations and the unaudited results of the transactions.

The aggregate operating loss of the discontinued operations which recognised up to the Disposal Dates amounted to approximately HK$54.7 million, of which the internet finance facilitation service business and Chinese baijiu business were approximately HK$22.4 million and HK$32.3 million respectively.

Based on the fair value of the Consideration Shares/consideration received and the net assets value at the Disposal Dates, the loss on disposal from discontinued operations was approximately HK$64.0 million representing the loss on disposal of the internet finance facilitation service business of approximately HK$73.2 million, net of the gain on disposal of the Chinese baijiu business of approximately HK$9.2 million.

LIQUIDITY AND FINANCIAL RESOURCES

Cash and Borrowings

The Group's sources of fund were generated from operating activities, advances from immediate holding companies as well as loan facilities provided by financial institutions. During the Year, the Group recorded an increase in cash and cash equivalents by 7.7% to approximately HK$266.2 million (2018: HK$247.2 million). As at 31 December 2019, total borrowings increased by 11.7% to approximately HK$1,382.2 million (2018: HK$1,237.6 million) as new loans were obtained for real estate development.

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

Capital Expenditure

During the Year, our total capital expenditure amounted to approximately HK$313.7 million (2018: HK$182.2 million) which was mainly used for the purchase of machineries, construction of winery factories and development of the real estate projects. For year 2020, we have budgeted HK$687.8 million for capital expenditure mainly on the development of the Opera Residence Project in Sydney, Australia and Glorious Hill Project in Jeju, South Korea.

Inventories

Our inventories primarily consist of finished goods, work in progress and raw materials. As at 31 December 2019, the Group's inventories decreased by 20.7% to approximately HK$210.0 million (2018: HK$264.9 million) mainly due to deconsolidation of Chinese baijiu business which was disposed of during the Year. Finished goods also decreased by 25.4% to approximately HK$63.2 million (2018: HK$84.7 million) and finished goods turnover ratio of the wine business (being average closing finished goods divided by cost of sales) was 359 days for the Year (2018: 354 days).

Balance Sheet Analysis

As at 31 December 2019, total assets of the Group decreased by 27.3% to approximately HK$3,882.2 million (2018: HK$5,340.4 million) which were composed of current assets of approximately HK$2,450.9 million (2018: HK$2,798.4 million) and non-current assets of approximately HK$1,431.3 million (2018: HK$2,542.0 million). The decrease in total assets was mainly due to deconsolidation of assets of the internet finance facilitation service business amounted to approximately HK$1,082.0 million and recognition of the impairment of goodwill in relation to the entertainment business amounted to approximately HK$61.1 million.

As at 31 December 2019, total liabilities, which included current liabilities of approximately HK$264.4 million (2018: HK$726.6 million) and non-current liabilities of approximately HK$1,518.0 million (2018: HK$1,281.6 million), decreased by 11.2% to approximately HK$1,782.4 million (2018: HK$2,008.2 million). The decrease in total liabilities was mainly due to deconsolidation of liabilities of the internet finance facilitation service business amounted to approximately HK$240.0 million.

As at 31 December 2019, our total equity was composed of owners' equity of approximately HK$1,708.5 million (2018: HK$2,704.2 million) and non-controlling interests of approximately HK$391.3 million (2018: HK$628.0 million).

The Group's current ratio as at 31 December 2019 soared to 9.3 (2018: 3.9) as the funding from long-term borrowings increased. Gearing ratio, representing total borrowings divided by total equity, increased to 65.8% (2018: 37.1%). About 99.3% (2018: 77.4%) of borrowings are non-current in nature, i.e. repayable after one year.

Trade receivables turnover ratio (being average trade receivables divided by revenue) for the Year increased to 80 days (2018: 30 days) mainly due to longer payment cycle for customers of the entertainment business.

MAJOR SUPPLIERS AND CUSTOMERS

The Group's five largest suppliers accounted for 24.9% (2018: 19.7%) of the Group's total purchases and the purchases attributable to the Group's largest supplier was 8.0% (2018: 5.5%). The Group's five largest customers accounted for 9.6% (2018: 14.1%) of the Group's total revenue and the revenue attributable to the Group's largest customer was 3.5% (2018: 10.1%).

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

GOVERNMENT SUBSIDIES

During the Year, the Group has been granted an aggregate amount of approximately HK$6.3 million (2018: HK$8.8 million) from the respective local finance department for subsidising the Group's technical development.

DIVIDEND

The Board does not recommend the payment of any dividend for the Year (2018: Nil).

PLEDGE OF ASSETS

At 31 December 2019, the Group pledged its land, property, plant and equipment with net book value amounted to approximately HK$22.9 million (2018: HK$28.7 million) to secure general bank facilities granted. In addition, the Group pledged a piece of land located in Sydney, Australia in favour of the financial institutions which amounted to a book value of approximately HK$1,539.5 million to obtain loan for real estate development.

CONTINGENT LIABILITIES

Save as disclosed in the below section headed "LITIGATION UPDATE" in respect of the outstanding legal proceedings against the Group, the Group had no material contingent liabilities as at 31 December 2019 (2018: HK$204.2 million).

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

(i) Termination of the VIE Contracts in relation to the PRC internet finance facilitation service business

In May 2019, the Company announced the disposal of the PRC internet finance facilitation service business 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. For details, please refer to the circular and announcement of the Company dated 5 July 2019 and 31 July 2019 respectively.

(ii) Discloseable transaction in relation to disposal of equity interest of the Mackenzie Creek Project

In October 2019, NSR Toronto entered into a securities purchase agreement with an independent third party for disposal of all units in the capital and all shares of the MC Entities at the contract price of CAD41.7 million (equivalent to approximately HK$245.8 million). The disposal was completed on 29 November 2019 (Toronto time). For details, please refer to the announcements of the Company dated 11 October 2019 and 4 December 2019.

(iii) Discloseable transaction in relation to disposal of PRC subsidiaries

In November 2019, Shangri-la Winery entered into a sale and purchase agreement for disposal of 70% of the equity interests of and the shareholder's loan owed by YuQuan Investment at the consideration of RMB70 million (equivalent to approximately HK$78.1 million). YuQuan Investment owned the entire equity interests in Xinlong Winery and YuQuan Winery which were engaged in the production and distribution of Chinese baijiu in the PRC. The disposal was completed on 20 November 2019. For details, please refer to the announcements of the Company dated 15 November 2019 and 20 November 2019.

Save as disclosed above, the Group had no other material acquisition and disposal of subsidiaries, associates and joint ventures during the Year.

EMPLOYEE INFORMATION AND EMOLUMENT POLICY

As at 31 December 2019, the Group employed a total of 453 (2018: 1,148) full time employees. The Group's emolument policies are formulated based on the performance of individual employees and are reviewed annually. The Company has a share option scheme for selected participants as incentive and reward for their contribution to the Group. 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 UPDATE

Legal proceedings of MegaLuck Co., Ltd. ("MegaLuck")

MegaLuck, a non-wholly owned subsidiary of the Company, has been summoned by Jeju District Court due to an indictment brought by Jeju District Prosecutor Office (the "**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 (the "**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 judgement of the First Case was made by Jeju District Court in December 2019 that MegaLuck was given an acquittal on non-violation of the Act. However, the Prosecutor Office has filed an appeal against the judgement (the "**First Case Appeal**") with the Appellate Division of Jeju District Court. As at the date of this announcement, the First Case Appeal is pending for court hearing date.

The Jeju District 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. Nevertheless, Global Game has filed an appeal against the judgement (the "**Second Case Appeal**") to request MegaLuck to pay a damage of approximately KRW522 million (equivalent to about HK$3.65 million). In November 2019, the Gwangju High Court (Jeju Chamber) had dismissed the Second Case Appeal filed by Global Game.

Legal proceedings of NSR Toronto

(i) NSR Toronto issued a notice of action dated 30 May 2019 and filed a statement of claim dated 27 June 2019 (the "**2019 Claim**") in the Superior Court of Justice in Ontario (the "**Ontario Court**") against CIM Development (Markham) LP, CIM Mackenzie Creek Residential GP Inc., CIM Commercial LP, CIM Mackenzie Creek Commercial GP Inc., CIM Mackenzie Creek Inc. (collectively, the "**Project Companies Defendants**"), which were all the then non-wholly owned subsidiaries of the Company, CIM Mackenzie Creek Limited Partnership, CIM Homes Inc., CIM Global Development Inc., 10184861 Canada Inc. and Mr. Jiubin Feng (collectively, the "**CIM Defendants**", together with the Project Companies Defendants, collectively, the "**Defendants**"). Pursuant to the 2019 Claim, NSR Toronto seeks 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 (the "**Counterclaim**") in Ontario Court, 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 in the development project.

    On 4 October 2019, NSR Toronto filed an amended notice of motion in Ontario Court for, among other matters, (a) an order staying or dismissing the Counterclaim brought on behalf of the Project Companies Defendants; and (b) an order striking out the Counterclaim on the grounds that the Counterclaim commenced without authority of the Project Companies Defendants which were controlled by NSR Toronto at the time being.

    On 17 January 2020, the Ontario Court ordered that the Counterclaim brought in name of the Project Companies Defendants should be stayed and the CIM Defendants were ordered to pay NSR Toronto's costs incurred in the motion.

    On 25 February 2020, NSR Toronto delivered an amended claim in which only the CIM Defendants remain as defendants (the "**Amended Claim**"). The Amended Claim reflects certain developments since the 2019 Claim was first issued.

(ii) On 13 March 2020 (Toronto time), NSR Toronto and its officer were served in Ontario, Canada, with a statement of claim dated 21 February 2020 (the "**2020 Claim**") filed in the Ontario Court by two Ontario companies (collectively, the "**Plaintiffs**"). The 2020 Claim raises a number of legal and factual allegations against the Company, NSR Toronto, a direct wholly-owned subsidiary of the Company in Hong Kong and the officers of NSR Toronto (collectively, the "**NSR Defendants**") as well as against a number of entities not related to the Group (the "**Other Defendants**"). As against the NSR Defendants, the Plaintiffs seek CAD8 million (equivalent to about HK$47.7 million) in the aggregate for alleged breaches of contract, conspiracy and punitive damages, including a consulting fee amounted to CAD5 million (equivalent to about HK$29.8 million) in relation to disposal of a real estate investment project of the Group in 2019. Similar claims are being advanced against the Other Defendants.

As at the date of this announcement, the NSR Defendants are in the course of seeking legal advice on the litigation and will mount a vigorous defence. As advised by the lawyers in Canada, it would be premature to assess the likelihood of the potential financial impact on the Company, if any. As such, at this juncture, no provision has been made in the accounts in respect of the 2020 Claim.

BUSINESS REVIEW

The year of 2019 was unarguably one of the most challenging years in history with the economy plagued by (i) global trade tensions; (ii) the collapse of the Chinese domestic internet finance market followed by Hong Kong's social unrest; and (iii) the outbreak of the novel coronavirus disease 2019 (the "**COVID-19**") in the second half of the year.

The Group placed high expectations on the PRC's mobile internet finance business investment last year. However, the application of the online lending value-added telecommunication business operation license for the project was rejected due to certain personal issue of the PRC Vendor which triggered the default of a post-acquisition event under the Sale and Purchase Agreements. (for details, please refer to the circular of the Company dated 5 July 2019). As it has always been, the interest of the Group's shareholders remains our highest priority. In view of the default event concurred with the increased tightening of the PRC's internet finance policies, the Group decisively discontinued such business operation in accordance with the relevant PRC law. As the project was acquired by way of issuance of new shares of the Company, the termination of the acquisition constituted an off-market share repurchase for the Company under the Hong Kong Code of Share Buy-backs. Such share repurchase was approved by more than 75% votes of independent shareholders at the special general meeting held and was completed on 31 July 2019. The discontinued mobile internet finance business resulted in an accounting loss of HK$73.2 million, which did not involve any cash outlay and thus had no real effect on the cash flows of the Group together with an operating loss of HK$22.4 million.

With respect to our two operations in South Korea, although the relevant hotel development approval has been obtained, the land development of Glorious Hill in South Korea has not commenced due to a delay in project financing. Furthermore, as the peak tourism season was significantly affected by the outbreak of the worldwide epidemic, MegaLuck's business in South Korea had been badly affected with operation results turned red despite improvement in the first half of the year. With the COVID-19 outbreak in South Korea in early 2020, Megaluck's business was temporarily suspended in compliance with local government's epidemic prevention measures. Since the date of reopening is still uncertain, the prospect of the business is arduous.

During the Year, the Group realised a gain of HK$9.2 million on disposal of its baijiu business which recorded continuous losses for a consideration of RMB70 million. The disposal was beneficial to the Group's liquidity position, however, as the revenue of baijiu business was deconsolidated, it resulted in a decrease in the Group's consolidated revenue.

Our Canadian project was in the same predicament when our Canadian business partner failed to obtain the development approval for the second phase of the project. In order to resolve the deadlock and the conflicts in project management, the Group disposed of the entire equity interests in the Canadian project together with all debts thereof for a contract price of CAD41.7 million on 29 November 2019 (Toronto time). The disposal of the Canadian project has not only returned profits, but also reduced overall liabilities and commitment of the Group. Though the final price adjustment of the transaction is to be determined on the settlement date, the agreement between the Group and the Canadian business partner has safeguarded a return of 15% to the Group on the project investment. Despite the lawsuit brought by the Canadian business partners after the disposal, we are confident that the actions undertaken by the Group were fully lawful and compliant with the terms and conditions of the agreements and the relevant laws and regulations.

Fortunately, the Opera Residence in Sydney, Australia is progressing smoothly as planned. The foundation works had been completed and the project is expected to be delivered on schedule in 2021. By then the project is expected to contribute significant revenue and investment returns to the Group.

As a result of the combined effects of the above, total operating revenue of the Group from the continuing operations for 2019 decreased by 7.3% to HK$211.2 million (restated in 2018: HK$227.9 million), and a loss of approximately HK$229.5 million (2018: profit of HK$55.4 million) was recorded. Loss attributable to shareholders of the Company was HK$188.7 million (2018: profit of HK$64.4 million). Basic loss per share was HK4.92 cents (2018: earning of HK1.76 cents). As at 31 December 2019, the Group had total assets and net assets valued at HK$3,882.2 million and HK$2,099.8 million respectively.

Hong Kong is a wonderful city. It has been disheartening to see the disharmony and raging epidemics that have affected the entire community. Nevertheless, the Group's profound belief in Hong Kong's future is undimmed. Our results in 2019 reflect the changes, challenges and opportunities in our businesses. The nature of our businesses and the ongoing development of the markets in which we operate mean that we are inevitably subject to, and must be prepared for, continuous challenges. Going through the transition in 2019 has not been easy and our results are a stark reminder that changes in the market we operate are sophisticated and unpredictable. We strive to promote our investments, with cultural tourism remaining as the core of our ongoing development, while continuing to pursue for excellence in our existing operations.

EVENTS AFTER REPORTING PERIOD

(a) As disclosed in the above section headed "LITIGATION UPDATE", on 13 March 2020 (Toronto time), NSR Toronto and its officer were served in Ontario, Canada with the 2020 Claim filed in the Ontario Court by the Plaintiffs. The 2020 Claim raises a number of legal and factual allegations against the NSR Defendants. The Plaintiffs seek CAD8 million (equivalent to about HK$47.7 million) in the aggregate for alleged breaches of contract, conspiracy and punitive damages, including a consulting fee amounted to CAD5 million (equivalent to about HK$29.8 million) in relation to disposal of a real estate investment project of the Group in 2019 against the NSR Defendants. As it would be premature to assess the likelihood of the potential financial impact on the Company, no provision has been made in the accounts in respect of the 2020 Claim.

(b) Since early 2020, the epidemic of COVID-19 has spread across the PRC and other countries and it has affected the business of the Group to some extent. As at the date of this announcement, the overall financial effect cannot be reliably assessed. The Group will pay close attention to the development of the COVID-19 and continue to evaluate its impact on the financial position and operating results of the Group.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

On 31 July 2019, 1,086,000,000 Shares (i.e. the Consideration Shares) were bought back by the Company at the buy-back price of HK$1.30 per Share pursuant to the condition subsequent of the Sale and Purchase Agreements. Details of the which were set out in the circular of the Company dated 5 July 2019.

Save as disclosed above, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the Year.

CORPORATE GOVERNANCE CODE (THE "CG CODE")

Throughout the Year, the Company has complied with all the applicable code provisions of the CG Code as set out in Appendix 14 of the Listing Rules, except for the deviation from code provision A.6.7.

Code provision A.6.7 provides that independent non-executive directors and non-executive directors should attend general meetings. Mr. Cao Kuangyu, being an independent non-executive Director, was unable to attend the annual general meeting and the special general meeting of the Company held on 10 May 2019 and 31 July 2019 respectively due to his overseas business engagement.

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

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules. Upon specific enquiry by the Company, all Directors, except Mr. Su Bo who was removed as the executive Director on 22 January 2020, confirmed that they have complied with the required standard as set out in the Model Code throughout the Year.

REVIEW OF UNAUDITED ANNUAL RESULTS

The auditing process for the annual results of the Group for the Year has not been completed due to travel and entry restrictions in force across the globe, in particular, in the PRC, South Korea, Australia and Canada where operations of the Group are located, to combat the worldwide COVID-19 outbreak. The unaudited annual results contained herein have not been agreed with the Company's auditors. An announcement relating to the audited results will be made when the auditing process has been completed in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

The unaudited annual results contained herein have been reviewed and agreed with by the audit committee of the Company.

FURTHER ANNOUNCEMENT(S)

Following the completion of the auditing process, the Company will issue further announcement in relation to the audited results for the Year as agreed by the Company's auditors and the material differences (if any) as compared with the unaudited annual results contained herein. In addition, the Company will issue further announcement as and when necessary if there are other material development in the completion of the auditing process or the impact of the COVID-19 outbreak.

The financial information contained herein in respect of the annual results of the Group have not been audited and have not been agreed with the auditors. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

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

Hong Kong, 31 March 2020

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