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 2022

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 2022, 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	
		2022	2021
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'000*
Revenue	*3*	**250,081**	50,020
Cost of revenue		**(195,332)**	(24,940)
Gross profit		**54,749**	25,080
Other revenue, gains and losses	*5*	**12,282**	8,078
Selling and distribution expenses		**(31,387)**	(18,293)
Administrative and other operating expenses		**(33,774)**	(25,467)
Impairment loss of property, plant and equipment		**(103,638)**	–
Impairment loss under expected credit loss model, net of reversal		**(970)**	(865)

		For the six months ended 30 June	
		2022	2021
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'000*
Profit/(loss) from operating activities	*6*	**(102,738)**	(11,467)
Finance costs		**(2,834)**	(3,216)
Loss before taxation		**(105,572)**	(14,683)
Income tax (expense)/credit	*7*	**(17,856)**	36
Loss for the period		**(123,428)**	(14,647)
Loss attributable to:			
Owners of the Company		**(73,318)**	(11,793)
Non-controlling interests		**(50,110)**	(2,854)
		(123,428)	(14,647)
Loss per share attributable to owners of the Company		***HK cents***	*HK cents*
Basic and diluted	*8*	**(2.29)**	(0.37)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	For the six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Loss for the period	**(123,428)**	(14,647)
Other comprehensive income/(loss)		
Item that may be reclassified to profit or loss:		
Exchange differences arising from translation of foreign operations	**(87,511)**	27,622
Total comprehensive income/(loss) for the period	**(210,939)**	12,975
Total comprehensive income/(loss) attributable to:		
Owners of the Company	**(149,938)**	12,972
Non-controlling interests	**(61,001)**	3
	(210,939)	12,975

The accompanying notes form an integral part of these condensed interim financial statements.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**As at 30 June 2022 (Unaudited)** *HK$'000*	As at 31 December 2021 (Audited) *HK$'000*
Non-current assets			
Property, plant and equipment	*9*	**813,469**	973,833
Right-of-use assets		**57,313**	49,185
Intangible assets		**143,445**	156,051
Prepayments for purchase of property, plant and equipment		**40,475**	42,336
Deferred tax assets		**5,707**	5,938
		1,060,409	1,227,343
Current assets			
Inventories		**214,532**	224,392
Completed properties held for sale	*10*	**359,056**	545,379
Trade receivables	*11*	**3,507**	6,156
Prepayments, deposits paid and other receivables		**84,958**	130,622
Contract costs		**3,777**	5,830
Short-term loan receivables		**53**	58
Cash and cash equivalents		**541,098**	627,060
		1,206,981	1,539,497
Current liabilities			
Trade payables	*12*	**29,017**	59,786
Accruals and other payables		**113,848**	180,489
Contract liabilities		**21,284**	20,332
Amounts due to related parties		**9,151**	9,153
Loans from non-controlling shareholders of subsidiaries		**15,413**	107,863
Bank borrowings — due within one year		**365**	–
Lease liabilities		**10,835**	6,777
Tax payable		**1,245**	101,511
		201,158	485,911
Net current assets		**1,005,823**	1,053,586
Total assets less current liabilities		**2,066,232**	2,280,929

	Notes	As at 30 June 2022 (Unaudited) HK$'000	As at 31 December 2021 (Audited) HK$'000
Capital and Reserves			
Share capital	*13*	**32,076**	32,076
Reserves		**1,627,136**	1,777,074
		1,659,212	1,809,150
Non-controlling interests		**271,451**	332,452
Total equity		**1,930,663**	2,141,602
Non-current liabilities			
Loan from immediate holding company		**126**	4,750
Bank borrowings – due after one year		**58,467**	61,155
Lease liabilities		**44,723**	37,873
Deferred tax liabilities		**26,791**	29,079
Net defined benefits liabilities		**5,462**	6,470
		135,569	139,327
		2,066,232	2,280,929

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

1. GENERAL INFORMATION

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

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

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

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 2021 (the "**2021 Financial Statements**").

The accounting policies used in preparing the interim financial statements are consistent with those used in the 2021 Financial Statements, except for the amended Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the HKICPA which have become effective in this period as per below:

HKFRS 3 (Amendments)	Reference to the Conceptual Framework
HKAS 16 (Amendments)	Property, Plant and Equipment – Proceeds before Intended Use
HKAS 37 (Amendments)	Onerous Contracts – Cost of Fulfilling a Contract
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2018–2020

The adoption of these amendments to HKFRSs has had no significant financial effect on the financial position or performance of the Group.

3. REVENUE

	For the six months ended 30 June	
	2022	2021
	(unaudited)	(unaudited)
	HK$'000	*HK$'000*
Revenue recognised at a point in time:		
Sale of completed properties	**202,361**	–
Production and distribution of wine	**47,720**	50,020
	250,081	50,020

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, namely (i) development and operation of real estate, integrated resort and cultural tourism; (ii) production and distribution of wine; and (iii) entertainment business. 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 2021.

(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 2022 and 2021:

	Real estate, integrated resort and cultural tourism		Wine		Entertainment business		Total	
	2022	2021	**2022**	2021	**2022**	2021	**2022**	2021
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)	**(unaudited)**	(unaudited)	**(unaudited)**	(unaudited)
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue								
Revenue from external customers	**202,361**	–	**47,720**	50,020	**–**	–	**250,081**	50,020
Segment (loss)/profit	**(91,350)**	(9,615)	**(843)**	6,771	**(7,747)**	(5,257)	**(99,940)**	(8,101)
Unallocated corporate income							**457**	330
Unallocated corporate expenses							**(3,255)**	(3,696)
Finance costs							**(2,834)**	(3,216)
Loss before taxation							**(105,572)**	(14,683)
Income tax (expense)/credit							**(17,856)**	36
Loss for the period							**(123,428)**	(14,647)

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 loss incurred or profit earned by each segment without allocation of central administration expenses and income, including directors' emoluments, other income and finance costs. 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 2022 and 31 December 2021:

	Real estate, integrated resort and cultural tourism		Wine		Entertainment business		Total	
	2022	2021	**2022**	2021	**2022**	2021	**2022**	2021
	(unaudited)	(Audited)	**(unaudited)**	(Audited)	**(unaudited)**	(Audited)	**(unaudited)**	(Audited)
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment assets	**1,634,431**	2,066,662	**435,422**	495,242	**175,096**	192,411	**2,244,949**	2,754,315
Unallocated							**22,441**	12,525
Consolidated total assets							**2,267,390**	2,766,840
Segment liabilities	**49,137**	275,936	**214,267**	277,855	**68,753**	59,172	**332,157**	612,963
Unallocated							**4,570**	12,275
Consolidated total liabilities							**336,727**	625,238

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. All liabilities are allocated to reportable segments except for certain financial liabilities which are managed on a group basis.

(c) Geographical information

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

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

	Revenue from external customers For the six months ended 30 June		Non-current assets	
			As at 30 June	As at 31 December
	2022	2021	**2022**	2021
	(unaudited)	(unaudited)	**(unaudited)**	(Audited)
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
PRC (including Hong Kong)	**47,720**	50,020	**196,391**	210,030
South Korea	**–**	–	**853,718**	1,005,099
Australia	**202,361**	–	**4,593**	6,276
	250,081	50,020	**1,054,702**	1,221,405

5. OTHER REVENUE, GAINS AND LOSSES

	For the six months ended 30 June	
	2022	2021
	(unaudited)	(unaudited)
	HK$'000	*HK$'000*
Government grants	**8,967**	6,744
Bank interest income	**438**	275
Gain on disposal of property, plant and equipment	**1,921**	–
Others	**956**	1,059
	12,282	8,078

6. LOSS FROM OPERATING ACTIVITIES

	For the six months ended 30 June	
	2022	2021
	(unaudited)	(unaudited)
	HK$'000	*HK$'000*
Loss from operating activities has been arrived at after charging/ (crediting):		
Staff costs, including directors' emoluments		
– Salaries and allowances	**16,410**	15,539
– Retirement benefit scheme contributions	**1,083**	1,651
Total staff costs	**17,493**	17,190
Amortisation of intangible assets	**368**	308
Depreciation of right-of-use assets	**5,155**	3,948
Cost of completed properties sold	**167,237**	–
Cost of inventories recognised as expenses	**22,853**	19,333
Loss/(gain) on disposal of property, plant and equipment	**(1,921)**	9
Depreciation of property, plant and equipment	**7,451**	6,110
Impairment loss of property, plant and equipment	**103,638**	–

7. INCOME TAX (EXPENSE)/CREDIT

	For the six months ended 30 June	
	2022	2021
	(unaudited)	(unaudited)
	HK$'000	*HK$'000*
Current tax:		
PRC Enterprise Income Tax	**(32)**	(190)
Other jurisdictions	**–**	–
Under-provision in prior years:		
Other jurisdictions	**(18,066)**	–
Deferred tax credit	**242**	226
	(17,856)	36

Subsidiaries established in the PRC are subject to a tax rate of 25% for both periods.

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

8. LOSS PER SHARE

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

	For the six months ended 30 June	
	2022	2021
	(unaudited)	(unaudited)
	HK$'000	*HK$'000*
Loss for the period attributable to owners of the Company	**(73,318)**	(11,793)
Number of Shares		
Weighted average number of Shares for the purpose of basic and diluted loss per Share	**3,207,591,674**	3,207,591,674

For the periods ended 30 June 2022 and 2021, 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 2022 and 2021 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 2022, the Group acquired items of property, plant and equipment at a total cost of approximately HK$3,209,000 (six months ended 30 June 2021: HK$2,848,000). Gain on disposal of property, plant and equipment of approximately HK$1,921,000 was incurred during the period (six months ended 30 June 2021: Loss of HK$9,000). Impairment loss of property, plant and equipment of approximately HK$103.6 million was incurred during the period (for the six months ended 30 June 2021: nil).

10. COMPLETED PROPERTIES HELD FOR SALE

	As at 30 June 2022 (unaudited) *HK$'000*	As at 31 December 2021 (Audited) *HK$'000*
Completed properties in the Australia held for sale, at cost	**359,056**	545,379

11. TRADE RECEIVABLES

	As at 30 June 2022 (unaudited) *HK$'000*	As at 31 December 2021 (Audited) *HK$'000*
Trade receivables	**5,777**	7,547
Receivables from entertainment business	**20,298**	22,081
Less: allowance for expected credit losses	**(22,568)**	(23,472)
	3,507	6,156

The Group generally allows an average credit period ranging from 30 to 180 days (31 December 2021: 30 to 180 days) to its trade customers. For receivables of entertainment business, the credit period is generally six months. The Group does not hold any collateral over these balances.

(i) Trade receivables

An aged analysis of the trade 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:

	As at 30 June 2022 (unaudited) *HK$'000*	As at 31 December 2021 (Audited) *HK$'000*
Within 30 days	**624**	3,731
More than 30 days and within 60 days	**–**	47
More than 60 days and within 90 days	**224**	327
More than 90 days and within 180 days	**1,585**	960
More than 180 days and within 365 days	**1,074**	1,091
	3,507	6,156

All trade receivables were denominated in RMB.

(ii) Receivables of entertainment business

All receivables of entertainment business were denominated in South Korean Won ("**KRW**") and fully impaired as at 30 June 2022 and 31 December 2021.

12. TRADE PAYABLES

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

	As at 30 June 2022 (unaudited) *HK$'000*	As at 31 December 2021 (Audited) *HK$'000*
Within 90 days	**7,257**	26,718
More than 90 days and within 180 days	**997**	576
More than 180 days and within 360 days	**13,343**	9,163
More than 360 days	**7,420**	23,329
	29,017	59,786

The average credit period on purchase of goods is 90 days. Trading payables are non interest-bearing and unsecured.

13. SHARE CAPITAL

	Number of Shares *'000*	**Nominal Amount** *HK$'000*
Ordinary Shares of HK$0.01 each		
Authorised:		
At 31 December 2021 and 30 June 2022	16,000,000	160,000
Issued and fully paid:		
At 31 December 2021 and 30 June 2022	3,207,592	32,076

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL INFORMATION

The Group's operating results for the period ended 30 June 2022 (the "**Period**") 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 Australia; (iii) production and distribution of wine in the People's Republic of China (the "**PRC**"); and (iv) operation of entertainment business in South Korea.

Revenue

Revenue for the Period increased significantly by 400.0% to approximately HK$250.1 million (six months ended 30 June 2021: HK$50.0 million) because of the delivery of 8 apartments in the Australian Project with a recognized revenue of HK$202.4 million.

The revenue of our wine business decreased by 4.6% to HK$47.7 million (six months ended 30 June 2021: HK$50.0 million).

Gross Profit

The Group's gross profit increased by 118.3% to approximately HK$54.7 million (six months ended 30 June 2021: HK$25.1 million) mainly attributable to the delivery of 8 apartments in the Australian Project with gross profit of HK$35.1 million for the Period as compared with the nil base in the same period of 2021. Gross profit of wine business decreased by 27.8% to approximately HK$19.6 million (six months ended 30 June 2021: HK$27.2 million), giving a gross profit margin of 41.1% (six months ended 30 June 2021: 54.4%) mainly due to the strict COVID quarantine measures in Mainland China making less dining activity. Hence, sales and gross profit of winery business had decreased.

Other Revenue

Other revenue increased by 52.0% to approximately HK$12.3 million (six months ended 30 June 2021: HK$8.1 million) mainly because the government grants increased by 33.0% to approximately HK$9.0 million (six months ended 30 June 2021: HK$6.7 million).

Selling and Distribution Expenses

Selling and distribution expenses increased by 71.6% to approximately HK$31.4 million (six months ended 30 June 2021: HK$18.3 million) mainly due to the commission for the 8 delivered apartments in the Australian Project while there is no such item in the same period last year.

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 Period, administrative and other operating expenses increased by 32.6% to approximately HK$33.8 million (six months ended 30 June 2021: HK$25.5 million) mainly attributable to the resumption in operating expenses of the entertainment business partially.

Loss Before Tax

As a result of the impairment loss of the Glorious Hill resort land in Jeju, South Korea, the Group's loss before tax increased to approximately HK$105.6 million (six months ended 30 June 2021: HK$14.7 million).

Taxation

Taxation of the Group mainly comprised current income tax expenses of HK$32,000 (six months ended 30 June 2021: HK$190,000), under-provision in prior year of approximately HK$18.1 million (six months ended 30 June 2021: nil) and deferred tax credit of approximately HK$242,000 (six months ended 30 June 2021: HK$226,000) recognised for allowance of expected credit losses.

Loss Attributable to Owners of the Company

Taking into consideration the above-mentioned factors, loss after tax for the Period increased by 742.7% to approximately HK$123.4 million (six months ended 30 June 2021: HK$14.6 million). Loss attributable to owners of the Company increased to approximately HK$73.3 million (six months ended 30 June 2021: HK$11.8 million).

LIQUIDITY AND FINANCIAL RESOURCES

The Group's sources of fund were mainly generated from operating activities, and partly from advances from immediate holding company as well as loan facilities provided by financial institutions. As at 30 June 2022, the Group recorded a decrease in cash and cash equivalents by 13.7% to approximately HK$541.1 million (31 December 2021: HK$627.1 million).

As at 30 June 2022, total borrowings (excluding lease liabilities) decreased by 57.2% to approximately HK$74.4 million (31 December 2021: HK$173.8 million) as loan from a non-controlling shareholder in a subsidiary was repaid. Our major current borrowings are denominated in Renminbi ("**RMB**") and RMB depreciating during the half-year period. 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.

Balance Sheet Analysis

Total assets of the Group, which consisted of non-current assets of approximately HK$1,060.4 million (31 December 2021: HK$1,227.3 million) and current assets of approximately HK$1,207.0 million (31 December 2021: HK$1,539.5 million), decreased by 18.1% to approximately HK$2,267.4 million (31 December 2021: HK$2,766.8 million).

Total liabilities, which included current liabilities of approximately HK$201.2 million (31 December 2021: HK$485.9 million) and non-current liabilities of approximately HK$135.6 million (31 December 2021: HK$139.3 million), decreased by 46.1% to approximately HK$336.7 million (31 December 2021: HK$625.2 million). As at 30 June 2022, our total equity was composed of owners' equity of approximately HK$1,659.2 million (31 December 2021: HK$1,809.2 million) and non-controlling interests of approximately HK$271.5 million (31 December 2021: HK$332.5 million).

Current ratio, being current assets divided by current liabilities, increased to 6.0 (31 December 2021: 3.2).

Gearing ratio, being total borrowings divided by total equity, decreased to 3.9% (31 December 2021: 8.1%) as a result of repayment of loan from a non-controlling shareholder in a subsidiary was repaid.

Trade receivables turnover ratio, being average trade receivables divided by revenue, resumed to 4 days (31 December 2021: 1 days).

Inventories

Our inventories primarily consist of finished goods, work in progress and raw materials. As at 30 June 2022, the Group's inventories slightly decreased by 4.4% to approximately HK$214.5 million (31 December 2021: HK$224.4 million). Finished goods increased by 73.3% to approximately HK$30.3 million (31 December 2021: HK$17.5 million) and finished goods turnover ratio of the wine business (being average closing finished goods divided by cost of sales) increased to 150 days for the Period (31 December 2021: 138 days).

INTERIM DIVIDEND

The Board does not recommend payment of any interim dividend for the Period (six months ended 30 June 2021: Nil).

PLEDGE OF ASSETS

As at 30 June 2022, the Group pledged its land use rights, property, plant and equipment with net book value amounted to approximately HK$22.6 million (31 December 2021: HK$23.5 million) to secure general bank facilities granted.

CONTINGENT LIABILITIES

Save as disclosed in the below section headed "LITIGATION UPDATE" in respect of the legal proceedings against the Group, the Group had no material contingent liabilities as at 30 June 2022.

EXPOSURE TO FLUCTUATION IN EXCHANGE RATES

The Group's revenue, expenses, assets and liabilities are denominated in HK$, RMB, KRW, Canadian dollars ("**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, Australia and Canada are in KRW, AUD and CAD respectively. There is a natural hedge mechanism in place during the course of their 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

During the Period, there was no material acquisition and disposal of subsidiaries, associates or joint ventures by the Group.

SIGNIFICANT INVESTMENT

As at 30 June 2022, the Group has no significant investment with a value of 5% or more of the Group's total assets.

EMPLOYEE INFORMATION AND EMOLUMENT POLICY

As at 30 June 2022, the Group employed a total of 321 (31 December 2021: 365) full time employees. The Group's emolument policies are formulated based on the performance of individual employees and are reviewed annually. The Group also provides medical insurance coverage and provident fund schemes (as the case may be) to its employees in compliance with the applicable laws and regulations.

LITIGATION UPDATE

Legal proceedings of NSR Toronto Holdings Ltd. ("NSR Toronto")

(i) NSR Toronto Holdings Ltd., an indirect wholly-owned subsidiary of the Company, 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. and CIM Global Development Inc. (collectively, the "**Project Defendants**"), which were all then non-wholly owned subsidiaries and/or affiliates of NSR Toronto, CIM Mackenzie Creek Limited Partnership, CIM Homes Inc., 10184861 Canada Inc. and Mr. Jiubin Feng (collectively, the "**CIM Defendants**", together with the Project 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 the Ontario Court to (a) deny any and all liability to NSR Toronto; (b) ask that the action be dismissed; and (c) 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 a notice of motion in Ontario Court for, among other matters: (a) an order staying or dismissing the Counterclaim brought on behalf of the Project Defendants; and (b) an order striking out the Counterclaim on the grounds that the Counterclaim was commenced without the authority of the Project Defendants which were controlled by NSR Toronto at the time.

On 17 January 2020, the Ontario Court ordered that the Counterclaim brought in the name of the Project Defendants be stayed and the CIM Defendants were ordered to pay NSR Toronto's costs incurred on 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. On 16 June 2020, the CIM Defendants served a fresh as amended statement of defence and counterclaim (the "**Amended Counterclaim**") to claim against NSR Toronto for breach of contract, breach of fiduciary duties, breach of good faith and misrepresentation for damages in the amount of CAD50 million (equivalent to about HK$310 million). On 11 September 2020, NSR Toronto delivered a reply and defence to the Amended Counterclaim.

During the year 2021, NSR Toronto, with the advice from the Canadian legal counsel, has determined for various strategic reasons not to advance this claim.

On June 28, 2022, by its counsel, CIM Defendants and CIM International Group Inc. delivered a letter to NSR Toronto's counsel, enclosing a new claim commenced on May 30, 2022 against NSR Toronto, NSR Canada Development Limited, the Company, and various current and past management personnel of the Company. This new action, on its face, appears to duplicate the allegations already advanced in the existing counterclaim referred to above.

On August 2, 2022, counsel to the CIM parties advised that they would be bringing a motion to obtain an order freezing the balance of the proceeds from the 2019 "Disposal" transaction (as defined below) which the CIM parties allege are held in an escrow arrangement. The same day, the CIM parties also advised that they had resolved matters with 2728926 Ontario Inc and it would no longer be a defendants in the counterclaim.

The freeze motion has been scheduled to be heard in January 2023. Updates of the hearing will be disclosed in the 2022 annual report by the Company

(ii) On 13 March 2020 (Toronto time), NSR Toronto and one of its officers 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 direct parent of NSR Toronto (and wholly owned subsidiary of the Company) and the Company, (the "**NSR Defendants I**"), NSR Toronto and the officer of NSR Toronto (the "**NSR Defendants II**", together with the "**NSR Defendants I**", 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$49.7 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$31 million) in relation to disposal of a real estate investment project of the Group in 2019 (the "**Disposal**"). Similar claims are being advanced against the Other Defendants.

On 11 May 2020, the NSR Defendants II filed a statement of defence in the Ontario Court to deny the allegations of wrongdoing as alleged in the 2020 Claim and to request the action be dismissed.

Subsequently, on 11 February 2021, one of the Plaintiffs served a motion record requesting from the Ontario Court, among other things, (a) an order allowing the Plaintiff to amend its 2020 Claim, including for the issuance of a certificate of pending litigation ("CPL") as against the lands in the Disposal (the "Amended 2020 Claim"); (b) an order validating service of the Plaintiff's motion record on the co-Plaintiff; (c) an order dispensing with service or allowing substitutional service by mail on the NSR Defendants I which have not been served yet with the 2020 Claim; and (d) the payment of CAD 5 million into the court by each of the NSR Defendants and the Other Defendants pending determination of the Plaintiffs rights regarding the consulting fee as stated above (the "**Plaintiff's motion**"). The court granted the service-related relief on June 15, 2021, but items (a) and (d) remain outstanding (see below).

On 5 May, 2021, the NSR Defendants II served a motion record for an order striking out the claims against them in the Amended 2020 Clam under the Rules of Civil Procedure (the "**NSR Defendants II's motion**"). The motion was heard on June 25, 2021 and granted on August 30, 2021, with costs in favour of the NSR Defendants II fixed at CAD70,000. On May 12, 2022, the Plaintiffs unsuccessfully attempted to appeal this decision before to the Court of Appeal.

On 15 June 2021, also in respect of the Plaintiffs' 11 February 2021 motion, the Ontario Court made orders to the effect that service on the NSR Defendants I was validated.

On March 7, 2022 the Ontario Superior Court heard the balance of the Plaintiffs' 11 February 2021 motion (ie, as to the issuance of a CPL and regarding the payment into court of the alleged CAD 5 million consulting fee). The court also heard the cross motion by the NSR Defendants I to challenge the Ontario courts' jurisdiction over them. On April 6, 2022, the court issued its decision, dismissing the Plaintiffs' motion and staying the action against the NSR Defendants I.

The Plaintiffs have appealed the stay order to the Ontario Court of Appeal, which is expected to hear the appeal in December 2022. The NSR Defendants I have brought a motion to the Court of Appeal requiring the Plaintiffs to post security for costs of the appeal. That motion has not yet been scheduled by the court.

(iii) On 9 June 2021 (Toronto time), NSR Toronto filed a statement of claim in the Ontario Court to claim against Global King Inc ("**Global King**") for compensatory damages of CAD7.2 million as well as punitive and exemplary damages of CAD0.1 million for Global King's interference in the disposition of Mackenzie Creek Project in 2019. Global King responded with a statement of defence on 29 July 2021. The parties are preparing affidavits of documents and are discussing a Discovery Plan, which is expected to be agreed by legal counsel for both the Plaintiff and the Defendants.

NSR Toronto will press the parties for completion of a Discovery Plan, failing which we may need to bring a motion to have the court set the dates of trials. The Discovery Plan would enable the Company to schedule examinations for discovery.

Based on the advice from Canadian legal counsel, the Directors of the Company consider that 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 during the period in respect of all the legal claims mentioned above.

EXTRACT OF REVIEW OF OPERATION AND PROSPECTS

ECONOMIC OUTLOOK

In the first half of 2022 ("**the Period**"), the economic development of various countries around the world were still threatened by the coronavirus ("**COVID**"); at the same time, several variants of the COVID have led to the implementation of large-scale lockdown measures in mainland China. Restrictions, temporary sluggish consumption sentiment and low economic growth in the general environment make it difficult for domestic product sales to continue to recover. With the outbreak under control in the second quarter and measures introduced across China to boost the domestic economy, the long-term fundamental prosperity of the Chinese economy has not been changed.

OPERATION REVIEW

Wine Operation

The Group's winery business in Mainland China was constrained by China's epidemic prevention and control measures in the Period, but the situation was still stable, with a period-to-period revenue drop of only 4.6%. We expect that the wine business will gradually recover and even grow in the second half of the year amid the epidemic. In the short term, it is expected that the winery business will still account for the majority of the Group's total revenue. Therefore, we will explore different sales channels to continue to generate revenue and increase sources, and review the development prospects of the existing business structure at any time to prepare for market changes.

Business operations in South Korea

Among the Group's two businesses in Jeju, South Korea, the development project of Glorious Hill has not been able to commence construction due to project financing obstacles, while the entertainment business continued to suspend operations in order to cooperate with the local government's epidemic prevention work. As it is expected that the global epidemic situation is likely to continue to affect the tourism industry in Jeju in the second half of the year and the impairment loss of the Glorious Hill project made during the Period, the Group will respond prudently and will adjust the Korean business at an appropriate time.

Real Estate Operations

The Opera Residence (the "**Project**") in Sydney, Australia was completed with the delivery of most of the residential apartments as scheduled in December 2021, and the relevant revenue has been recognized in the 2021 financial statements. During the Period, eight of the remaining apartments in the Project were successively delivered, with a revenue of approximately HK$202.4 million and related gross profit of HK$35.1 million in the financial statements for the Period. There are still approximately HK$359.1 million worth of sustainable real estate and commercial properties remained. It is expected that this part of the value of goods will continue to bring greater income and investment returns in the second half of 2022.

RESULT REVIEW

As in the Period, (i) the revenue from winery business decreased by 4.60% to HK$47.7 million (For the six months ended 30 June 2021: HK$50.0 million), (ii)the Australian Project recognized revenue of approximately HK$202.4 million (For the six months ended 30 June 2021: Nil), total revenue for the Period increased largely by 400.0% to approximately HK$250.1 million (For the six months ended 30 June 2021: HK$50.0 million). However, due to the impairment loss of the Glorious Hill resort land in Jeju, South Korea, approximately HK$103.6 million (For the six months ended 30 June 2021: Nil) and the accrual of current income tax expenses of approximately HK$18.1 million in the Australian Project (For the six months ended 30 June 2021: Nil), the Group recorded loss of approximately HK$123.4 million (For the six months ended 30 June 2021: loss of HK$14.6 million). Loss attributable to shareholders of the Company was HK$73.3 million (For the six months ended 30 June 2021: loss of HK$11.8 million); Basic loss per share was HK2.29 cents (For the six months ended 30 June 2021: loss of HK0.37 cents). As at 30 June 2022, the Group had total assets and net assets valued at HK$2,267.4 million and HK$1,930.7 million respectively.

PROSPECTS

Looking forward to the second half of 2022, the Group will continue to face various challenges. For the post-completion sales and delivery business of our Australian Project, the COVID-19 pandemic continues to put continuous pressure on the Australian and even the global economy; for the winery business, it is believed that although the COVID-19 virus is becoming more contagious, the pandemic will fade out gradually with the comprehensive coverage of domestic COVID-19 vaccination in China, combined with strong medical testing to build a herd immunity barrier. The Group will be able to benefit from the rapid recovery of the overall domestic economy of China to bring considerable growth to the sales volume and results from the winery business. The Group will retrieve all Project funds from Australia by strengthening the sales network, and will strive to produce unique high-quality wine products for establishing production advantages, and will stand out among the peers.

At the same time, as quoted from the annual report of the year 2021, a new wave of COVID-19 variant virus strikes through the community while some industries have sprung up during this Period. The Group firmly believes that under this circumstance, it is necessary to prudently use the funds retrieved from the projects through merger and acquisition to form better strategic plans and allocation of resources and improve the investment layout, so as to provide shareholders with substantial investment returns.

EVENTS AFTER THE END OF THE PERIOD

No matters or circumstances have occurred subsequent to the end of the Period which has significantly affected, or may significantly affect, the operations of the Group, the results of those operations or the state-of-affairs of the Group.

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

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

CORPORATE GOVERNANCE

The Company is committed to maintaining a high standard of corporate governance, the principles of which serve to uphold a high standard of ethics, transparency, responsibility and integrity in all aspects of business and to ensure that affairs are conducted in accordance with applicable laws and regulations.

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 C.2.1.

Code provision C.2.1 provides that the responsibilities between the chairman and chief executive should be divided. Mr. Ma Chenshan, the chairman of the Company, currently performs the duties of chief executive. The Board believes that vesting the roles of both chairman and chief executive in the same person can ensure consistent leadership within the Group and enables more effective and efficient overall strategic planning for the Group. The Board further believes that the balance of power and authority for the present arrangement will not be impaired and is adequately ensured by the current Board which comprises experienced and high caliber individuals with sufficient number thereof being independent non-executive Directors. However, the Group will also regularly review the board composition and appoint a chief executive if a suitable candidate is identified.

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

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
Ma Chenshan
Chairman and Executive Director

Hong Kong, 26 August 2022

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