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新絲路文旅有限公司
NEW SILKROAD CULTURALTAINMENT LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 472)

**INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2016**

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 2016, together with the comparative results for the previous period as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	<i>Notes</i>	For the six months ended	
		2016	2015
		(Unaudited)	(Unaudited)
		HK\$'000	HK\$'000
Revenue	3	113,892	128,265
Cost of sales		(64,008)	(73,892)
Gross profit		49,884	54,373
Other revenue		6,699	5,131
Selling and distribution expenses		(46,247)	(49,707)
Administrative expenses		(31,255)	(26,605)
Loss from operating activities	5	(20,919)	(16,808)
Finance costs		(1,680)	(1,971)
Loss before taxation		(22,599)	(18,779)
Taxation	6	(431)	(585)
Loss for the period		(23,030)	(19,364)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		For the six months ended	
		30 June	
		2016	2015
		(Unaudited)	(Unaudited)
		HK\$'000	HK\$'000
	Note		
Attributable to:			
Owners of the Company		(16,110)	(15,190)
Non-controlling interests		(6,920)	(4,174)
		<u>(23,030)</u>	<u>(19,364)</u>
Loss per share attributable to			
owners of the Company			
Basic and diluted	7	<u>HK(0.71) cent</u>	<u>HK(0.91) cent</u>

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	For the six months ended	
	30 June	
	2016	2015
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Loss for the period	(23,030)	(19,364)
Other comprehensive loss, net of income tax		
<i>Item that may be reclassified subsequently to profit or loss:</i>		
Exchange differences arising from translation of foreign operations	<u>(35,311)</u>	<u>(1,013)</u>
Total comprehensive loss for the period	<u>(58,341)</u>	<u>(20,377)</u>
Attributable to:		
Owners of the Company	<u>(45,352)</u>	(16,138)
Non-controlling interests	<u>(12,989)</u>	<u>(4,239)</u>
	<u>(58,341)</u>	<u>(20,377)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<i>Notes</i>	As at 30 June 2016 (Unaudited) <i>HK\$'000</i>	As at 31 December 2015 (Audited) <i>HK\$'000</i>
ASSETS			
Non-current assets			
Land use rights		27,993	29,338
Property, plant and equipment	8	904,260	583,864
Intangible assets		447,928	458,732
Available-for-sale investment		1,672	1,728
Goodwill		75,221	75,221
Deferred tax assets		3,130	3,203
		<hr/> 1,460,204	<hr/> 1,152,086
Current assets			
Inventories		217,598	229,227
Stock of properties	9	–	281,452
Trade and bills receivables	10	25,393	34,536
Prepayments, deposits paid and other receivables		121,973	81,363
Short-term loans receivables		7,148	7,289
Cash and cash equivalents		108,812	305,867
		<hr/> 480,924	<hr/> 939,734
Total assets		<hr/> 1,941,128	<hr/> 2,091,820
EQUITY			
Capital and reserves attributable to owners of the Company			
Share capital		22,911	22,685
Reserves		688,587	725,020
		<hr/> 711,498	<hr/> 747,705
Non-controlling interests		<hr/> 282,124	<hr/> 367,112
Total equity		<hr/> 993,622	<hr/> 1,114,817

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<i>Note</i>	As at 30 June 2016 (Unaudited) <i>HK\$'000</i>	As at 31 December 2015 (Audited) <i>HK\$'000</i>
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities		112,121	112,799
Loan from immediate holding company		358,116	481,674
Net defined benefits liabilities		4,783	5,082
Bank borrowing – due after one year		58,370	60,315
		533,390	659,870
Current liabilities			
Trade payables	<i>11</i>	41,547	49,581
Accruals, deposits received and other payables		142,044	169,170
Amount due to a non-controlling shareholder of a subsidiary		10,020	4,101
Amounts due to related parties		50,394	32,011
Loan from immediate holding company		156,487	50,000
Bank borrowing – due within one year		5,822	6,216
Deferred revenue		6,322	5,377
Tax payables		1,480	677
		414,116	317,133
Total liabilities		947,506	977,003
Total equity and liabilities		1,941,128	2,091,820
Net current assets		66,808	622,601
Total assets less current liabilities		1,527,012	1,774,687

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) production and distribution of wine and Chinese baijiu in the People’s Republic of China (the “PRC”); (ii) development and operation of real estate, integrated resort and cultural tourism in South Korea; and (iii) operation of gaming business in Jeju, 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 (“HKAS”) 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 financial statements for the year ended 31 December 2015.

The accounting policies are adopted consistently with those followed in the preparation of the Group’s financial statements for the year ended 31 December 2015.

During the period under review, the Group has applied, for the first time, the following new and revised Hong Kong Financial Reporting Standards (“HKFRS(s)”) issued by the HKICPA, which are effective for the Group’s financial year beginning on 1 January 2016:

Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants
Amendments to HKAS 27	Equity Method in Separate Financial Statements
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations
HKFRS 14	Regulatory Deferral Accounts

The adoption of these amendments in the current year has no material impact on the Group’s financial performance and positions for the current accounting period.

The Group has not early adopted any other standard or amendment that has been issued but is not yet effective.

3. REVENUE

	For the six months ended 30 June	
	2016	2015
	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Production and distribution of wine	66,759	97,134
Production and distribution of Chinese baijiu	30,250	31,131
Casino business	16,883	—
	<u>113,892</u>	<u>128,265</u>

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 four reportable segments, namely (i) production and distribution of wine; (ii) production and distribution of Chinese baijiu; (iii) development and operation of real estate, integrated resort and cultural tourism; and (iv) operation of casino business. These segmentations are based on the information of the Group's operations that management uses to make decisions.

The Group's measurement methodology used to determine reporting segment profit or loss remain unchanged from 2015.

(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 2016 and 2015:

	Wine		Chinese baijiu		Casino business		Real estate and cultural tourism		Total	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Segment revenue										
Revenue from external customers	<u>66,759</u>	<u>97,134</u>	<u>30,250</u>	<u>31,131</u>	<u>16,883</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>113,892</u>	<u>128,265</u>
Segment profit (loss)	4,297	52	(6,720)	(11,739)	(11,023)	—	(3,220)	—	(16,666)	(11,687)
Unallocated corporate income									384	44
Unallocated corporate expenses									(4,637)	(5,165)
Finance costs									(1,680)	(1,971)
Loss before taxation									(22,599)	(18,779)
Taxation									(431)	(585)
Loss for the period									<u>(23,030)</u>	<u>(19,364)</u>

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 costs, including directors' emoluments, finance costs and taxation. This is the measure reported to the Chief Operating Decision Maker for the purpose of resource allocation and assessment of segment performance.

(b) Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable segments as at 30 June 2016 and 31 December 2015:

	Wine		Chinese baijiu		Casino business		Real estate and cultural tourism		Total	
	2016 (Unaudited) HK\$'000	2015 (Audited) HK\$'000	2016 (Unaudited) HK\$'000	2015 (Audited) HK\$'000	2016 (Unaudited) HK\$'000	2015 (Audited) HK\$'000	2016 (Unaudited) HK\$'000	2015 (Audited) HK\$'000	2016 (Unaudited) HK\$'000	2015 (Audited) HK\$'000
Segment assets	427,135	474,886	206,808	213,096	555,547	577,160	686,250	804,398	1,875,740	2,069,540
Unallocated									65,388	22,280
									<u>1,941,128</u>	<u>2,091,820</u>
Segment liabilities	179,115	135,853	52,985	46,994	32,867	38,213	410,855	516,547	675,822	737,607
Unallocated									271,684	239,396
									<u>947,506</u>	<u>977,003</u>

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

(c) Geographical information

The Group's operations are located in the PRC and South Korea.

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

	Revenue from external customers		Non-current assets	
	For the six months ended 30 June 2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000	As at 30 June 2016 (Unaudited) HK\$'000	As at 31 December 2015 (Audited) HK\$'000
PRC	97,009	128,265	312,086	315,485
South Korea	16,883	—	1,148,071	836,601
	<u>113,892</u>	<u>128,265</u>	<u>1,460,157</u>	<u>1,152,086</u>

5. LOSS FROM OPERATING ACTIVITIES

	For the six months ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Loss from operating activities has been arrived at after charging:		
Staff costs, including directors' emoluments		
– Salaries and allowances	35,252	19,618
– Retirement benefit scheme contributions	5,655	4,128
	<u>40,907</u>	<u>23,746</u>
Amortisation of intangible assets	336	362
Amortisation of land use rights	399	590
Cost of inventories recognised as expenses	46,413	64,700
Loss on disposal of property, plant and equipment	115	1,893
Depreciation of property, plant and equipment	11,962	9,976

6. TAXATION

	For the six months ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current tax:		
PRC Corporate Income Tax	431	585

Hong Kong Profits Tax

No provision for Hong Kong Profits Tax has been made for the six months ended 30 June 2016 (2015: Nil) as the Group and the Company have no assessable profits derived from Hong Kong for the period.

As at 30 June 2016, the Company had unused tax losses of approximately HK\$100,098,000 (31 December 2015: HK\$102,310,000) available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams.

PRC Corporate Income Tax

Shangri-la Winery Company Limited (“**Shangri-la Winery**”), a subsidiary of the Company, was granted a tax reduction rate of 20% from Yunnan State Administration of Taxation of the PRC for 3 years starting from 1 January 2014.

Save as disclosed above, all other subsidiaries established in the PRC are subject to a tax rate of 25% (2015: 25%).

South Korea Corporate Income Tax

Development Golden Beach Co., Ltd. (“**Golden Beach**”) and Macrolink Glorious Hill Co., Ltd.# (“**Glorious Hill**”), were incorporated in South Korea and are subject to the South Korea Corporate Income Tax. It is calculated on a progressive rate of the assessable income (tax rates: 11% up to Won (“**KRW**”) 200,000,000, 22% between KRW200,000,000 and KRW2,000,000,000 and 24.2% over KRW2,000,000,000) in accordance with the relevant corporate tax law in South Korea.

7. LOSS PER SHARE

The calculation of basic and diluted loss per Share is based on the loss for the period attributable to owners of the Company of approximately HK\$16,110,000 and weighted average of 2,270,632,042 Shares in issue during the period (six months ended 30 June 2015: loss attributable to owners of the Company of HK\$15,190,000 and 1,668,532,146 Shares in issue).

Diluted loss per Share and the basic loss per Share for the six months ended 30 June 2016 and 2015 were the same as there were no potential dilutive ordinary Shares in both periods.

8. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2016, the Group acquired items of property, plant and equipment with a total cost of approximately HK\$18,775,000 (six months ended 30 June 2015: HK\$10,623,000). Loss on disposal of property, plant and equipment was approximately HK\$115,000 during the six months ended 30 June 2016 (six months ended 30 June 2015: HK\$1,893,000).

Included in property, plant and equipment of approximately HK\$332,856,000 is the freehold land reclassified from the stock of properties during the period. These freehold land are intended to be used by the Group for the development of a comprehensive integrated resort complex located in Jeju, South Korea which is not expected to be completed within 12 months.

9. STOCK OF PROPERTIES

	As at 30 June 2016 (Unaudited) HK\$'000	As at 31 December 2015 (Audited) HK\$'000
Properties under development, at cost	<u> -</u>	<u> 281,452</u>

Properties under development represented the freehold land located in Jeju, South Korea which were acquired by the Group through the subscription of new shares in Glorious Hill in 2015. These freehold land will be developed into a comprehensive integrated resort complex (the “**Glorious Hill Project**”) which is expected to be completed by the end of 2020. During the six months ended 30 June 2016, the Group reclassified these freehold land into property, plant and equipment under non-current assets in accordance with its nature and the latest development plan of the Glorious Hill Project. The Glorious Hill Project will include a comprehensive resort, hotel, shopping centre, healthcare and recreation facilities and certain commercial properties which will be held for long-term development and investment purposes.

the English name is not the official name and is translated for identification purpose only

10. TRADE AND BILLS RECEIVABLES

The Group generally allows an average credit period ranging from 30 to 90 days (31 December 2015: 30 to 90 days) to its trade customers. An aging analysis of trade and bills receivables is as follows:

	As at 30 June 2016 (Unaudited) HK\$'000	As at 31 December 2015 (Audited) HK\$'000
Within 30 days	7,005	12,724
More than 30 days and within 60 days	529	1,685
More than 60 days and within 90 days	393	666
More than 90 days and within 180 days	9,719	10,641
More than 180 days and within 360 days	7,747	8,820
More than 360 days	3,758	3,801
	<u>29,151</u>	<u>38,337</u>
Less: Impairment loss of trade and bills receivables	<u>(3,758)</u>	<u>(3,801)</u>
	<u><u>25,393</u></u>	<u><u>34,536</u></u>
Represented by:		
Receivables from related parties	17,521	20,967
Receivables from third parties	7,872	13,569
	<u>25,393</u>	<u>34,536</u>

All trade and bills receivables were denominated in Renminbi (“RMB”) and KRW. The carrying amounts of trade and bills receivables approximate their fair values.

11. TRADE PAYABLES

An aging analysis of trade payables is as follows:

	As at 30 June 2016 (Unaudited) HK\$'000	As at 31 December 2015 (Audited) HK\$'000
Within 90 days	17,855	26,437
More than 90 days and within 180 days	7,139	6,713
More than 180 days and within 360 days	16,553	16,431
	<u>41,547</u>	<u>49,581</u>

Trade payables are non interest-bearing and have an average credit term of four months (31 December 2015: four months).

12. EVENT AFTER THE REPORTING PERIOD

Grant of share options

On 4 July 2016, the Company granted share options to certain individuals to subscribe for an aggregate of 151,000,000 Shares at the exercise price of HK\$2 per Share under the share option scheme adopted by the Company on 23 August 2012. The exercise period of the share options is from 4 July 2016 to 3 July 2026.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

The Group's overall revenue for the six months ended 30 June 2016 (the "Period") decreased by 11.2% to approximately HK\$114 million (six months ended 30 June 2015: HK\$128 million) due to falling wine sales.

The wine segment, which accounted for 58.6% (six months ended 30 June 2015: 75.7%) of the Group's revenue, recorded a significant drop of revenue by 31.3% to HK\$67 million (six months ended 30 June 2015: HK\$97 million) due to the decline on wine sales.

The Chinese baijiu segment, which accounted for 26.6% (six months ended 30 June 2015: 24.3%) of the Group's revenue, was relatively stable as the Group started to benefit from product mix adjustments. Revenue of Chinese baijiu decreased slightly by 2.8% to HK\$30 million (six months ended 30 June 2015: HK\$31 million).

The casino business, which was acquired in late 2015, recorded a revenue of HK\$17 million representing 14.8% of the Group's revenue.

Gross Profit

Gross profit decreased by 8.3% to approximately HK\$50 million (six months ended 30 June 2015: HK\$54 million) whereas gross profit margin improved slightly by 1.4% points to 43.8% (six months ended 30 June 2015: 42.4%).

Wine and Chinese baijiu segments each accounted for HK\$30 million (six months ended 30 June 2015: HK\$44 million) and HK\$11 million (six months ended 30 June 2015: HK\$11 million) respectively. Gross profit margin of wine and Chinese baijiu segments were improved slightly by 0.6% point to 45.6% (six months ended 30 June 2015: 45.0%) and 2.6% points to 37.0% (six months ended 30 June 2015: 34.4%) respectively. The casino business contributed HK\$8 million to the Group's gross profit, representing a gross profit margin of 49.1%.

Other Revenue

Other revenue mainly represented government subsidies granted from the respective local finance department in subsidising the Group's technical development. During the Period, other revenue increased by 30.6% to HK\$7 million (six months ended 30 June 2015: HK\$5 million) in which government subsidies increased 49.3% to HK\$5 million (six months ended 30 June 2015: HK\$3 million).

Selling and Distribution Expenses

Selling and distribution expenses decreased by 7.0% to HK\$46 million (six months ended 30 June 2015: HK\$50 million) mainly due to reduced advertising and promotional expenses. Selling and distribution expenses as a percentage of revenue increased by 1.8% points to 40.6% (six months ended 30 June 2015: 38.8%) for the Period as revenue decreased.

Administrative Expenses

Administrative expenses mainly consisted of management staff salaries, office rental, professional fee and other administrative expenses. During the Period, administrative expenses increased by 17.5% to HK\$31 million (six months ended 30 June 2015: HK\$27 million). Such increase was mainly because of the consolidation of the newly acquired businesses' administrative expenses of HK\$8 million.

Loss before Tax

Taking into account of the aforementioned, loss before taxation amounted to HK\$23 million (six months ended 30 June 2015: HK\$19 million).

Taxation

Current income tax expense for the Period dropped by 26.3% to approximately HK\$0.4 million (six months ended 30 June 2015: HK\$0.6 million).

Loss Attributable to Owners of the Company

Loss after tax for the Period increased by 18.9% to HK\$23 million (six months ended 30 June 2015: HK\$19 million). Loss attributable to owners of the Company increased by 6.1% to HK\$16 million (six months ended 30 June 2015: HK\$15 million). Basic loss per Share attributable to owners of the Company for the Period decreased by 22.0% to HK0.71 cent (six months ended 30 June 2015: HK0.91 cent) due to the effect of allotment of new Shares since last reporting period.

Balance Sheet Analysis

Total assets of the Group decreased by 7.2% to approximately HK\$1,941 million (31 December 2015: HK\$2,092 million). Such decrease was mainly because of cash outflow as a result of further acquisition of equity interests in a subsidiary amounted to approximately HK\$102 million.

Total non-current assets increased by 26.7% to approximately HK\$1,460 million (31 December 2015: HK\$1,152 million) and current assets decreased by 48.8% to approximately HK\$481 million (31 December 2015: HK\$940 million). The increase in non-current assets coupled with the decrease in current assets was due to the reclassification of stock of properties from short-term to long-term amounted to HK\$333 million.

Total liabilities which included current liabilities of approximately HK\$414 million (31 December 2015: HK\$317 million) and non-current liabilities of approximately HK\$533 million (31 December 2015: HK\$660 million), decreased by 3.0% to approximately HK\$947 million (31 December 2015: HK\$977 million). The decrease of total liabilities was mainly because of cash outflow from repayment of shareholder loans amounted to approximately HK\$17 million.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the Period (six months ended 30 June 2015: Nil).

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2016, the Group's total borrowings amounted to approximately HK\$589 million (31 December 2015: HK\$602 million) of which HK\$515 million representing 87.4% of total borrowings are bridging finance provided by immediate holding companies. The bridging finance does not have any specific terms and is unsecured with an interest rate of 8% per annum. Cash and cash equivalents amounted to approximately HK\$109 million (31 December 2015: HK\$306 million). The Group's current ratio was 1.16 (31 December 2015: 2.96) and gearing ratio, expressed as a percentage of total borrowings divided by total equity, was 59.3% (31 December 2015: 54.0%). Though both ratios indicated that the Group is able to meet its short-term and long-term debts, the Company is considering ways to re-finance the bridging loan provided by immediate holding companies and to reduce the debt level of the Group as soon as practicable.

PLEDGE OF ASSETS

As at 30 June 2016, the Group had pledged its land, property, plant and equipment with a total net book value amounting to approximately HK\$24 million (31 December 2015: HK\$25 million) in favour of Agricultural Development Bank of China – Diqing Tibetan Autonomous Prefecture Branch to secure general banking facilities.

CONTINGENT LIABILITIES

As at 30 June 2016, the Group did not have any significant contingent liabilities (31 December 2015: Nil).

EXPOSURE TO FLUCTUATION IN EXCHANGE RATES

The Group's revenue, expenses, assets and liabilities are denominated in RMB, HKD and KRW.

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 are in KRW and RMB. As the impact of the fluctuation of RMB is low, therefore, no material exchange rate risk is anticipated and no financial instruments for hedging purposes are engaged. To enhance overall risk management, the Group has already strengthened its treasury management function and will closely monitor its currency and interest rate exposures. We will engage suitable foreign exchange hedging policy as and when appropriate in order to prevent the related risks.

MATERIAL ACQUISITION AND DISPOSAL

Further Acquisition of Equity Interests in Golden Beach

On 1 February 2016, the Company entered into a sale and purchase agreement with Mr. Jung Hee Tae to acquire 30,000 shares of Golden Beach, representing 7.5% of its entire issued share capital, at a cash consideration of approximately HK\$37 million.

On 25 April 2016, the Company further entered into a sale and purchase agreement with Mr. Lee Chul Man and Mr. Yu Cheng Kuo to acquire a total of 52,000 shares of Golden Beach, representing 13% of its entire issued share capital, at a total cash consideration of approximately HK\$65 million.

Following completion of the above acquisitions, the Company holds 72% equity interests in Golden Beach. Details of the transactions were set out in the Company's announcements dated 1 February 2016, 25 April 2016 and 24 May 2016 respectively.

EMPLOYEE INFORMATION AND EMOLUMENT POLICY

As at 30 June 2016, the Group employed a total of 950 (31 December 2015: 870) full time employees, in which 413 staff were related to sales and marketing, 281 staff were related to production, 74 staff were related to management and 182 staff were related to administration. The Group's emolument policies are formulated based on the performance of individual employees and are reviewed annually. The Group also provides medical insurance coverage and provident fund schemes (as the case may be) to its employees in compliance with the applicable laws and regulation.

REVIEW OF OPERATION AND PROSPECTS

Economic Outlook

The most significant outbreak during the first half of 2016 would be the break-up of Britain from the European Union. While the break-up came as a surprise yet it would be wrong to conclude that the world is on another financial crisis as much of the economic fallout will be likely confined to Britain and Europe. Until now, the Brexit fears seems all consumed yet slow US economy recovery and the continuous economic deleveraging process in China combined posing strong downside risks for the global economy.

Volatility in the international markets and the ongoing effects of the Mainland's economic transition will remain challenging and Hong Kong will inevitably be affected. However, the further opening up of the China's financial sector and the 'One Belt, One Road' initiative are expected to create new growth opportunities for future business. Against this backdrop, the Group is determined to leverage its competitive strength to maintain momentum for long-term growth.

Operation Review

Korean Businesses – Gaming Operation

The Group first entered into the Korea gaming market in 2015 via the acquisition of 51.5% equity stake in Golden Beach, a company that holds a gaming license and operates a casino at KAL Hotel, a five-star business hotel, at Jeju Island, South Korea. During the reporting period, the Company made subsequent acquisition of additional 7.5% and 13% equity stakes to bring its total equity interest in Golden Beach to 72%. At the same time, the Company also formed strategic alliance with one of the pioneer international casino players, Melco International Group ("**Melco International**"), for the development of a landmark casino complex in Jeju. The progressive acquisition of equity interest in Golden Beach reveals our determination to be a major player in the market and a strategic move to maximise future return from the new casino operation upon construction completion.

The Melco International-New Silkroad alliance is further strengthened by the Company issuing 22,604,764 consideration Shares, representing approximately 0.99% of the enlarged issued share capital of the Company, to Melco International at a price of HK\$1.7253 per Share. This represented a win-win strategy as through this arrangement the Company will be able to bring in a strategic partner with vast experience in the development and operation of a large scale casino and at the same time diversify our shareholder base. By taking a minority stake in the Company, Melco International will also be benefited by the Group's future Jeju operation.

Golden Beach has recently been summoned by Jeju District Court regarding a slot machine leasing agreement signed on 10 March 2013. The contract was signed by the previous management of Golden Beach. As stated in the announcement dated 6 June 2016, the Company, being the current controlling shareholder, has engaged its Korean legal representatives to contest the case and will keep shareholders informed on any further progress.

Korean Businesses – Resort Development

The Company's another major subsidiary, Glorious Hill, has further acquired 6 parcels of land located at Hallim Eup, Kumak-ri, Jejusi, Jejudo, Jeju Island, South Korea which increased the Company's total land bank in the Hallim area from 1,090,274 sq.m. to 1,107,273 sq.m. for future development of the Glorious Hill Project.

Wine and Baijiu Awards

The quality of Shangri-la products once again received well recognition with encouraging results. Shangri-la Winery joined the 7th Asian Wine Competition in March 2016 and our 'AAA' cabernet sauvignon (2014) and 'A8' cabernet sauvignon (2014) were awarded gold medal and silver prize respectively.

In addition, Shangri-la plateau wines and Yuquan baijiu both obtained the certificates of 'Protected Eco-Origin Product' ("PEOP") (生態原產地產品保護證書) issued by General Administration of Quality Supervision, Inspection and Quarantine of PRC (中華人民共和國國家質量監督檢驗檢疫總局) in March 2016. Both products conformed to the requirements and standards of environment protection and health regulation. The 'PEOP' label is now officially used on our products.

Grant of Share Options

Our most valuable assets and persistent core values under this ever-changing world are entrepreneurship and cohesive team. Our entrepreneurial spirit guided us through many significant moments. In recognition of the staff's contributions to the Group and as an incentive for others, the Company has granted share options to certain individuals to subscribe for a total of 151,000,000 Shares at an exercise price of HK\$2 per Share on 4 July 2016.

Outlook

It is expected that uncertainty and volatility in the global markets will persist in the second half of 2016. Yet the Group will take advantage of such situation to seek expansion and growth opportunities that will enhance future returns and long-term value to our shareholders.

The Company is exploring various means to raise funds to reduce the debt level of the Group and to finance the projects being undertaken and/or to be undertaken by the Group. Further announcement will be made by the Company when any fund raising plan is materialised in compliance with the requirements under the Listing Rules.

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 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 the independent non-executive Director, was unable to attend the annual general meeting of the Company held on 6 June 2016 due to his overseas business engagement.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS (THE “MODEL CODE”)

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

AUDIT COMMITTEE REVIEW

The Audit Committee has reviewed with the management of the Company the accounting principles and practices adopted by the Group, and discussed internal control, risk management and financial reporting matters including a review of the unaudited interim financial report of the Group for the six months ended 30 June 2016. The Audit Committee comprises the three independent non-executive Directors, namely Mr. Ting Leung Huel, Stephen, Mr. Cao Kuangyu and Mr. Tse Kwong Hon.

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

Hong Kong, 26 August 2016

As at the date of this announcement, the Board comprises six executive Directors, namely, Mr. Su Bo, Mr. Yan Tao, 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. Cao Kuangyu and Mr. Tse Kwong Hon.