



# New Silkroad Culturaltainment Limited

(Incorporated in Bermuda with limited liability)

(Stock Code : 472)

For the period from 1 January 2017 to 30 June 2017

INTERIM REPORT

2017



CULTURAL ATTAINMENT

# CONTENTS

Condensed Consolidated Statement  
of Profit or Loss

2

Condensed Consolidated Statement  
of Profit or Loss and Other  
Comprehensive Income

3

Condensed Consolidated Statement  
of Financial Position

4

Condensed Consolidated Statement  
of Changes in Equity

6

Condensed Consolidated Statement  
of Cash Flows

7

Notes to the Condensed Interim  
Financial Statements

8

Management Discussion and Analysis

22

Review of Operation and Prospects

27

Other Information

29

## Condensed Consolidated Statement of Profit or Loss

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 2017, together with the comparative results for the previous period as follows:

		For the six months ended 30 June	
	Notes	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Revenue	3	130,463	113,892
Sales of wines and Chinese baijiu		96,048	97,009
Cost of sales of wines and Chinese baijiu		(58,192)	(55,408)
Gross profit of wines and Chinese baijiu		37,856	41,601
Gaming revenue		34,415	16,883
Cost of gaming operation		(24,648)	(8,600)
Gross profit of gaming operation		9,767	8,283
Gross profit		47,623	49,884
Other revenue		7,651	6,699
Selling and distribution expenses		(56,572)	(46,247)
Administrative expenses		(30,306)	(31,255)
Share-based payment expenses		(1,468)	–
Loss from operating activities	5	(33,072)	(20,919)
Finance costs		(2,148)	(1,680)
Loss before taxation		(35,220)	(22,599)
Taxation	6	(755)	(431)
Loss for the period		(35,975)	(23,030)
<b>Attributable to:</b>			
Owners of the Company		(25,909)	(16,110)
Non-controlling interests		(10,066)	(6,920)
		(35,975)	(23,030)
<b>Loss per share attributable to owners of the Company</b>			(restated)
Basic and diluted	7	HK(0.81) cent	HK(0.72) cent

## Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

	For the six months ended 30 June	
	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
<b>Loss for the period</b>	<b>(35,975)</b>	(23,030)
<b>Other comprehensive income/(loss), net of income tax</b>		
<i>Item that may be reclassified subsequently to profit or loss:</i>		
Exchange differences arising from translation of foreign operations	<b>69,716</b>	(35,311)
<b>Total comprehensive income/(loss) for the period</b>	<b>33,741</b>	(58,341)
<b>Attributable to:</b>		
Owners of the Company	<b>26,600</b>	(45,352)
Non-controlling interests	<b>7,141</b>	(12,989)
	<b>33,741</b>	(58,341)

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

## Condensed Consolidated Statement of Financial Position

	<i>Notes</i>	As at 30 June 2017 (Unaudited) HK\$'000	As at 31 December 2016 (Audited) HK\$'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Land use rights		26,702	26,345
Property, plant and equipment	8	953,050	899,555
Intangible assets		462,954	430,651
Available-for-sale investment		1,644	1,598
Goodwill		75,221	75,221
Deferred tax assets		884	761
		<b>1,520,455</b>	1,434,131
<b>Current assets</b>			
Inventories		219,342	220,819
Stock of properties	9	469,685	–
Trade and bills receivables	10	3,710	9,375
Prepayments, deposits paid and other receivables		121,233	117,252
Short-term loans receivables		3,370	3,226
Cash and cash equivalents		927,469	1,584,897
		<b>1,744,809</b>	1,935,569
<b>Total assets</b>		<b>3,265,264</b>	3,369,700
<b>EQUITY</b>			
<b>Capital and reserves attributable to owners of the Company</b>			
Share capital	11	32,076	22,911
Reserves		2,128,708	650,133
		<b>2,160,784</b>	673,044
Non-controlling interests		456,540	272,607
<b>Total equity</b>		<b>2,617,324</b>	945,651

## Condensed Consolidated Statement of Financial Position

	<i>Note</i>	As at 30 June 2017 (Unaudited) HK\$'000	As at 31 December 2016 (Audited) HK\$'000
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Deferred tax liabilities		125,068	106,936
Loan from immediate holding company		–	342,422
Net defined benefits liabilities		4,722	4,021
		<b>129,790</b>	<b>453,379</b>
<b>Current liabilities</b>			
Trade payables	12	33,432	31,236
Accruals, deposits received and other payables		258,294	1,611,153
Amounts due to related parties		15,527	87,683
Loan from immediate holding company		50,050	175,465
Bank and other borrowings – due within one year		153,257	55,795
Deferred revenue		6,118	5,996
Tax payables		1,472	3,342
		<b>518,150</b>	<b>1,970,670</b>
<b>Total liabilities</b>		<b>647,940</b>	<b>2,424,049</b>
<b>Total equity and liabilities</b>		<b>3,265,264</b>	<b>3,369,700</b>
<b>Net current assets/(liabilities)</b>		<b>1,226,659</b>	<b>(35,101)</b>
<b>Total assets less current liabilities</b>		<b>2,747,114</b>	<b>1,399,030</b>

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

## Condensed Consolidated Statement of Changes in Equity

	Attributable to owners of the Company										
	Share capital HK\$'000	Share premium HK\$'000	Share option reserve HK\$'000	Translation reserve HK\$'000	Statutory reserve HK\$'000	Merger reserve HK\$'000	Other reserve HK\$'000	Accumulated losses HK\$'000	Sub-total HK\$'000	Non-controlling interests HK\$'000	Total HK\$'000
At 1 January 2016 (audited)	22,685	797,861	-	53,365	35,338	10,168	356	(172,068)	747,705	367,112	1,114,817
Total comprehensive loss for the period	-	-	-	(29,242)	-	-	-	(16,110)	(45,352)	(12,989)	(58,341)
Further acquisition of a subsidiary	-	-	-	-	-	-	(29,855)	-	(29,855)	(71,999)	(101,854)
Issuance of consideration shares	226	38,774	-	-	-	-	-	-	39,000	-	39,000
At 30 June 2016 (unaudited)	22,911	836,635	-	24,123	35,338	10,168	(29,499)	(188,178)	711,498	282,124	993,622
At 1 January 2017 (audited)	22,911	836,063	59,479	(11,106)	35,949	10,168	(27,843)	(252,577)	673,044	272,607	945,651
Total comprehensive income for the period	-	-	-	52,509	-	-	-	(25,909)	26,600	7,141	33,741
Issuance of offer shares	9,165	1,450,507	-	-	-	-	-	-	1,459,672	-	1,459,672
Acquisition of subsidiaries (note 14)	-	-	-	-	-	-	-	-	-	176,792	176,792
Lapse of share options	-	-	(2,757)	-	-	-	-	2,757	-	-	-
Recognition of equity-settled share-based payments	-	-	1,468	-	-	-	-	-	1,468	-	1,468
At 30 June 2017 (unaudited)	32,076	2,286,570	58,190	41,403	35,949	10,168	(27,843)	(275,729)	2,160,784	456,540	2,617,324



## Condensed Consolidated Statement of Cash Flows

	For the six months ended 30 June	
	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Net cash generated (used in)/ from operating activities	(78,449)	458
Net cash used in investing activities	(38,378)	(170,940)
Net cash used in financing activities	(545,014)	(17,070)
Net decrease in cash and cash equivalents	(661,841)	(187,552)
Cash and cash equivalents at the beginning of the period	1,584,897	305,867
Effect of exchange rate changes on the balance of cash held in foreign currency	4,413	(9,503)
Cash and cash equivalents at the end of the period	927,469	108,812
Analysis of the balances of cash and cash equivalents		
Cash and bank balances	927,469	108,812

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

## 2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

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

The unaudited condensed interim financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s financial statements for the year ended 31 December 2016 (the “**2016 Financial Statements**”).

The accounting policies used in preparing the interim financial statements are consistent with those used in the 2016 Financial Statements, except for the new and revised Hong Kong Financial Reporting Standards, amendments and interpretations (collectively “**new and revised HKFRSs**”) issued by the HKICPA which have become effective in this period as detailed in note 2 of the 2016 Financial Statements. The adoption of such new and revised HKFRSs has no material impact on the accounting policies in the Group’s interim financial statements for the period.

## Notes to the Condensed Interim Financial Statements

### 3. REVENUE

	For the six months ended 30 June	
	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Casino business	34,415	16,883
Production and distribution of wine	65,547	66,759
Production and distribution of Chinese baijiu	30,501	30,250
	<b>130,463</b>	113,892

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

The Group's measurement methodology used to determine reporting segment profit or loss remain unchanged from 2016.

## 4. SEGMENT INFORMATION (CONTINUED)

## (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 2017 and 2016:

	Casino business		Real estate, integrated resort and cultural tourism		Wine		Chinese baijiu		Total	
	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
	Segment revenue									
Revenue from external customers	34,415	16,883	-	-	65,547	66,759	30,501	30,250	130,463	113,892
Segment (loss) profit	(23,765)	(11,023)	(1,965)	(3,220)	4,533	4,297	(6,960)	(6,720)	(28,157)	(16,666)
Unallocated corporate income									882	384
Unallocated corporate expenses									(5,797)	(4,637)
Finance costs									(2,148)	(1,680)
Loss before taxation									(35,220)	(22,599)
Taxation									(755)	(431)
Loss for the period									(35,975)	(23,030)

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

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

## Notes to the Condensed Interim Financial Statements

## 4. SEGMENT INFORMATION (CONTINUED)

## (b) Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable segments as at 30 June 2017 and 31 December 2016:

	Casino business		Real estate, integrated resort and cultural tourism		Wine		Chinese baijiu		Total	
	2017 (Unaudited) HK\$'000	2016 (Audited) HK\$'000	2017 (Unaudited) HK\$'000	2016 (Audited) HK\$'000	2017 (Unaudited) HK\$'000	2016 (Audited) HK\$'000	2017 (Unaudited) HK\$'000	2016 (Audited) HK\$'000	2017 (Unaudited) HK\$'000	2016 (Audited) HK\$'000
	Segment assets	574,887	562,297	1,339,138	671,815	403,775	409,054	202,434	203,571	2,520,234
Unallocated									745,030	1,522,963
									3,265,264	3,369,700
Segment liabilities	41,304	49,845	126,801	414,291	141,226	170,634	56,686	54,662	366,017	689,432
Unallocated									281,923	1,734,617
									647,940	2,424,049

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

## 4. SEGMENT INFORMATION (CONTINUED)

## (c) Geographical information

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

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	
	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000	2016 (Audited) HK\$'000
PRC (including Hong Kong)	96,048	97,009	313,806	297,418
South Korea	34,415	16,883	1,206,649	1,136,713
Canada	-	-	-	-
	<b>130,463</b>	113,892	<b>1,520,455</b>	1,434,131

## Notes to the Condensed Interim Financial Statements

## 5. LOSS FROM OPERATING ACTIVITIES

	For the six months ended 30 June	
	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Loss from operating activities has been arrived at after charging:		
Staff costs, including directors' emoluments		
– Salaries and allowances	41,400	35,252
– Retirement benefit scheme contributions	5,567	5,655
Total staff costs	46,967	40,907
Amortisation of intangible assets	326	336
Amortisation of land use rights	258	399
Cost of inventories recognised as expenses	48,680	46,413
Loss on disposal of property, plant and equipment	647	115
Depreciation of property, plant and equipment	10,677	11,962
Share-based payments arising from grant of share options	1,468	–

## 6. TAXATION

	For the six months ended 30 June	
	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
PRC Corporate Income Tax	755	431

No provision for Hong Kong Profits Tax has been made for the six months ended 30 June 2017 (2016: Nil) as the Group has no assessable profits derived from Hong Kong for the period.

## 6. TAXATION (CONTINUED)

As at 30 June 2017, the Company had estimated unused tax losses of approximately HK\$117,435,000 (31 December 2016: HK\$113,708,000) available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams.

Shangri-la Winery Company Limited, 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 (the “**Tax Reduction**”). The Tax Reduction had expired in year 2016. Save as disclosed above, all other subsidiaries established in the PRC are subject to a tax rate of 25% (2016: 25%).

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

## 7. 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\$25,909,000 and weighted average of 3,207,591,674 Shares during the period (six months ended 30 June 2016: loss attributable to owners of the Company of HK\$16,110,000 and 2,228,190,322 Shares which have been retrospectively adjusted to reflect the effect of the open offer on the basis of two offer shares (the “**Offer Shares**”) for every five Shares held (the “**Open Offer**”).

For the period ended 30 June 2017, the computation of diluted loss per Share assumes 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 2016 were the same as there were no potential dilutive ordinary Shares in such period.

## 8. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2017, the Group acquired items of property, plant and equipment at a total cost of approximately HK\$38,097,000 (six months ended 30 June 2016: HK\$18,775,000). Loss on disposal of property, plant and equipment was approximately HK\$647,000 during the period (six months ended 30 June 2016: HK\$115,000).



## Notes to the Condensed Interim Financial Statements

## 9. STOCK OF PROPERTIES

	As at 30 June 2017 (Unaudited) HK\$'000	As at 31 December 2016 (Audited) HK\$'000
Properties under development, at cost	469,685	—

Properties under development represented the freehold land (the “Land”) located in Markham, Ontario, Canada which was acquired by the Company through the subscriptions of units in those subsidiaries during the period. The Land will be developed for residential and commercial uses (the “Mackenzie Creek Project”) which are scheduled to be completed by the end of 2018 and 2020 respectively.

## 10. TRADE AND BILLS RECEIVABLES

The Group generally allows an average credit period ranging from 30 to 90 days (31 December 2016: 30 to 90 days) to its trade customers. An aging analysis of trade and bills receivables is as follows:

	As at 30 June 2017 (Unaudited) HK\$'000	As at 31 December 2016 (Audited) HK\$'000
Within 30 days	408	9,251
More than 30 days and within 60 days	129	98
More than 60 days and within 90 days	212	26
More than 90 days and within 180 days	1,854	—
More than 180 days and within 360 days	1,107	—
More than 360 days	—	251
	<b>3,710</b>	9,626
Less: Impairment loss of trade and bills receivables	—	(251)
	<b>3,710</b>	9,375
Represented by:		
Receivables from related parties	—	1,415
Receivables from third parties	3,710	7,960
	<b>3,710</b>	9,375

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

**11. SHARE CAPITAL**

	Number of Shares '000	Nominal Amount HK\$'000
Ordinary Shares of HK\$0.01 each		
Authorised:		
At 31 December 2016 and 30 June 2017	<b>16,000,000</b>	160,000
Issued and fully paid:		
At 31 December 2016	<b>2,291,137</b>	22,911
Issuance of Offer Shares ( <i>Note</i> )	<b>916,455</b>	9,165
At 30 June 2017	<b>3,207,592</b>	32,076

*Note:* On 10 January 2017, the Company issued and allotted 916,454,764 ordinary shares of HK\$0.01 each by way of the Open Offer at a subscription price of HK\$1.60 per Offer Share.

**12. TRADE PAYABLES**

An aging analysis of trade payables is as follows:

	As at 30 June 2017 (Unaudited) HK\$'000	As at 31 December 2016 (Audited) HK\$'000
Within 90 days	<b>19,537</b>	19,555
More than 90 days and within 180 days	<b>3,571</b>	2,166
More than 180 days and within 360 days	<b>10,324</b>	9,515
	<b>33,432</b>	31,236

Trade payables are non interest-bearing and have an average credit term of four months (31 December 2016: four months).

## Notes to the Condensed Interim Financial Statements

### 13. INVESTMENT IN AN ASSOCIATE

On 30 May 2017 (Toronto time), NSR Toronto Holdings Ltd. (“**NSR Toronto**”), a wholly-owned subsidiary of the Company, acquired 49 shares in CIM Global Development Inc. (“**CIM Global**”) for Canadian dollar(s) (“**CAD**”) 49 (equivalent to approximately HK\$294) which represents 49% of the total number of issued shares in CIM Global.

Particulars of the Group’s associate as at 30 June 2017 are as follows:

Name	Particulars of issued shares	Place of registration	Percent of owner interest	Principal activity
CIM Global	100 common shares	Canada	49%	Managing the development and construction of the Mackenzie Creek Project

As at 30 June 2017, the cost of investment in an associate amounted to approximately HK\$294. As the associate has not commenced any operation, no operating results have been shared by the Group.

### 14. ACQUISITION OF SUBSIDIARIES

On 30 May 2017 (Toronto time), NSR Toronto, entered into subscription agreements to subscribe for 51 units in each of CIM Development (Markham) LP (the “**Residential LP**”) and CIM Commercial LP (the “**Commercial LP**”) which represent 51% of the total number of units in each of the Residential LP and the Commercial LP respectively (the “**Subscriptions**”). The total subscription price for the Subscriptions was CAD31,720,000 (equivalent to approximately HK\$184,008,000) which has been fully settled in cash. The Subscriptions were completed on 30 May 2017 (Toronto time).

On the same date, NSR Toronto acquired 51 shares in each of CIM Mackenzie Creek Residential GP Inc. (the “**Residential GP**”) and CIM Mackenzie Creek Commercial GP Inc. (the “**Commercial GP**”) which represent 51% of the total number of issued shares in each of the Residential GP and the Commercial GP respectively for each of CAD51 (equivalent to approximately HK\$295). In addition, the Commercial GP owns the entire issued share capital of CIM Mackenzie Creek Inc. (“**CIM Mackenzie**”) which holds legal title to the Land as a bare nominee and trustee for the Residential LP and the Commercial LP.

#### Consideration transferred

	HK’000
Cash	184,008

**14. ACQUISITION OF SUBSIDIARIES (CONTINUED)**

Fair value of assets and liabilities recognised at the date of completion are as follows:

	<b>HK'000</b>
Stock of properties	421,455
Prepayment, deposits paid and other receivables	27,307
Amounts due from related parties	4,564
Cash and cash equivalents	183,727
Accruals, deposits received and other payables	(159,519)
Amounts due to related parties	(6,399)
Other borrowing – due within one year	(92,558)
Deferred tax liabilities	(17,777)
	360,800

**Goodwill arising on acquisition**

	<b>HK'000</b>
Consideration transferred	184,008
Plus: non-controlling interest	176,792
Less: fair value of net assets acquired	(360,800)
Goodwill arising on acquisition	–

**Net cash outflow arising on acquisition**

	<b>HK\$'000</b>
Cash consideration paid	184,008
Cash and cash equivalents acquired of	(183,727)
	281

## Notes to the Condensed Interim Financial Statements

## 15. RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in the unaudited condensed interim financial statements, the Group has entered into the following significant related party transactions, which in the opinion of the Directors, were conducted under commercial terms and in the normal course of the Group's business:

## (a) Transactions

	For the six months ended 30 June	
	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
<b>Sales of goods</b>		
Yunnan Jinliufu Trading Limited (Note i)	7,445	8,637
VATS Chain Liquor Store Management Company Limited (Note i)	974	173
<b>Service income</b>		
MACRO-LINK International Investment Co, Ltd. (Note ii)	871	–

## Notes:

- (i) These companies are related parties of the Group as Mr. Fu Kwan, who is the ultimate controlling shareholder of the Company, is the brother-in-law of Mr. Wu Xiang Dong, who is a substantial shareholder of these companies.

Sales and purchases transactions were carried out at cost plus mark-up basis.

- (ii) Service income was determined based on the amount paid to relevant personnel of the Company who had spent time on administrative support to MACRO-LINK International Investment Co, Ltd., which is an exempted continuing connected transaction of the Company under the Listing Rules.

## 15. RELATED PARTY TRANSACTIONS (CONTINUED)

## (b) Compensation of key management personnel

Remuneration for key management personnel, including amounts paid to the Directors and certain of the highest paid employees is as follows:

	For the six months ended 30 June	
	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Salaries and other short-term benefit	1,454	1,479

## 16. CAPITAL COMMITMENTS

	For the six months ended 30 June	
	As at 30 June 2017 (Unaudited) HK\$'000	As at 31 December 2016 (Audited) HK\$'000
Authorised and contracted for:		
In connection with the construction of winery warehouses and factories	14,688	16,514
In connection with acquisition of plant and equipment	1,436	1,396
	16,124	17,910

## Notes to the Condensed Interim Financial Statements

### 17. FAIR VALUE HIERARCHY

The Group uses the following hierarchies for determining and disclosing the fair value of financial instruments:

Level 1: Fair values measured using quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: Fair values measured using valuation techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: Fair values measured using valuation techniques for which any inputs which have a significant effect on the recorded fair value are not based on observable market data (unobservable inputs)

The Directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the condensed interim financial statements approximate their fair values and no analysis is disclosed as the Group has no financial instruments that are measured subsequent to initial recognition at fair value at the end of the reporting period.

During the periods ended 30 June 2017 and 2016, there were no transfers between the levels of fair value hierarchy.

### 18. APPROVAL OF CONDENSED INTERIM FINANCIAL STATEMENTS

The condensed interim financial statements were approved and authorised for issue by the Board on 25 August 2017.

## FINANCIAL INFORMATION

### Revenue

The Group's revenue for the six months ended 30 June 2017 (the "Period") increased by 14.6% to approximately HK\$130.5 million (six months ended 30 June 2016: HK\$113.9 million) due to the growth in our casino business segment.

The wine business segment, which accounted for 50.2% (six months ended 30 June 2016: 58.6%) of the Group's revenue, recorded a slight downward adjustment by 1.8% to approximately HK\$65.5 million (six months ended 30 June 2016: HK\$66.8 million).

The Chinese baijiu business segment, which accounted for 23.4% (six months ended 30 June 2016: 26.6%) of the Group's revenue, showed moderate improvement after years of industry adjustment. Revenue of Chinese baijiu climbed slightly by 0.8% to approximately HK\$30.5 million (six months ended 30 June 2016: HK\$30.3 million).

The casino business led by a strong growth of in-house players sourced through direct marketing channels hit a gaming revenue of approximately HK\$34.4 million (six months ended 30 June 2016: HK\$16.9 million), representing an increase of 103.8%.

### Gross Profit

The Group's gross profit decreased by 4.5% to approximately HK\$47.6 million (six months ended 30 June 2016: HK\$49.9 million) due to rising material costs and manufacturing overheads of the wine business segment.

Gross profit of the wine business segment decreased by 12.2% to approximately HK\$26.7 million (six months ended 30 June 2016: HK\$30.4 million) whereas the Chinese baijiu business segment maintained a relatively stable gross profit of approximately HK\$11.2 million (six months ended 30 June 2016: HK\$11.2 million). Gross profit margin of the wine business segment and the Chinese baijiu business segment dropped to 40.7% (six months ended 30 June 2016: 45.6%) and 36.6% (six months ended 30 June 2016: 37.0%) respectively.

Though gross profit of the casino business increased by 17.9% to approximately HK\$9.8 million (six months ended 30 June 2016: HK\$8.3 million), the gross profit margin declined to 28.4% (six months ended 30 June 2016: 49.1%). The decline in gross profit margin was mainly due to sharp increase of direct gaming costs including promotional expenses and gaming tax, which led to an increase of 186.6% to approximately HK\$24.6 million (six months ended 30 June 2016: HK\$8.6 million).

### Other Revenue

Other revenue mainly represented government subsidies granted by the respective local finance department in subsidising the Group's research and development in wine operation. During the Period, other revenue increased by 14.2% to approximately HK\$7.7 million (six months ended 30 June 2016: HK\$6.7 million).



## Management Discussion and Analysis

### Selling and Distribution Expenses

Selling and distribution expenses, which accounted for 43.4% (six months ended 30 June 2016: 40.6%) of the Group's revenue, increased by 22.3% to approximately HK\$56.6 million (six months ended 30 June 2016: HK\$46.2 million). Such increase was mainly due to the increase in marketing expenses in the casino business to promote gaming revenue growth.

### Administrative Expenses

Administrative expenses mainly consisted of management staff salaries, office rental, professional fee and other administrative expenses. During the Period, administrative expenses decreased slightly by 3.0% to approximately HK\$30.3 million (six months ended 30 June 2016: HK\$31.3 million).

### Share-based Payment Expenses

During the Period, share-based payment expenses of approximately HK\$1.5 million (six months ended 30 June 2016: Nil) was recognised as a result of the share options granted.

### Loss before Tax

Taking into account of the aforementioned, loss before taxation increased by 55.8% to approximately HK\$35.2 million (six months ended 30 June 2016: HK\$22.6 million).

### Taxation

Current income tax expense for the Period increased by 75.2% to approximately HK\$0.8 million (six months ended 30 June 2016: HK\$0.4 million).

### Loss Attributable to Owners of the Company

Loss after tax for the Period increased by 56.2% to approximately HK\$36.0 million (six months ended 30 June 2016: HK\$23.0 million). Loss attributable to owners of the Company increased by 60.8% to approximately HK\$25.9 million (six months ended 30 June 2016: HK\$16.1 million). Basic loss per Share attributable to owners of the Company for the Period increased by 12.5% to HK0.81 cent (six months ended 30 June 2016: HK0.72 cent).

### Balance Sheet Analysis

Total assets of the Group, which consisted of non-current assets of approximately HK\$1,520.5 million (31 December 2016: HK\$1,434.1 million) and current assets of approximately HK\$1,744.8 million (31 December 2016: HK\$1,935.6 million), decreased by 3.1% to approximately HK\$3,265.3 million (31 December 2016: HK\$3,369.7 million). The decrease of total assets was mainly as a result of repayment of shareholders' loans.

Total liabilities, which included current liabilities of approximately HK\$518.2 million (31 December 2016: HK\$1,970.7 million) and non-current liabilities of approximately HK\$129.8 million (31 December 2016: HK\$453.4 million), decreased by 73.3% to approximately HK\$647.9 million (31 December 2016: HK\$2,424.0 million). Such decrease was mainly because of (i) the transfer of proceeds from the Open Offer amounted to approximately HK\$1,466.3 million to equity account upon issuance of the Offer Shares in January 2017; and (ii) the repayment of shareholders' loans of approximately HK\$595.1 million.

### INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the Period (six months ended 30 June 2016: Nil).

### LIQUIDITY AND FINANCIAL RESOURCES

The Group's sources of fund were generated from proceeds of the Open Offer, operating activities and loan from an immediate holding company as well as bank facilities provided by Agricultural Development Bank of China. As at 30 June 2017, the Group had cash and cash equivalents of approximately HK\$927.5 million (31 December 2016: HK\$1,584.9 million).

As at 30 June 2017, bank and other borrowings increased by 174.7% to approximately HK\$153.3 million (31 December 2016: HK\$55.8 million) mainly due to the consolidation of a mortgage loan from the Residential LP and the Commercial LP which the Company acquired through the subscriptions of units in May 2017.

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

### PLEDGE OF ASSETS

As at 30 June 2017, the Group had pledged its land, property, plant and equipment with a total carrying value amounting to approximately HK\$22.0 million (31 December 2016: HK\$23.0 million) in favour of Agricultural Development Bank of China – Diqing Tibetan Autonomous Prefecture Branch to secure general banking facilities. In addition, the Group pledged the Land located in Markham, Ontario, Canada which amounted to approximately HK\$469.7 million to secure a mortgage loan in favour of a financial institution in Canada.

### CONTINGENT LIABILITIES

As at 30 June 2017, the Group did not have any significant contingent liabilities (31 December 2016: Nil).

### EXPOSURE TO FLUCTUATION IN EXCHANGE RATES

The Group's revenue, expenses, assets and liabilities are denominated in HK\$, RMB, KRW and CAD.

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 and Canada are in KRW and CAD respectively. As the impact of the foreign exchange fluctuation is low and no material exchange rate risk is anticipated, no financial instruments for hedging purposes are engaged. To enhance overall risk management, the Group will investigate into its treasury management function and will closely monitor its currency and interest rate exposures in order to implement suitable foreign exchange hedging policy as and when appropriate to prevent related risks.

### MATERIAL ACQUISITION AND DISPOSAL

On 30 May 2017 (Toronto time), NSR Toronto entered into subscription agreements to subscribe for 51 units in each of the Residential LP and the Commercial LP, representing 51% of the total number of units in each of the Residential LP and the Commercial LP respectively, at a total subscription price of approximately CAD31.7 million (equivalent to approximately HK\$184.0 million).

On the same date, NSR Toronto acquired 51 shares in each of the Residential GP and the Commercial GP, representing 51% of the total number of issued shares in each of the Residential GP and the Commercial GP respectively, for each of CAD51 (equivalent to approximately HK\$295). The Commercial GP also owns the entire issued share capital of CIM Mackenzie which is the nominee of the Mackenzie Creek Project.

The above subscriptions and acquisitions were completed on 30 May 2017 (Toronto time).

Details of the transactions were set out in the Company's announcement dated 31 May 2017.

## EMPLOYEE INFORMATION AND EMOLUMENT POLICY

As at 30 June 2017, the Group employed a total of 971 (31 December 2016: 948) full time employees, of which 438 staff were related to sales and marketing, 250 staff were related to production, 90 staff were related to management and 193 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.

## LITIGATION

MegaLuck Co., Ltd. ("**MegaLuck**") has been summoned by Jeju District Court due to an indictment brought by Jeju District Prosecutor Office for outsourcing management of slot machines regarding a slot machine leasing agreement signed on 10 March 2013 with Global Game Co., Ltd., allegedly in violation of the Tourism Promotion Act in Korea (the "**First Case**"). Global Game Co., Ltd. also filed a civil lawsuit against MegaLuck and its ex-director in October 2016 claiming for damages up to KRW3,000 million (equivalent to about HK\$20 million) (the "**Second Case**"). The Company has engaged its Korean legal representatives to contest both cases. In the event that MegaLuck is convicted, an administrative sanction such as an order of business suspension for a short period and a penalty of not exceeding KRW20 million (equivalent to about HK\$133,000) may be imposed on MegaLuck.

The court hearings for the First Case and the Second Case have been commenced but delayed as the prosecutors' witnesses had failed to attend. As at the date of this report, the First Case and the Second Case are still pending.

## ECONOMIC OUTLOOK

The global economy mood has brightened during the first half of 2017. Confidence indicators, industrial production, employment and cross-border trade flows all showed improvements in most economies. The pickup in global growth anticipated in the World Economic Outlook remains on track, with global output projected to grow by 3.5% in 2017 and 3.6% in 2018.

However, challenges still remain as Moody's downgraded China's long-term local currency and foreign currency issuer ratings to A1 from Aa3 in May 2017. It was the first time in almost three decades for Moody's to raise concerns about the China's growing debt and slowing economy. Besides the premature commencement of U.S. Federal Reserve's balance sheet normalization may cause significant adverse market impact in the second half of 2017 if not communicated well and executed cautiously.

## OPERATION REVIEW

We have experienced a challenging period in the first half of 2017. Although the Group has recorded an increase in revenue by 14.6% to approximately HK\$130.5 million (30 June 2016: HK\$113.9 million), it was not robust enough to cover the risen operating expenses of approximately HK\$88.3 million (30 June 2016: HK\$77.5 million). As a result, the Group's loss attributable to shareholders deepened to approximately HK\$25.9 million (30 June 2016: HK\$16.1 million), representing a deterioration of 60.8% compared to the corresponding period in 2016.

While the wine and baijiu businesses, which constituted over 70% of our total revenue, remained relatively stable. Our casino business was the main revenue driver for the Period, hitting a record growth of 103.8%. However, the never-ending debate between China and South Korea on the deployment of THAAD anti-missile system has adversely affected the casino's performance and more direct marketing resources and promotion expenses were being consumed to drive the gaming revenue up.

It is always our intention to seek suitable investment opportunities to fuel our future growth. Although South Korea is still one of the potential areas, the political tension between China and South Korea together with North Korea's threatened missile attack have casted shadow over South Korea's market and economic development in the foreseeable future. For risk mitigation and diversification purpose and to sustain future growth, we have adjusted our strategy to invest in politically relatively stable countries. The level of our investment criteria has also been set higher with a greater degree of certainty for financial return.

### Diversification of Business - Canada

During the Period, we made a milestone investment with the acquisition of 51% equity interest in the Mackenzie Creek Project for a total consideration of approximately CAD31.7 million (equivalent to approximately HK\$184.0 million). Mackenzie Creek Project is composed of two phases. The first phase is a residential project located at 5899 Major Mackenzie Drive East, Markham, Ontario, Canada comprised of 195 townhouses, of which 100 units are scheduled to be completed by mid of 2018 and the remainder by end of 2018. The ground breaking ceremony already took place in June 2017 to officially start the construction. Among the 195 units, over 70% of the units were presold.

The second phase is composed of residential apartments and a commercial complex located at 9900 Markham Road, Markham, Ontario, Canada. The total saleable area will be not less than 40,414 square meters, with no less than 34,840 square meters for around 500 residential condominium apartment units and no more than 5,574 square meters for sale or lease of commercial use space.

### Outlook

The addition of Mackenzie Creek Project has enhanced our investment portfolio mix, expanding and diversifying our business and widening our coverage in other country. With this newly acquired business, our company's revenue and profit bases will be strengthened. Building on this successful acquisition momentum, we will continue to pursue further growth opportunities. With our strong management capabilities, we are optimistic about prospects for our Group and well-positioned ourselves to advance on our growth direction. We will continue to look for potential investment projects to further strengthen our business portfolio.

## DISCLOSURE OF INTERESTS

## (a) Interests of Directors

As at 30 June 2017, the following Directors and the chief executive of the Company had or were deemed to have interests or short positions in the Shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (“SFO”)) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which he was taken or deemed to have under such provision of the SFO); or (ii) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) contained in the Listing Rules:

## (i) Long positions in Shares and underlying shares of the Company

Name of Directors	Nature of interest	No. of Shares/underlying shares held in the Company			Approximate percentage of issued share capital
		Interest in Shares	Interest in underlying shares pursuant to share options	Total interests	
Mr. Su Bo	Beneficial owner	–	11,775,600	11,775,600	0.37%
Mr. Yan Tao	Beneficial owner	–	2,943,900	2,943,900	0.09%
Mr. Ng Kwong Chue, Paul	Beneficial owner	3,000,000	7,850,400	10,850,400	0.34%
Mr. Zhang Jian	Beneficial owner	–	7,850,400	7,850,400	0.24%
Mr. Hang Guanyu	Beneficial owner	–	7,850,400	7,850,400	0.24%
Mr. Liu Huaming	Beneficial owner	–	7,850,400	7,850,400	0.24%

## (ii) Long positions in the registered capital in associated corporation of the Company

Name of Director	Name of associated corporation	Capacity	Registered capital held in the associated corporation	Approximate percentage of registered capital
Mr. Zhang Jian	Cheung Shek Investment Company Limited	Beneficial owner	RMB1,665,000	3.33%

Save as disclosed above, as at 30 June 2017, none of the Directors nor the chief executive of the Company had or were deemed to have any interests or short positions in the Shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

#### (b) Interests of Substantial Shareholders

So far as is known to the Directors and the chief executive of the Company, as at 30 June 2017, the following persons (not being Directors or chief executive of the Company) had, or were deemed to have, interests or short positions in the Shares or underlying shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO:

#### *Long positions in Shares and underlying shares of the Company*

Name of shareholders	Notes	Nature of interest	No. of Shares/ underlying shares held	Approximate percentage of issued share capital
Macro-Link International Land Limited	1,2	Beneficial owner	1,757,450,743	54.79%
Macrolink Culturaltainment Development Co., Ltd.	2	Controlled corporation	1,757,450,743	54.79%
MACRO-LINK International Investment Co, Ltd.	3	Beneficial owner	215,988,336	6.73%
Macro-Link Industrial Investment Limited	4	Controlled corporation	215,988,336	6.73%
Macro-Link Holding Company Limited	2,4	Controlled corporation	1,973,439,079	61.52%
Mr. Fu Kwan	4,5	Controlled corporation	1,973,439,079	61.52%
		Beneficial owner	10,000,000	0.31%
Cheung Shek Investment Company Limited	2,5	Controlled corporation	1,973,439,079	61.52%
Ms. Xiao Wenhui	5	Controlled corporation	1,973,439,079	61.52%
		Beneficial owner	6,010,000	0.19%



## Other Information

*Notes:*

1. These shares are held by Macro-Link International Land Limited which is a company incorporated in Hong Kong with limited liability and is a wholly-owned subsidiary of Macrolink Culturaltainment Development Co., Ltd. whose issued shares are listed on the Shenzhen Stock Exchange with stock code 000620.
2. Macrolink Culturaltainment Development Co., Ltd. is owned as to 59.79% by Macro-Link Holding Company Limited and as to 1.61% by Cheung Shek Investment Company Limited.
3. These shares are held by MACRO-LINK International Investment Co, Ltd. which is a company incorporated in the British Virgin Islands and is a wholly-owned subsidiary of Macro-Link Industrial Investment Limited.
4. Macro-Link Industrial Investment Limited is wholly owned by Macro-Link Holding Company Limited which in turn is owned as to 90% by Cheung Shek Investment Company Limited, as to 4.25% by Mr. Fu Kwan and as to the remaining 5.75% by six individuals.
5. Cheung Shek Investment Company Limited is owned as to 53.35% by Mr. Fu Kwan (who has been granted 10,000,000 share options on 31 March 2017 under the share option scheme adopted by the Company on 23 August 2012 (the “**2012 Scheme**”)), as to 33.33% by Ms. Xiao Wenhui (who also has a personal interest in 3,010,000 Shares and has been granted 3,000,000 share options under the 2012 Scheme on 31 March 2017), as to 3.33% by Mr. Zhang Jian and as to 3.33% by each of the other three individuals.

Save as disclosed above, as at 30 June 2017, the Directors and the chief executive of the Company were not aware of any other person (other than the Directors and the chief executive of the Company) who had, or was deemed to have, interests or short positions in the Shares or underlying shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO.

## SHARE OPTION SCHEME

On 23 August 2012, the Company adopted the 2012 Scheme for the primary purpose of providing incentives to its Directors and eligible participants. Unless otherwise terminated, the 2012 Scheme would remain valid and effective until 22 August 2022. Movement of share options granted under the 2012 Scheme during the Period were set out below:

Name and category of participants	Date of grant	Exercise period	Options to subscribe for Shares						
			Exercise price per Share HK\$ (Note 1)	Balance as at 01/01/2017	Adjustment made upon completion of the Open Offer (Note 1)	Granted during the Period	Exercised during the Period	Lapsed during the Period	Balance as at 30/06/2017
<b>Directors</b>									
Mr. Su Bo	04/07/2016	04/07/2016 to 03/07/2026	2.0381	12,000,000	(224,400)	-	-	-	11,775,600
Mr. Yan Tao	04/07/2016	04/07/2016 to 03/07/2026	2.0381	3,000,000	(56,100)	-	-	-	2,943,900
Mr. Ng Kwong Chue, Paul	04/07/2016	04/07/2016 to 03/07/2026	2.0381	8,000,000	(149,600)	-	-	-	7,850,400
Mr. Zhang Jian	04/07/2016	04/07/2016 to 03/07/2026	2.0381	8,000,000	(149,600)	-	-	-	7,850,400
Mr. Hang Guanyu	04/07/2016	04/07/2016 to 03/07/2026	2.0381	8,000,000	(149,600)	-	-	-	7,850,400
Mr. Liu Huaming	04/07/2016	04/07/2016 to 03/07/2026	2.0381	8,000,000	(149,600)	-	-	-	7,850,400
<b>Other employees or participants</b>	04/07/2016	04/07/2016 to 03/07/2026	2.0381	104,000,000	(1,944,800)	-	-	(6,869,100)	95,186,100
	31/03/2017	31/03/2017 to 30/03/2027	2.0000	-	-	3,000,000	-	-	3,000,000
<b>Substantial shareholder</b>									
Mr. Fu Kwan	31/03/2017	31/03/2017 to 30/03/2027	2.0000	-	-	10,000,000 (Note 2)	-	-	10,000,000
<b>Total</b>				<b>151,000,000</b>	<b>(2,823,700)</b>	<b>13,000,000</b>	<b>-</b>	<b>(6,869,100)</b>	<b>154,307,200</b>

## Notes:

- As disclosed in the announcement of the Company dated 9 January 2017, upon completion of the Open Offer on 10 January 2017, the number of outstanding share options and the exercise price in respect of the share options granted on 4 July 2016 have been adjusted effective on 10 January 2017.
- The grant of 10,000,000 share options to Mr. Fu Kwan, who is the substantial shareholder of the Company within the meaning of the Listing Rules, was approved by the independent shareholders of the Company at the annual general meeting held on 16 June 2017 (the "2017 AGM").

### **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 deviations from code provisions A.6.7 and E.1.2 which are explained as follows:

Code provision A.6.7 provides that independent non-executive directors and non-executive directors should attend general meetings. Mr. Cao Kuangyu, being the independent non-executive Director, was unable to attend the 2017 AGM due to his overseas business engagement.

Code provision E.1.2 provides that the chairmen of the board and board committees should attend the annual general meeting to be available to answer questions thereat. Mr. Su Bo, who is the chairmen of the Board and Nomination Committee of the Company, was unable to attend the 2017 AGM due to his overseas business engagement. However, Mr. Ng Kwong Chue, Paul, being the executive Director and company secretary of the Company, took the chair of the 2017 AGM, and the chairmen of the Audit Committee and Remuneration Committee of the Company, and the auditors attended the 2017 AGM to answer any questions from the shareholders. The Company considers that their presence is sufficient for effective communication with shareholders at the 2017 AGM.

### **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

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 Audit Committee has reviewed the unaudited consolidated interim results and the interim report of the Group for the six months ended 30 June 2017 and agreed to the accounting principles and practices adopted by the Group.

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

Hong Kong, 25 August 2017