New Silkroad Culturaltainment Limited

(Incorporated in Bermuda with limited liability)
(Stock Code : HK00472)
For the period from 1 January 2018 to 30 June 2018

2018 INTERIM REPORT

CONTENTS

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 2018, together with the comparative results for the previous period as follows:

		For the six months ended 30 June	
	Notes	**2018 (Unaudited) HK$'000**	2017 (Unaudited) HK$'000 (Restated) *(Note 2)*
Revenue	*4*	**150,864**	130,463
Sales of wines and Chinese baijiu		**96,545**	96,048
Cost of sales of wines and Chinese baijiu		**(51,619)**	(58,192)
Gross profit of wines and Chinese baijiu		**44,926**	37,856
Gaming revenue		**54,319**	34,415
Cost of gaming operation		**(25,634)**	(24,648)
Gross profit of gaming operation		**28,685**	9,767
Gross profit		**73,611**	47,623
Other revenue		**12,629**	13,134
Selling and distribution expenses		**(37,614)**	(27,866)
Administrative and other operating expenses		**(66,419)**	(67,330)
Share-based payment expenses		**–**	(1,468)
Loss from operating activities	*6*	**(17,793)**	(35,907)
Finance costs		**(1,903)**	(2,148)
Loss before taxation		**(19,696)**	(38,055)
Taxation	*7*	**(1,051)**	(755)
Loss for the period		**(20,747)**	(38,810)
Attributable to:			
Owners of the Company		**(14,626)**	(28,177)
Non-controlling interests		**(6,121)**	(10,633)
		(20,747)	(38,810)
Loss per share attributable to owners of the Company			
Basic and diluted	*8*	**HK(0.46) cent**	HK(0.89) cent

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

	For the six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
		(Restated)
		(Note 2)
Loss for the period	**(20,747)**	(38,810)
Other comprehensive (loss)/income, net of income tax		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences arising from translation of foreign operations	**(56,088)**	70,282
Total comprehensive (loss)/income for the period	**(76,835)**	31,472
Attributable to:		
Owners of the Company	**(57,192)**	24,785
Non-controlling interests	**(19,643)**	6,687
	(76,835)	31,472

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

Condensed Consolidated Statement of Financial Position

	Notes	As at 30 June 2018 (Unaudited) HK$'000	As at 31 December 2017 (Audited) HK$'000
ASSETS			
Non-current assets			
Land use rights		**32,250**	31,552
Property, plant and equipment	*9*	**1,010,485**	1,021,766
Intangible assets		**469,518**	489,288
Interest in an associate	*10*	**–**	–
Equity investment at fair value through other comprehensive income		**1,697**	–
Available-for-sale investment		**–**	1,719
Goodwill		**75,221**	75,221
Deferred tax assets		**1,410**	1,462
		1,590,581	1,621,008
Current assets			
Inventories		**262,215**	253,599
Stock of properties	*11*	**1,838,284**	1,735,767
Trade and bills receivables	*12*	**23,371**	4,926
Prepayments, deposits paid and other receivables		**293,568**	300,840
Short-term loans receivables		**2,573**	2,927
Cash and cash equivalents		**196,825**	334,206
		2,616,836	2,632,265
Total assets		**4,207,417**	4,253,273
EQUITY			
Capital and reserves attributable to owners of the Company			
Share capital	*13*	**32,076**	32,076
Reserves		**1,849,363**	1,906,555
		1,881,439	1,938,631
Non-controlling interests		**651,838**	671,481
Total equity		**2,533,277**	2,610,112

	Note	As at 30 June 2018 (Unaudited) HK$'000	As at 31 December 2017 (Audited) HK$'000
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities		**169,262**	169,831
Amounts due to an immediate holding company		**612,400**	721,011
Loan from a non-controlling shareholder of a subsidiary		**107,584**	114,053
Net defined benefits liabilities		**6,868**	7,266
Bank and other borrowings – due after one year		**212,764**	162,062
		1,108,878	1,174,223
Current liabilities			
Trade payables	*14*	**44,537**	57,268
Accruals, deposits received and other payables		**298,049**	333,159
Amounts due to related parties		**25,880**	18,918
Loans from immediate holding companies		**–**	56,561
Bank borrowing – due within one year		**195,000**	–
Deferred revenue		**292**	346
Tax payables		**1,504**	2,686
		565,262	468,938
Total liabilities		**1,674,140**	1,643,161
Total equity and liabilities		**4,207,417**	4,253,273
Net current assets		**2,051,574**	2,163,327
Total assets less current liabilities		**3,642,155**	3,784,335

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 2017 (audited) (restated)	22,911	836,063	59,479	(23,141)	35,949	(203,631)	(27,843)	(264,995)	434,792	480,294	915,086
Total comprehensive income for the period	–	–	–	52,962	–	–	–	(28,177)	24,785	6,687	31,472
Issuance of offer shares	9,165	1,457,162	–	–	–	–	–	–	1,466,327	–	1,466,327
Transaction costs attributable to issue of offer shares	–	(6,655)	–	–	–	–	–	–	(6,655)	–	(6,655)
Acquisition of subsidiaries	–	–	–	–	–	–	–	–	–	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) (restated)	32,076	2,286,570	58,190	29,821	35,949	(203,631)	(27,843)	(290,415)	1,920,717	663,773	2,584,490
At 1 January 2018 (audited)	32,076	2,286,570	57,008	90,776	35,949	(203,631)	(27,843)	(332,274)	1,938,631	671,481	2,610,112
Total comprehensive loss for the period	–	–	–	(42,566)	–	–	–	(14,626)	(57,192)	(19,643)	(76,835)
At 30 June 2018 (unaudited)	32,076	2,286,570	57,008	48,210	35,949	(203,631)	(27,843)	(346,900)	1,881,439	651,838	2,533,277

	For the six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
		(Restated)
		(Note 2)
Net cash used in operating activities	**(216,231)**	(166,410)
Net cash used in investing activities	**(8,674)**	(37,865)
Net cash generated from (used in) financing activities	**94,021**	(499,169)
Net decrease in cash and cash equivalents	**(130,884)**	(703,444)
Cash and cash equivalents at the beginning of the period	**334,206**	1,669,194
Effect of exchange rate changes on the balance of cash held in foreign currency	**(6,497)**	4,901
Cash and cash equivalents at the end of the period	**196,825**	970,651
Analysis of the balances of cash and cash equivalents		
Cash and bank balances	**196,825**	970,651

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

2. MERGER ACCOUNTING AND RESTATEMENTS

The Group accounts for all its business combinations involving entities under common control using the principles of merger accounting.

On 29 September 2017 (as supplemented), Wealth Venture Asia Limited, a direct wholly-owned subsidiary of the Company, entered into a subscription agreement to subscribe for 104 redeemable preference shares of Macrolink Australia Investment Limited ("**MAI**"), representing 51% of its voting rights, at the consideration of approximately HK$222,525,000, which was fully settled by the Company in cash on 20 December 2017 (the "**Subscription**").

Since the Company and MAI are under common control of Macro-Link International Land Limited ("**MIL**") before and after the Subscription, the Group has applied the principles of merger accounting with reference to Accounting Guideline 5 "Merger Accounting for Common Control Combinations" issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") as if the common control combination had been effected since 29 December 2015, the date when MAI was incorporated by MIL rather than the date when the Subscription was completed by the Group.

2. MERGER ACCOUNTING AND RESTATEMENTS (CONTINUED)

On 5 January 2016, MAI and an Australian property developer, an independent third party, established an Australian company, Macrolink & Landream Australia Land Pty Ltd ("**MLAL**") which is owned as to 80% by MAI and as to 20% by the Australian property developer.

The comparative figures of the condensed consolidated statement of profit or loss, the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of changes in equity, the condensed consolidated statement of cash flows and related notes have been restated to include the results of MAI and MLAL, as MAI and the Group were under common control of MIL since 29 December 2015.

3. 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 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 2017 (the "**2017 Financial Statements**").

The accounting policies used in preparing the interim financial statements are consistent with those used in the 2017 Financial Statements, except for the new and amended Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the HKICPA which have become effective in this period as detailed below:

3. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

3.1 New and amended standards adopted by the Group

A number of new or amended standards became applicable for the current reporting period and the Group had to change its accounting policies and make retrospective adjustments as a result of adopting the following standards:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers

The impact of the adoption of these standards are disclosed in note 3.2 below. The other standards did not have any impact on the Group's accounting policies and did not require retrospective adjustments.

3.2 Impact on the financial statements – HKFRS 9 and HKFRS 15 (collectively, the "New HKFRSs")

The adoption of the New HKFRSs from 1 January 2018 resulted in changes in the Group's accounting policies.

(i) HKFRS 9 Financial Instruments

(a) Classification and measurement

On 1 January 2018 (the date of initial adoption of the New HKFRSs), the Group's management has assessed which business models apply to the financial assets held by the Group and has classified its financial instruments into the appropriate categories of the New HKFRSs.

Reclassification from available-for-sale investment ("**AFS**") to fair value through other comprehensive income ("**FVOCI**").

The Group elected to present in other comprehensive income changes in the fair value of its equity investments previously classified as AFS because the investments are not held for trading. As a result, assets with a fair value of HK$1,719,000 were reclassified from AFS to FVOCI as at 1 January 2018.

3. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

3.2 Impact on the financial statements – HKFRS 9 and HKFRS 15 (collectively, the "New HKFRSs") (Continued)

(i) HKFRS 9 Financial Instruments (Continued)

(a) Classification and measurement (Continued)

No retrospective adjustments were required and no impact on accumulated losses at 1 January 2018 in respect of this change in accounting policy.

(b) Impairment of financial assets

The Group has two types of financial assets that are subject to the new expected credit loss model of the New HKFRSs:

– trade receivables and receivables from gaming customers; and

– other financial assets at amortised costs.

The Group was required to revise its impairment methodologies under the New HKFRSs for each of these classes of assets. The impact of the change in impairment methodology on the Group's accumulated losses and equity is insignificant.

While cash and cash equivalents are also subject to the impairment requirements of the New HKFRSs, the identified impairment loss was immaterial.

Trade receivables and receivables from gaming customers

The Group applies the New HKFRSs simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all trade receivables and receivables from gaming customers.

3. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

3.2 Impact on the financial statements – HKFRS 9 and HKFRS 15 (collectively, the "New HKFRSs") (Continued)

(i) HKFRS 9 Financial Instruments (Continued)

(b) Impairment of financial assets (Continued)

Trade receivables and receivables from gaming customers (Continued)

To measure the expected credit losses, trade receivables and receivables from gaming customers have been grouped based on shared credit risk characteristics and the days past due. The Group applied different expected loss rates to different classes of trade receivables and receivables from gaming customers, according to their respective risk characteristics.

Trade receivables and receivables from gaming customers are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group.

The Group has assessed the expected credit loss model applied to the trade receivables and receivables from gaming customers as at 1 January 2018 and the change in impairment methodologies has no significant impact of the Group's consolidated financial statements and the opening loss allowance is not restated in this respect.

Other financial assets at amortised cost

Other financial assets at amortised cost include other receivables. The Group has assessed the expected credit loss model applied to the other receivables as at 1 January 2018 and the change in impairment methodologies has no impact of the Group's consolidated financial statements and the opening loss allowance is not restated in this respect.

3. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

3.2 Impact on the financial statements – HKFRS 9 and HKFRS 15 (collectively, the "New HKFRSs") (Continued)

(ii) HKFRS 15 Revenue from contracts with customers

HKFRS 15 supersedes HKAS 11 Construction Contracts, HKAS 18 Revenue and related interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The Group adopted HKFRS 15 using the modified retrospective method of adoption and it elected to apply that method to only those contracts that were not completed at the date of initial application. The comparative information for each of the primary financial statements would be presented based on the requirements of HKAS 18 and related interpretations, thus the comparative figures have not been restated.

Gaming revenue

Upon the adoption of HKFRS 15, the commission and allowances to gaming counterparties are now presented as a reduction of gaming revenue. Since the gaming revenue of prior period was already presented after deduction of commission and allowances to gaming counterparties, the adoption of the new revenue standard does not have significant impact on the gaming revenue for the prior and current periods.

3. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

3.2 Impact on the financial statements – HKFRS 9 and HKFRS 15 (collectively, the "New HKFRSs") (Continued)

(ii) HKFRS 15 Revenue from contracts with customers (Continued)

Revenue from the production and distribution of wine and Chinese baijiu

Under HKAS 18, revenue from sale of goods is generally recognised when the risks and rewards of ownership have passed to the customers. Under HKFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. Adoption of the new revenue standard does not have significant impact on the timing of revenue recognition.

(iii) Impact of the adoption of the New HKFRSs on financial statements

The impact on the Group's financial statements by adoptions of the New HKFRSs are as follows:

Consolidated statement of financial position (extract)

	As at 31 December 2017 HK$'000 (As previously reported)	Effect on reclassification HK$'000	**As at 1 January 2018 HK$'000 (Restated)**
Non-current assets			
Equity investment at fair value through other comprehensive income	–	1,719	**1,719**
Available-for-sale investment	1,719	(1,719)	**–**

The adoptions of the New HKFRSs have no impact to the Group's consolidated net assets as at 31 December 2017, and the condensed consolidated results, loss per Share (basic and diluted) and condensed consolidated cash flows for the period ended 30 June 2017.

4. REVENUE

	For the six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Casino business	**54,319**	34,415
Production and distribution of wine	**61,535**	65,547
Production and distribution of Chinese baijiu	**35,010**	30,501
	150,864	130,463

5. 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) casino business; (ii) development and operation of real estate, integrated resort and cultural tourism; (iii) production and distribution of wine; and (iv) production and distribution of Chinese baijiu. 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 2017.

5. 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 2018 and 2017:

	Casino business		Real estate, integrated resort and cultural tourism		Wine		Chinese baijiu		Total	
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)	**(Unaudited)**	(Unaudited)	**(Unaudited)**	(Unaudited)	**(Unaudited)**	(Unaudited)
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
				(Restated)						(Restated)
Segment revenue										
Revenue from external customers	**54,319**	34,415	**–**	–	**61,535**	65,547	**35,010**	30,501	**150,864**	130,463
Segment (loss) profit	**(3,749)**	(23,765)	**(6,165)**	(4,800)	**3,516**	4,533	**(4,631)**	(6,960)	**(11,029)**	(30,992)
Unallocated corporate income									**1,628**	882
Unallocated corporate expenses									**(8,392)**	(5,797)
Finance costs									**(1,903)**	(2,148)
Loss before taxation									**(19,696)**	(38,055)
Taxation									**(1,051)**	(755)
Loss for the period									**(20,747)**	(38,810)

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

The accounting policies of the reportable segments are the same as the Group's accounting policies. Revenue and expenses are allocated to the reportable segments with reference to revenue generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments. Segment results represented the profit earned or loss incurred by each segment without allocation of central administration costs, including directors' emoluments, 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.

5. 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 2018 and 31 December 2017:

	Casino business		Real estate, integrated resort and cultural tourism		Wine		Chinese baijiu		Total	
	2018 (Unaudited) HK$'000	2017 (Audited) HK$'000	**2018 (Unaudited) HK$'000**	2017 (Audited) HK$'000	**2018 (Unaudited) HK$'000**	2017 (Audited) HK$'000	**2018 (Unaudited) HK$'000**	2017 (Audited) HK$'000	**2018 (Unaudited) HK$'000**	2017 (Audited) HK$'000
Segment assets	**596,274**	609,993	**2,943,138**	2,951,572	**401,445**	426,860	**207,073**	217,303	**4,147,930**	4,205,728
Unallocated									**59,487**	47,545
									4,207,417	4,253,273
Segment liabilities	**39,076**	39,487	**272,892**	1,285,948	**90,973**	71,312	**75,503**	78,985	**478,444**	1,475,732
Unallocated									**1,195,696**	167,429
									1,674,140	1,643,161

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.

5. SEGMENT INFORMATION (CONTINUED)

(c) Geographical information

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

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

	Revenue from external customers		Non-current assets	
	For the six months ended 30 June			
			As at 30 June	As at 31 December
	2018	2017	**2018**	2017
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Audited)
	HK$'000	HK$'000	**HK$'000**	HK$'000
PRC (including Hong Kong)	**96,545**	96,048	**330,092**	337,498
South Korea	**54,319**	34,415	**1,257,727**	1,280,417
Australia	**–**	–	**2,762**	3,093
Canada	**–**	–	**–**	–
	150,864	130,463	**1,590,581**	1,621,008

6. LOSS FROM OPERATING ACTIVITIES

	For the six months ended 30 June	
	2018 **(Unaudited)** **HK$'000**	2017 (Unaudited) HK$'000 (Restated)
Loss from operating activities has been arrived at after charging:		
Staff costs, including directors' emoluments		
– Salaries and allowances	**43,841**	43,793
– Retirement benefit scheme contributions	**8,399**	5,753
Total staff costs	**52,240**	49,546
Amortisation of intangible assets	**312**	326
Amortisation of land use rights	**501**	258
Cost of inventories recognised as expenses	**40,051**	48,680
Loss on disposal of property, plant and equipment	**28**	647
Depreciation of property, plant and equipment	**10,438**	10,677
Share-based payments arising from grant of share options	**–**	1,468

7. TAXATION

	For the six months ended 30 June	
	2018 **(Unaudited)** **HK$'000**	2017 (Unaudited) HK$'000
PRC Corporate Income Tax	**1,051**	755

No provision for Hong Kong Profits Tax has been made for the six months ended 30 June 2018 (2017: Nil) as the Group has no assessable profits derived from Hong Kong for the period.

7. TAXATION (CONTINUED)

As at 30 June 2018, the Company had estimated unused tax losses of approximately HK$63,387,000 (31 December 2017: HK$134,088,000) available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams.

Subsidiaries established in the PRC are subject to a tax rate of 25% (2017: 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.

8. LOSS PER SHARE

The calculation of basic and diluted loss per Share are based on the loss for the period attributable to owners of the Company of approximately HK$14,626,000 and weighted average of 3,207,591,674 Shares in issue during the period (restated for the six months ended 30 June 2017: loss attributable to owners of the Company of HK$28,177,000 and 3,161,768,936 Shares in issue).

For the periods ended 30 June 2018 and 2017, the computations of diluted loss per Share assume 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 2018 and 2017 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 2018, the Group acquired items of property, plant and equipment at a total cost of approximately HK$7,104,000 (restated for the six months ended 30 June 2017: HK$38,965,000). Loss on disposal of property, plant and equipment was approximately HK$28,000 during the period (six months ended 30 June 2017: HK$647,000).

10. INTEREST IN AN ASSOCIATE

On 30 May 2017 (Toronto time), NSR Toronto Holdings Ltd., a wholly-owned subsidiary of the Company, acquired 49 shares in CIM Global Development Inc. ("**CIM Global**") at a consideration of Canadian dollars ("**CAD**") 49 (equivalent to approximately HK$298), representing 49% interests in CIM Global.

	As at 30 June 2018 (Unaudited) HK$'000	As at 31 December 2017 (Audited) HK$'000
Cost of investment in an associate	**–**	–
Share of post-acquisition loss, net of dividend received	**–**	–
	–	–

Both cost of investment in an associate and share of post-acquisition loss, net of dividends, were HK$298.

The Group's share of loss of CIM Global exceeded its cost of investment in CIM Global, there are no overall financial impact on the interim condensed consolidated income statement from the investment for the current period.

Particulars of the Group's associate as at 30 June 2018 and 31 December 2017 are as follows:

Name	Particulars of issued shares	Place of registration and business	Percent of owner interest	Principal activity
CIM Global	100 ordinary shares	Canada	49%	Property development and management

The Group's associate is accounted for using the equity method in the unaudited condensed interim financial statements.

11. STOCK OF PROPERTIES

	As at 30 June 2018 (Unaudited) HK$'000	As at 31 December 2017 (Audited) HK$'000
Properties under development, at cost	**1,838,284**	1,735,767

Properties under development represented the project cost, land acquisition cost, finance cost and other preliminary infrastructure costs in relation to the Group's property development projects situated in Australia and Canada. As at 30 June 2018 and 31 December 2017, the Group's freehold lands in Canada and Australia as included in the above properties under development were pledged as securities for the Group's borrowings.

12. TRADE AND BILLS RECEIVABLES

The Group generally allows an average credit period ranging from 30 to 90 days (31 December 2017: 30 to 90 days) to its trade customers. An aging analysis of trade and bills receivables is as follows:

	As at 30 June 2018 (Unaudited) HK$'000	As at 31 December 2017 (Audited) HK$'000
Within 30 days	**21,082**	4,762
More than 30 days and within 60 days	**374**	98
More than 60 days and within 90 days	**879**	66
More than 90 days and within 180 days	**424**	–
More than 180 days and within 360 days	**612**	–
More than 360 days	**–**	158
	23,371	5,084
Less: Impairment loss of trade and bills receivables	**–**	(158)
	23,371	4,926

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.

13. SHARE CAPITAL

	Number of Shares '000	Nominal Amount HK$'000
Ordinary Shares of HK$0.01 each		
Authorised:		
At 31 December 2017 and 30 June 2018	**16,000,000**	160,000
Issued and fully paid:		
At 31 December 2017 and 30 June 2018	**3,207,592**	32,076

14. TRADE PAYABLES

An aging analysis of trade payables is as follows:

	As at 30 June 2018 (Unaudited) HK$'000	As at 31 December 2017 (Audited) HK$'000
Within 90 days	**21,228**	42,921
More than 90 days and within 180 days	**5,882**	3,005
More than 180 days and within 360 days	**17,427**	11,342
	44,537	57,268

Trade payables are non interest-bearing and have an average credit term of four months (31 December 2017: four months).

15. RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in the unaudited condensed interim financial statements, the Group has entered into the following 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	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Sales of goods		
Yunnan Jinliufu Trading Limited *(Note i)*	**2,450**	7,445
VATS Chain Liquor Store Management Company Limited *(Note i)*	**–**	974
Service income		
MACRO-LINK International Investment Co, Ltd. *(Note ii)*	**1,580**	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.

The sale of goods made by the Group to Yunnan Jinliufu Trading Limited for the six months ended 30 June 2018 was conducted on normal commercial terms or better, which is a fully exempted continuing connected transaction of the Company under the Listing Rules.

The sales of goods made by the Group to these companies for the six months ended 30 June 2017 were carried out under the Jinliufu Agreement and Shangri-la Agreement both dated 4 December 2014 which were approved by the independent shareholders at the special general meeting of the Company held on 27 February 2015.

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	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Salaries and other short-term benefit	**1,371**	1,454

16. CAPITAL COMMITMENTS

	For the six months ended 30 June	
	As at 30 June 2018	As at 31 December 2017
	(Unaudited)	(Audited)
	HK$'000	HK$'000
Contracted but not provided for:		
In connection with the property development expenditure	**837,615**	887,437
In connection with acquisition of plant and equipment	**1,439**	1,724
	839,054	889,161

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 2018 and 2017, there were no transfers between the levels of fair value hierarchy.

18. EVENTS AFTER THE REPORTING PERIOD

On 13 October 2017, the Company entered into a sale and purchase agreement (as supplemented) with Paison Technology Group Ltd. ("**Paison Technology**"), pursuant to which, among other things, the Company conditionally agreed to acquire and Paison Technology conditionally agreed to sell the controlling right and the entire economic benefits of Shenzhen Niiwoo Financial Information Services Ltd. ("**Niiwoo Financial**") for a consideration of HK$1,411,800,000, which would be satisfied by allotment and issuance of 1,086,000,000 Shares (the "**Consideration Shares**") at the issue price of HK$1.30 per Share by the Company.

The completion of the acquisition took place on 1 August 2018. The issued share capital of the Company was increased from 3,207,591,674 Shares to 4,293,591,674 Shares as a result of the allotment and issuance of the Consideration Shares.

19. COMPARATIVE FIGURES

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

20. APPROVAL OF CONDENSED INTERIM FINANCIAL STATEMENTS

The condensed interim financial statements were approved and authorised for issue by the Board on 27 August 2018.

FINANCIAL INFORMATION

Revenue

The Group's revenue for the six months ended 30 June 2018 (the "**Period**") increased by 15.6% to approximately HK$150.9 million (six months ended 30 June 2017: HK$130.5 million) mainly due to the continuing growth of the casino business in South Korea.

Gaming revenue, which accounted for approximately 36.0% (six months ended 30 June 2017: 26.4%) of the Group's revenue, recorded a substantial increase of 57.8% to approximately HK$54.3 million (six months ended 30 June 2017: HK$34.4 million). The strong increase was driven by higher tourist turnover from China to Korea as Sino-Korean relationship gradually improved and the growth in the VIP gaming market as a result of successful promotion campaigns.

Confronted with competition from raft of imported wine products, the wine business, which accounted for approximately 40.8% (six months ended 30 June 2017: 50.2%) of the Group's revenue, experienced a 6.1% slight decline to approximately HK$61.5 million (six months ended 30 June 2017: HK$65.5 million).

Chinese baijiu market continues to pick up after years of adjustment. Market sentiment remains positive to support revenue growth. Being accounted for approximately 23.2% (six months ended 30 June 2017: 23.4%) of the Group's revenue, the Chinese baijiu business grew by 14.8% to approximately HK$35.0 million (six months ended 30 June 2017: HK$30.5 million).

Gross Profit

The Group's overall gross profit surged by 54.6% to approximately HK$73.6 million (six months ended 30 June 2017: HK$47.6 million).

Gross profit of the casino business soared by 193.7% to approximately HK$28.7 million (six months ended 30 June 2017: HK$9.8 million), the gross profit margin grew from 28.4% to 52.8% as compared with the same period last year. The increases in both gross profit and gross profit margin were mainly driven by the growth of VIP gaming operation. Most of the VIP guests were sourced by our house team with no share of wins, thus resulted in a higher gross profit margin.

Riding on the success of the new product mix, gross profit of the wine segment increased slightly by 3.9% to approximately HK$27.7 million (six months ended 30 June 2017: HK$26.7 million). Gross profit of Chinese baijiu segment also climbed by 54.2% to approximately HK$17.2 million (six months ended 30 June 2017: HK$11.2 million). Gross profit margin of the wine and Chinese baijiu segments grew by 4.4% to 45.1% (six months ended 30 June 2017: 40.7%) and by 12.5% to 49.1% (six moths ended 30 June 2017: 36.6%) respectively.

Other Revenue

Other revenue, mainly representing government subsidies granted by respective local finance departments in subsidising the Group's research and development in wine, decreased by 3.8% to approximately HK$12.6 million (restated for the six months ended 30 June 2017: HK$13.1 million).

Selling and Distribution Expenses

Selling and distribution expenses, which accounted for 24.9% (restated for the six moths ended 30 June 2017: 21.4%) of the Group's revenue, increased by 35.0% to approximately HK$37.6 million (restated for the six months ended 30 June 2017: HK$27.9 million). The increase was mainly due to more marketing and promotion activities for the wine and Chinese baijiu operations.

Administrative and Other Operating Expenses

Administrative and other operating expenses mainly consisted of management staff salaries, office rental, professional fees and other operating expenses. During the Period, administrative and operating expenses decreased slightly by 1.4% to approximately HK$66.4 million (restated for the six months ended 30 June 2017: HK$67.3 million).

Loss Before Tax

The Group's loss before tax fell by 48.2% to approximately HK$19.7 million (restated for the six months ended 30 June 2017: HK$38.1 million).

Taxation

Current income tax expense for the Period increased by 39.2% to approximately HK$1.1 million (six months ended 30 June 2017: HK$0.8 million).

Loss Attributable to Owners of the Company

Taking into account of the aforementioned reasons, loss after tax for the Period declined by 46.5% to approximately HK$20.7 million (restated for the six months ended 30 June 2017: HK$38.8 million). Loss attributable to owners of the Company narrowed down by 48.1% to approximately HK$14.6 million (restated for the six months ended 30 June 2017: HK$28.2 million). Basic loss per Share attributable to owners of the Company reduced by 48.3% to HK0.46 cent (restated for the six months ended 30 June 2017: HK0.89 cent).

Balance Sheet Analysis

Total assets of the Group, which consisted of non-current assets of approximately HK$1,590.6 million (31 December 2017: HK$1,621.0 million) and current assets of approximately HK$2,616.8 million (31 December 2017: HK$2,632.3 million), decreased slightly by 1.1% to approximately HK$4,207.4 million (31 December 2017: HK$4,253.3 million).

Total liabilities which included current liabilities of approximately HK$565.3 million (31 December 2017: HK$469.0 million) and non-current liabilities of approximately HK$1,108.9 million (31 December 2017: HK$1,174.2 million), increased slightly by 1.9% to approximately HK$1,674.2 million (31 December 2017: HK$1,643.2 million) mainly due to the increase in bank and other borrowings.

INTERIM DIVIDEND

The Board does not recommend payment of any interim dividend for the Period (six months ended 30 June 2017: Nil).

LIQUIDITY AND FINANCIAL RESOURCES

The Group's sources of fund were generated from operating activities, advances from immediate holding company as well as facilities provided by financial institutions. As at 30 June 2018, the Group had cash and cash equivalents of approximately HK$196.8 million (31 December 2017: HK$334.2 million).

As at 30 June 2018, bank and other borrowings increased substantially by 151.6% to approximately HK$407.8 million (31 December 2017: HK$162.1 million) mainly to fund the development of real estate projects.

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

PLEDGE OF ASSETS

As at 30 June 2018, the Group had pledged its land, property, plant and equipment with a total carrying value amounting to approximately HK$29.9 million (31 December 2017: HK$28.8 million) to secure general banking facilities granted. In addition, the Group had pledged several lands located in Markham, Ontario, Canada and Sydney, Australia with aggregate value of approximately HK$1,838.3 million in favour of certain financial institutions to obtain loans for land development.

CONTINGENT LIABILITIES

As at 30 June 2018, the Group had provided guarantees in an aggregate amount of approximately HK$211.4 million (31 December 2017: HK$221.4 million) to a financial institution in Canada in favour of its non-wholly-owned subsidiary in respect of a mortgage loan for re-financing and pre-construction of the real estate project located at Markham, Ontario, Canada.

EXPOSURE TO FLUCTUATION IN EXCHANGE RATES

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

The functional currency of the Group's subsidiaries in the PRC is RMB whereas the functional currencies of the Group's subsidiaries in South Korea, Canada and Australia are in KRW, CAD and AUD respectively. 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 carry out 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

In October 2017, the Company announced the proposed acquisition of the controlling right and the entire economic benefits of Niiwoo Financial via a set of variable interest entity contracts at a consideration of HK$1,411.8 million to be satisfied by the allotment and issuance of 1,086,000,000 Shares at an issue price of HK$1.30 per Share. The acquisition was completed on 1 August 2018.

Details of the transaction were set out in the circular and the announcement of the Company dated 29 June 2018 and 1 August 2018 respectively.

EMPLOYEE INFORMATION AND EMOLUMENT POLICY

As at 30 June 2018, the Group employed a total of 1,016 (31 December 2017: 1,059) full time employees, of which 437 staffs were related to sales and marketing, 260 staffs were related to production, 107 staffs were related to management and 212 staffs 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 in various jurisdictions.

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 related to a slot machine leasing agreement signed on 10 March 2013 with Global Game Co., Ltd. ("**Global Game**"), allegedly in violation of the Tourism Promotion Act in Korea (the"**First Case**"). Global Game also filed a civil lawsuit against MegaLuck in 2016 claiming for damages up to KRW3,000 million (equivalent to about HK$20 million) (the "**Second Case**"). The Company has engaged its Korean legal representatives to contest both cases.

The court hearing for the First Case has been commenced but delayed in several occasions as the prosecutors' witnesses had failed to attend. As at the date of this report, the First Case is still pending.

The judgement of the Second Case had ruled that MegaLuck shall pay a damage of approximately KRW89 million (equivalent to about HK$630,000) to Global Game. However, Global Game has filed an appeal against the judgement with the Jeju District Court and the hearing date is still pending as at the date of this report.

USE OF PROCEEDS FROM THE OPEN OFFER

In January 2017, the Company completed the open offer on the basis of two offer shares for every five Shares held and raised net proceeds of approximately HK$1,446.0 million (the "**Net Proceeds**").

As stated in the prospectus of the Company dated 14 December 2016, the Company intended to use the Net Proceeds (i) as to about HK$576.5 million to repay the indebtedness of the Group due to MIL and its concert parties; (ii) as to HK$84.0 million to repay other indebtedness of the Group; (iii) as to HK$100.0 million for the development of the Group's casino business in Seoul, Jeju and Macau; (iv) as to HK$430.0 million for the acquisition of land bank reserve; (v) as to HK$200.0 million for the preliminary land development of the Glorious Hill project; and (vi) as to the remaining HK$55.5 million for general working capital of the Group.

As announced by the Company dated 31 May 2017 and 29 September 2017, the use of Net Proceeds was re-allocated to cater for investments in the Mackenzie Creek project and the Opera Residence project.

Approximately HK$1,325.1 million from the Net Proceeds was utilised in 2017, of which (i) approximately HK$595.1 million was used for the repayment of the indebtedness due to MIL and its concert parties; (ii) approximately HK$184.0 million was used for the payment of the subscription of 51 units in each of CIM Development (Markham) LP and CIM Commercial LP in relation to the Mackenzie Creek project in Markham, Ontario, Canada; and (iii) approximately HK$546.0 million was used for the payment of the subscription of 104 redeemable preference shares of MAI and the provision of a loan in relation to the Opera Residence project in Sydney, Australia. As at 1 January 2018, the balance of unutilised Net Proceeds was approximately HK$120.9 million.

During the Period, further amount of approximately HK$37.0 million from the Net Proceeds was utilised for general working capital of the Group as intended. The remaining balance of approximately HK$83.9 million is intended to be used for repayment of other indebtedness of the Group in the second half of this year as originally disclosed.

ECONOMIC OUTLOOK

Though the first half of 2018 is still standing on a growth rate above China's 6.5% annual economic growth target, the Chinese economy has experienced the weakest pace of expansion since the third quarter of 2016 amid intensifying "U.S.-China Trade Battle" and efforts to deleverage debt and financial risks. Trade tensions between the world's two biggest economies crossed swords leaving a chunk of Hong Kong's economy hanging in the balance. The pace of U.S. central bank monetary tightening and the international trading environment have resulted in continued currency volatility. Market uncertainties lead to degree of low confidence. Economic growth could be substantially affected if the trade war persists or escalates.

However, operating conditions including consumer confidence and consumer spending remained solid in most of the markets in which the Group operates. As a result, the Group still managed to deliver steady growth in our core businesses.

OPERATION REVIEW

Revenue of the Group during the Period increased by 15.6% to approximately HK$150.9 million (30 June 2017: HK$130.5 million) with accretive contribution from the casino business. Though still in a loss position, the Group's loss attributable to shareholders for the Period has narrowed down significantly by 48.1% to approximately HK$14.6 million (restated on 30 June 2017: HK$28.2 million). Loss per Share for the Period was amounted to HK0.46 cent (restated on 30 June 2017: HK0.89 cent).

Niiwoo Financial

Business environments and conditions are never stagnant especially with the evolving technological development. To keep pace with the market and with the objective to broaden the Group's income stream to sustain business diversification and growth, in late 2017, the Company had made its first move to step into the growing P2P finance sector in China with the acquisition of the controlling right and the entire economic interests of Niiwoo Financial. This acquisition was finally approved by the Company's shareholders at the special general meeting held on 30 July 2018 and was completed in August 2018. The PRC Government has initiated the "Interim Measures for the Administration of the Business Activities of Online Lending Information Intermediary Institutions" (the "**Interim Measures**") in order to strengthen the supervision and administration of the business activities of online lending institutions and to promote sound development of the online lending industry. As mentioned in our circular dated 29 June 2018, Niiwoo Financial is ready to follow the Interim Measures' guidelines to obtain a business license for its operation as soon as the application window is opened. We have confidence that after the required license has been obtained, Niiwoo Financial will be one of the core operations that drive the growth of our revenue and profits.

Jejiu Operation – MegaLuck and Glorious Hill

Since the second quarter, there was an upward trend in the number of flights and tourists from China visiting Jeju, South Korea. This was encouraging and a welcome relief to the entire tourism industry in Jeju after years of downward trend resulting from the THAAD (Terminal High Altitude Area Defense). Driven by the favourable sentiment, the revenue from our MegaLuck casino increased substantially by 57.8% to approximately HK$54.3 million (30 June 2017: HK$34.4 million) during the Period and we shall see this trend to continue to the end of the year.

The development approval of our Glorious Hill resort had passed the provincial congress and we believe it will not be long before the final approval be granted. Further information will be announced when this has been achieved.

Real Estate Operation – Opera Residence and Mackenzie Creek Projects

The development of our landmark project, Opera Residence, in Sydney, Australia is well on track. Demolishing of the old commercial building has almost been completed. Followed the marketing success achieved from the sales of the residential apartments, the commercial floors were also been sold, which bring the total contract sales to a record high of AUD565.4 million (equivalent to approximately HK$3,276.4 million).

Our Mackenzie Creek project has experienced a delay due to slack momentum in the Canadian real estate market. Sales was not picked up as expected and we will need to revisit the marketing strategy to promote sales in the second half of the year.

Wine and Baijiu Operation

Driven by stable economy and improving consumer sentiment, the winery market in China has been picking up steadily as we see our wine and baijiu business show signs of improvement during the Period. Customers are also changing; with the rise of middle class and millennials, increasing urbanization leading to a stable demand growth, along with the rapid shift in their preferences. This division will continue to pursue cost saving initiatives as well as strengthening strategic alliances with distributors in order to maximise profits from an expected modest growth.

OUTLOOK

Operating against a backdrop of an uncertain economy, the Group focused on its core strengths to deliver increased revenue during the Period. Although the change of business cycles will come and go, we are confident in our ability to adapt and evolve to meet business challenges. We believe that the Chinese government will deploy increased measures to vitalise domestic consumption and to secure a decisive victory in keeping the pace of its targeted economic development. We are fully confident and optimistic about the long-term prospects of our investments and are ready to reap the fruits of success.

DISCLOSURE OF INTERESTS

(a) Interests of Directors

As at 30 June 2018, 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

		No. of Shares/underlying shares held in the Company			
Name of Directors	Nature of interest	Interest in Shares	Interest in underlying shares pursuant to share options	Total interests	Approximate percentage of issued share capital
Mr. Su Bo	Beneficial owner	–	11,775,600	11,775,600	0.37%
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 2018, 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 2018, 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 Beneficial owner	1,973,439,079 10,000,000	61.52% 0.31%
Cheung Shek Investment Company Limited	*2,5*	Controlled corporation	1,973,439,079	61.52%
Ms. Xiao Wenhui	*5*	Controlled corporation Beneficial owner	1,973,439,079 6,010,000	61.52% 0.19%

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 93.40% by Cheung Shek Investment Company Limited, as to 2.83% by Mr. Fu Kwan and as to the remaining 3.77% by five 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 2018, 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. Details of outstanding share options at the beginning and at the end of the Period which have been granted under the 2012 Scheme were set out below:

	Options to subscribe for Shares							
Name and category of participants	Date of grant	Exercise period	Exercise price per Share HK$	Balance as at 01/01/2018	Granted during the Period	Exercised during the Period	Cancelled/ lapsed during the Period	Balance as at 30/06/2018
Directors								
Mr. Su Bo	04/07/2016	04/07/2016 to 03/07/2026	2.0381	11,775,600	–	–	–	11,775,600
Mr. Ng Kwong Chue, Paul	04/07/2016	04/07/2016 to 03/07/2026	2.0381	7,850,400	–	–	–	7,850,400
Mr. Zhang Jian	04/07/2016	04/07/2016 to 03/07/2026	2.0381	7,850,400	–	–	–	7,850,400
Mr. Hang Guanyu	04/07/2016	04/07/2016 to 03/07/2026	2.0381	7,850,400	–	–	–	7,850,400
Mr. Liu Huaming	04/07/2016	04/07/2016 to 03/07/2026	2.0381	7,850,400	–	–	–	7,850,400
Other employees or participants	04/07/2016	04/07/2016 to 03/07/2026	2.0381	95,186,100	–	–	–	95,186,100
	31/03/2017	31/03/2017 to 30/03/2027	2.0000	3,000,000	–	–	–	3,000,000
Substantial shareholder								
Mr. Fu Kwan	31/03/2017	31/03/2017 to 30/03/2027	2.0000	10,000,000	–	–	–	10,000,000
Total				**151,363,300**	**–**	**–**	**–**	**151,363,300**

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 annual general meeting of the Company held on 4 June 2018 (the "**2018 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 2018 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 2018 AGM, and the chairmen of the Audit Committee and Remuneration Committee of the Company, and the auditors attended the 2018 AGM to answer any questions from the shareholders. The Company considers that their presence is sufficient for effective communication with shareholders at the 2018 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 unaudited condensed consolidated interim financial information of the Group for the six months ended 30 June 2018 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 has discussed internal control, risk management and financial reporting matters of the Group.

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

Hong Kong, 27 August 2018