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

(Incorporated in Bermuda with limited liability)

(Stock Code: 472)

**DISCLOSEABLE TRANSACTION:
DISPOSAL OF THE MACKENZIE CREEK SECURITIES**

DISPOSAL

The Board is pleased to announce that on 10 October 2019 (Toronto time), NSR Toronto, an indirect wholly-owned subsidiary of the Company, entered into the Securities Purchase Agreement. Pursuant to the Securities Purchase Agreement, NSR Toronto and the CIM Vendors shall, among other things, dispose of the Mackenzie Creek Securities for an aggregate cash consideration of CAD41,700,000 (equivalent to approximately HK\$246,864,000).

LISTING RULES IMPLICATION

As one or more of the applicable percentage ratios in respect of the Disposal exceed 5% but are less than 25%, the Disposal constitutes a discloseable transaction of the Company under the Listing Rules. The Disposal is therefore subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

Shareholders and potential investors of the Company should note that NSR Toronto has received a Notice of Motion dated 3 October 2019 from the CIM Vendors for, among other matters, an interim and interlocutory injunction restraining NSR Toronto from entering into the Securities Purchase Agreement and transferring the Mackenzie Creek Securities to a third party. While this proceeding introduces uncertainty on the transactions contemplated by the Securities Purchase Agreement, NSR Toronto, having received advice from the Canadian legal counsel, is cautiously optimistic that this proceeding will not succeed on the grounds that: (i) NSR Toronto has rigorously adhered to the Put Option Agreement in pursuing its rights and remedies; and (ii) the terms of the Securities Purchase Agreement were arrived at after arm's length negotiation between the parties and at a market price. For these reasons, NSR Toronto is vigorously opposing the proceeding. Accordingly, Closing is subject to the outcome of the proceeding and the fulfillment and/or waiver of the conditions to the Securities Purchase Agreement, and consequently the Disposal may or may not proceed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares or other securities (if any) of the Company. Further announcement will be made by the Company on any material development of the proceeding.

THE DISPOSAL

The Board is pleased to announce that on 10 October 2019 (Toronto time), NSR Toronto, an indirect wholly-owned subsidiary of the Company, entered into the Securities Purchase Agreement. Pursuant to the Securities Purchase Agreement, NSR Toronto and the CIM Vendors shall, among other things, dispose of the Mackenzie Creek Securities for an aggregate cash consideration of CAD41,700,000 (equivalent to approximately HK\$246,864,000). The major terms of the Securities Purchase Agreement are set out below.

The Securities Purchase Agreement

Date: 10 October 2019

Parties: (i) NSR Toronto, an indirect wholly-owned subsidiary of the Company;

(ii) the CIM Vendors (together with NSR Toronto as vendors); and

(iii) the Purchaser (as purchaser).

To the best of the knowledge, information and belief of the Directors and having made all reasonable enquiries: (i) the Purchaser is a corporation incorporated under the laws of Ontario, which is engaged in real estate development in Toronto, Canada, and together with its ultimate beneficial owners, are third parties independent of and not connected with the Company or its connected persons; and (ii) the CIM Vendors, being other shareholder(s) of the MC Entities, are connected persons of the Company at subsidiary level. Pursuant to the power of attorney granted by the CIM Vendors to NSR Toronto under the Put Option Agreement, NSR Toronto has executed the Securities Purchase Agreement on behalf of the CIM Vendors.

Assets to be disposed

The Mackenzie Creek Securities, which comprises:

- (i) all of the limited partnership Units issued and outstanding in the Residential LP;
- (ii) all of the limited partnership Units issued and outstanding in the Commercial LP;
- (iii) all the issued and outstanding shares of the Residential GP;
- (iv) all the issued and outstanding shares of the Commercial GP; and
- (v) all the issued and outstanding shares of CIM Global.

As at the date of this announcement, NSR Toronto is the beneficial owner of 51% of the Units and/or shares in each of the Residential LP, the Commercial LP, the Residential GP and the Commercial GP, and 49% of CIM Global. The Nominee is wholly-owned by the Commercial GP.

Consideration

The Consideration for all of the Mackenzie Creek Securities to be sold by NSR Toronto and the CIM Vendors is CAD41,700,000 (equivalent to approximately HK\$246,864,000), which was arrived at after arm's length negotiations between the parties to the Securities Purchase Agreement on normal commercial terms and determined with reference to, among others, (i) the bidding prices received through public tender; (ii) an independent valuation on the Mackenzie Creek Project by an independent valuer; (iii) the undertaking of aggregate outstanding debts and other liabilities of the MC Entities of not less than approximately CAD46,600,000 (equivalent to approximately HK\$275,872,000) by the Purchaser; and (iv) the settlement terms of the transaction contemplated under the Securities Purchase Agreement taken as a whole.

The Consideration shall be settled by the Purchaser in the following manner:

- (i) the Purchaser shall, within two (2) Business Days after execution of the Securities Purchase Agreement by NSR Toronto, submit a cheque in the amount of CAD500,000 (equivalent to approximately HK\$2,960,000) (the “**First Deposit**”), payable to the Purchaser's solicitor acting as escrow agent (the “**Escrow Agent**”);
- (ii) the Purchaser shall, within two (2) Business Days after the Purchaser is satisfied with the result of the due diligence contemplated under the Securities Purchase Agreement (the “**Due Diligence Conditions**”) or otherwise waived, pay to the Escrow Agent an additional CAD750,000 (equivalent to approximately HK\$4,440,000) (the “**Second Deposit**”); and
- (iii) the balance of the Consideration shall be settled by the Purchaser in cash to NSR Toronto upon Closing and the Escrow Agent shall release the First Deposit and the Second Deposit to NSR Toronto as partial settlement of the Consideration upon Closing.

Pursuant to the Securities Purchase Agreement, the Consideration shall be subject to post-Closing adjustments according to the following formula:

- (i) if the working capital of the Mackenzie Creek Project, which is the sum of all short term assets, including amounts held in the bank accounts of the MC Entities minus the short term liabilities under 60 days due and payable, as at Closing:
 - (a) is more than CAD9,000,000 (equivalent to approximately HK\$53,280,000) (the “**Target Working Capital**”) by more than CAD50,000 (equivalent to approximately HK\$296,000), the Consideration will be increased, dollar for dollar, by the amount of the difference; or
 - (b) is less than the Target Working Capital by more than CAD50,000 (equivalent to approximately HK\$296,000), the Consideration will be decreased, dollar for dollar, by the amount of the difference;
- (ii) if the long term indebtedness of the Mackenzie Creek Project as at Closing:
 - (a) is more than CAD27,500,000 (equivalent to approximately HK\$162,800,000) (the “**Target Long Term Indebtedness**”) by more than CAD50,000 (equivalent to approximately HK\$296,000), the Consideration will be decreased, dollar for dollar, by the amount of the difference; or
 - (b) is less than the Target Long Term Indebtedness by more than CAD50,000 (equivalent to approximately HK\$296,000), the Consideration will be increased, dollar for dollar, by the amount of the difference; and
- (iii) the Consideration will be increased by the amount which, prior to the Closing Date, NSR Toronto (or an entity related to NSR Toronto) provides to the MC Entities so that the MC Entities can satisfy the refund for the cancellation of the pre-sales contracts together with any costs associated with the refund.

Any payment arising from the adjustment above together with interest on that amount at the agreed interest rate (i.e. the commercial prime rate of the Bank of Montreal plus 3% per annum) shall be settled in cash by the Purchaser (if the Consideration is increased) or by the Vendors (if the Consideration is decreased) after the consolidated balance sheet of the Mackenzie Creek Project as at the Closing Date is prepared by the Purchaser (which shall be within 90 days following the Closing Date) and reviewed by NSR Toronto (which shall have 30 days to review). The Company does not anticipate a material upward adjustment to the Consideration after Closing.

As contemplated in the Put Option Agreement, the aggregate proceeds from the sale of the Mackenzie Creek Securities shall be applied as follows:

- (i) firstly, as payment to NSR Toronto in an amount equal to the amount invested by NSR Toronto for the Mackenzie Creek Securities together with an interest calculated by a multiple of 0.15 to the number of days from 30 May 2017 (Toronto time), being the date when NSR Toronto became the beneficial owner of the Mackenzie Creek Securities, up to and including the Closing Date divided by 360 (the “**Interest**”); and
- (ii) secondly, the balance to each of the CIM Vendors based on their *pro rata* share of the proceeds for the Mackenzie Creek Securities.

Due Diligence

The Purchaser shall conduct due diligence on the Mackenzie Creek Project after NSR Toronto has signed the Securities Purchase Agreement for a period of 30 days, or with the option, in the Purchaser’s sole and absolute discretion, to extend a period of not more than fifteen (15) days. Upon the end of the 30 days period or the extended period, if the Purchaser is satisfied with the Due Diligence Conditions or otherwise waives any such conditions, the Purchaser shall pay to the Escrow Agent the Second Deposit within two (2) Business Days. In the event that the Purchaser is not satisfied with the Due Diligence Conditions, the Securities Purchase Agreement shall become null and void and the First Deposit shall be returned to the Purchaser together with any interest accrued thereon. However, in the event that the Due Diligence Conditions have been accepted or waived by the Purchaser, the First Deposit and the Second Deposit shall not be refundable unless the transaction fails to close for reasons attributable to the CIM Vendors or NSR Toronto.

Closing Conditions

Closing is conditional upon the fulfilment of the following conditions on or before the Closing Date:

- (a) all the representations and warranties of the Vendors made in or pursuant to the Securities Purchase Agreement are materially true and correct;
- (b) the Vendors shall have complied with and shall have caused the MC Entities to have complied with and to have fully performed all their respective covenants and agreements contained in the Securities Purchase Agreement to be performed or caused to be performed by them at or prior to the Closing;
- (c) receipt of all documents relating to the due authorisation and completion of the sale and purchase of the Mackenzie Creek Securities by the Purchaser;
- (d) the certificate of pending litigation which has been registered against the Mackenzie Creek Project be removed;
- (e) there shall be no action or injunction or restraining order issued delaying, restricting or preventing, and no pending or threatened claim, or judicial or administrative proceeding, or investigation against any party by any person, for the purpose of enjoining or delaying, restricting or preventing the consummation of the transactions

contemplated under the Securities Purchase Agreement or otherwise claiming that the Securities Purchase Agreement or the consummation of such transactions is improper or would give rise to proceedings under any law;

- (f) no material damage by fire or other hazard to the assets of the MC Entities;
- (g) there shall have been no material adverse change in the assets (tangible or otherwise), business, financial condition or prospects of the MC Entities since the date of the Securities Purchase Agreement;
- (h) resignations of all current directors or officers of the MC Entities;
- (i) the release of all collateral obligations of the Vendors to third parties;
- (j) receipt of the necessary consents from third parties in relation to the transactions contemplated under the Securities Purchase Agreement; and
- (k) the Purchaser is in compliance with its obligations under the Securities Purchase Agreement, including the payment of the First Deposit, the Second Deposit and the balance of the Consideration.

Closing

Closing shall take place, no later than 30 October 2019 (Toronto time) on the first Business Day following the fifteenth (15th) day after the date that the Purchaser is satisfied with the Due Diligence Conditions or on such other date as the Purchaser and Vendors may agree upon in writing, unless the certificate of pending litigation contemplated in closing condition (d) above or any other litigation has not been removed prior to Closing, in which NSR Toronto shall have the right to extend the Closing Date by up to six months.

INFORMATION ON THE MC ENTITIES

The MC Entities were formed exclusively and specifically for the purpose of the development and leasing or selling of residential units and commercial complex of the Mackenzie Creek Project. The Mackenzie Creek Project has two phases, with the first phase comprising 195 townhouses and the second phase of no less than 500 residential condominiums and a commercial shopping centre.

The Group acquired its equity interests in the Mackenzie Creek Project in May 2017 through a series of agreements (including but not limited to the Put Option Agreement) for the subscription of Units in the MC Entities (details of which were disclosed in the announcement of the Company dated 31 May 2017).

The MC Entities comprise: (a) the Residential LP, (b) the Commercial LP, (c) the Residential GP, (d) the Commercial GP, (e) CIM Global and (f) the Nominee.

- (a) The Residential LP is a limited partnership formed under the Limited Partnerships Act (Ontario). Immediately prior to Closing, the Units of the Residential LP were beneficially owned as to 51% by NSR Toronto and 49% by CIM LP.

- (b) The Commercial LP is a limited partnership formed under the Limited Partnerships Act (Ontario). Immediately prior to Closing, the Units of the Commercial LP were beneficially owned as to 51% by NSR Toronto and 49% by CIM LP.

Each of the Residential LP and the Commercial LP is the beneficial owner of the land located at 5899 Major Mackenzie Drive East, Markham, Ontario, Canada (for residential development) and 9900 Markham Road, Markham, Ontario, Canada (for commercial and residential uses) respectively.

- (c) The Residential GP is a corporation incorporated under the laws of Ontario, Canada and is the general partner of the Residential LP to manage the operations and affairs of the Residential LP and to make all decisions regarding the activities of the Residential LP. Immediately prior to the Closing, the Residential GP is owned as to 51% by NSR Toronto and 49% by CIM GP Shareholder.
- (d) The Commercial GP is a corporation incorporated under the laws of Ontario, Canada and is the general partner of the Commercial LP to manage the operations and affairs of the Commercial LP and to make all decisions regarding the activities of the Commercial LP. Immediately prior to the Closing, the Commercial GP is owned as to 51% by NSR Toronto and 49% by CIM GP Shareholder.
- (e) CIM Global is the project manager to manage the development and construction of the Mackenzie Creek Project. Immediately prior to the Closing, CIM Global is owned as to 51% by CIM Homes and 49% by NSR Toronto.
- (f) The Nominee is a corporation incorporated under the Canada Business Corporations Act and is the registered owner of the land located at 5899 Major Mackenzie Drive East, 9900 Markham Road, Markham, Ontario, Canada as a bare nominee and trustee for the Residential LP and the Commercial LP. Immediately prior to the Closing, the Nominee is wholly-owned by the Commercial GP.

The audited combined financial results of the MC Entities for the two financial years ended 31 December 2017 and 2018 prepared based on generally accepted accounting principles in Hong Kong are summarised below:

	For the year ended 31 December 2018 HK\$'000	For the year ended 31 December 2017 HK\$'000
Loss before tax	(2,360)	(4,982)
Loss after tax	(2,360)	(4,982)

The unaudited combined net asset value of the MC Entities attributable to the Company as at 30 June 2019 were approximately HK\$184,320,000.

REASONS FOR THE DISPOSAL

The Company is an investment holding company and its subsidiaries are principally 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 PRC.

As disclosed in the circular of the Company dated 5 July 2019 and the interim report of the Company for the six months ended 30 June 2019, given an uncertain real estate market in Toronto, Canada and the stagnant development progress of the Mackenzie Creek Project, sales of the residential properties have not been progressing as expected. The Board considers the Disposal to be an opportunity for the Company to unlock its investment in the Mackenzie Creek Project and to safeguard the interests of the Shareholders as a whole. The Consideration, which exceeds the initial investment costs of the Company in the Mackenzie Creek Project, would render a reasonable return to the Company. The Directors are of the view that the terms of the Securities Purchase Agreement have been negotiated on an arm's length basis, are on normal commercial terms and the Disposal is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

FINANCIAL IMPLICATION

Assuming the Disposal had been completed on 30 June 2019, the amount of which the Company would be entitled after taking into account of the Interest is expected to be approximately CAD41,791,000 (equivalent to approximately HK\$247,403,000) (the “**Entitlement**”). As the gross proceeds from the Disposal are less than the Entitlement, the gross proceeds from the Disposal will be fully allocated to the Company and the net proceeds (after deducting transaction costs and professional expenses) are expected to be approximately HK\$241,864,000. The Company is expected to recognise a gain of approximately HK\$57,540,000 with reference to the Consideration, the estimated transaction costs and the combined net asset value of the MC Entities attributable to the Company as at 30 June 2019.

Immediately after Closing, the Company will cease to have any interests in any of the MC Entities and all the results, assets and liabilities of the Residential LP, Commercial LP, Residential GP, Commercial GP and the Nominee will no longer be consolidated into the Group's financial reports.

USE OF PROCEEDS FROM THE DISPOSAL

The Group intends to use the net proceeds from the Disposal to strengthen the general working capital of the Group.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios in respect of the Disposal exceed 5% but are less than 25%, the Disposal constitutes a discloseable transaction of the Company under the Listing Rules. The Disposal is therefore subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

Shareholders and potential investors of the Company should note that NSR Toronto has received a Notice of Motion dated 3 October 2019 from the CIM Vendors for, among other matters, an interim and interlocutory injunction restraining NSR Toronto from entering into the Securities Purchase Agreement and transferring the Mackenzie Creek Securities to a third party. While this proceeding introduces uncertainty on the transactions contemplated by the Securities Purchase Agreement, NSR Toronto, having received advice from the Canadian legal counsel, is cautiously optimistic that this proceeding will not succeed on the grounds that: (i) NSR Toronto has rigorously adhered to the Put Option Agreement in pursuing its rights and remedies; and (ii) the terms of the Securities Purchase Agreement were arrived at after arm's length negotiation between the parties and at a market price. For these reasons, NSR Toronto is vigorously opposing the proceeding. Accordingly, Closing is subject to the outcome of the proceeding and the fulfillment and/or waiver of the conditions to the Securities Purchase Agreement, and consequently the Disposal may or may not proceed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares or other securities (if any) of the Company. Further announcement will be made by the Company on any material development of the proceeding.

DEFINITIONS

Unless the context otherwise requires, the following expressions shall have the meanings set out below:

“Board”	the board of Directors
“Business Day”	any day other than a day which is a Saturday, a Sunday or a statutory holiday in Ontario, Canada
“CAD”	Canadian dollar, the lawful currency of Canada
“CIM Global”	CIM Global Development Inc., a corporation incorporated under the laws of Ontario, Canada which immediately prior to Closing, is owned as to 49% by NSR Toronto and 51% by CIM Homes and is the project manager to manage the development and construction of the Mackenzie Creek Project
“CIM GP Shareholder”	10184861 Canada Inc., a company incorporated under the Canada Business Corporations Act, being the shareholder interested in 49% of each of the Residential GP and the Commercial GP immediately prior to Closing
“CIM Homes”	CIM Homes Inc., a company incorporated under the Canada Business Corporations Act, being the shareholder interested in 51% of CIM Global immediately prior to Closing

“CIM LP”	CIM Mackenzie Creek Limited Partnership, a limited partnership formed under the Limited Partnerships Act (Ontario), being the shareholder interested in 49% of each of the Residential LP and the Commercial LP immediately prior to Closing
“CIM Vendors”	collectively, CIM GP Shareholder, CIM LP and CIM Homes
“Closing”	completion of transactions contemplated under the Securities Purchase Agreement
“Closing Date”	the date, no later than 30 October 2019 (Toronto time), being the first Business Day following the fifteenth (15th) day after the date that the Purchaser is satisfied with the Due Diligence Conditions or on such other date as the Purchaser and Vendors may agree in writing
“Commercial GP”	CIM Mackenzie Creek Commercial GP Inc., a corporation incorporated under the laws of Ontario, Canada which immediately prior to Closing, is owned as to 51% by NSR Toronto and 49% by CIM GP Shareholder and is the general partner of the Commercial LP to manage the operations and affairs of the Commercial LP and to make all decisions regarding the activities of the Commercial LP
“Commercial LP”	CIM Commercial LP, a limited partnership formed under the Limited Partnerships Act (Ontario) which immediately prior to Closing, is owned as to 51% by NSR Toronto and 49% by CIM LP
“Company”	New Silkroad Culturaltainment Limited, a company incorporated in Bermuda with limited liability, the issued Shares of which are listed on the Main Board of the Stock Exchange
“connected person(s)”	has the meaning ascribed to it in the Listing Rules
“Consideration”	CAD41,700,000 (equivalent to approximately HK\$246,864,000)
“Director(s)”	director(s) of the Company
“Disposal”	the disposal of the Mackenzie Creek Securities pursuant to the Securities Purchase Agreement
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mackenzie Creek Project”	the residential and commercial development located on Major Mackenzie Drive East, Markham, Ontario, Canada
“Mackenzie Creek Securities”	collectively, (i) all of the limited partnership Units issued and outstanding in the Residential LP and the Commercial LP and (ii) all the issued and outstanding shares of the Residential GP, the Commercial GP and CIM Global
“MC Entities”	collectively, the Commercial LP, the Commercial GP, the Residential LP, the Residential GP, CIM Global and the Nominee
“Nominee”	CIM Mackenzie Creek Inc., a corporation incorporated under the Canada Business Corporations Act which immediately prior to Closing, is wholly-owned by the Commercial GP and is the registered owner of the land located on Major Mackenzie Drive East, Markham, Ontario, Canada as a bare nominee and trustee for the Residential LP and the Commercial LP
“NSR Toronto”	NSR Toronto Holdings Ltd., a company incorporated under the Business Corporations Act and an indirect wholly-owned subsidiary of the Company
“PRC”	People’s Republic of China, which for the purpose of this announcement, shall exclude Hong Kong, Taiwan and Macau Special Administrative Region of the PRC
“Purchaser”	Sunny Development Holdings Inc., a corporation incorporated under the laws of Ontario, is an independent third party and the purchaser of the Mackenzie Creek Securities under the Securities Purchase Agreement
“Put Option Agreement”	the put option agreement, made as at 30 May 2017 (Toronto time), among CIM GP Shareholder, CIM LP, CIM Homes, Mr. Jiubin Feng and NSR Toronto, being one of the agreements entered on 30 May 2017 as a condition for subscription to the MC Entities by NSR Toronto
“Residential GP”	CIM Mackenzie Creek Residential GP Inc., a corporation incorporated under the laws of Ontario, Canada which immediately prior to Closing, is owned as to 51% by NSR Toronto and 49% by CIM GP Shareholder and is the general partner of the Residential LP to manage the operations and affairs of the Residential LP and to make all decisions regarding the activities of the Residential LP

“Residential LP”	CIM Development (Markham) LP, a limited partnership formed under the Limited Partnerships Act (Ontario) which immediately prior to Closing, is owned as to 51% by NSR Toronto and 49% by CIM LP
“Securities Purchase Agreement”	the securities purchase agreement entered into among the CIM Vendors, NSR Toronto and the Purchaser on 10 October 2019 (Toronto time) in relation to the sale and purchase of the Mackenzie Creek Securities
“Shareholders”	shareholders of the Company
“Shares”	shares of HK\$0.01 each in the capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Unit(s)”	the unit(s) in the capital of each of the Residential LP and the Commercial LP respectively
“Vendors”	collectively, NSR Toronto and the CIM Vendors
“%”	per cent.

The exchange rate of CAD1.00 to HK\$5.92 is used for the purpose of this announcement. The exchange rate used is for indication only and should not be taken as a representation that CAD could actually be converted into HK\$ at that rate or at all.

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

Hong Kong, 11 October 2019

As at the date of this announcement, the Board comprises five executive Directors, namely, Mr. Su Bo, Mr. Ng Kwong Chue, Paul, Mr. Zhang Jian, Mr. Hang Guanyu and Mr. Liu Huaming, and three independent non-executive Directors, namely Mr. Ting Leung Huel, Stephen, Mr. Tse Kwong Hon and Mr. Cao Kuangyu.