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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 SUBSIDIARIES**

DISPOSAL

The Board is pleased to announce that on 15 November 2019 (after trading hours), the Vendor, an indirect 95%-owned subsidiary of the Company, entered into the Sale and Purchase Agreement with the Purchaser, pursuant to which the Vendor agreed to, among other things, dispose of, and the Purchaser agreed to acquire the Sale Shares and the Sale Loan at the Consideration of RMB70 million (equivalent to approximately HK\$78.4 million).

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 Chapter 14 of the Listing Rules and is therefore subject to the reporting and announcement requirements under the Listing Rules.

THE DISPOSAL

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Principal terms of the Sale and Purchase Agreement are set out below:

The Sale and Purchase Agreement

Date: 15 November 2019

Vendor: (i) 香格里拉酒業股份有限公司 (Shangri-la Winery Co., Ltd.[#]), an indirect 95%-owned subsidiary of the Company

Purchaser: (ii) 醴陵恒旺電子商務有限公司 (Liling Hengwang E-commerce Co., Ltd.[#])

To the best of the knowledge, information and belief of the Directors and having made all reasonable enquiries, the Purchaser (including its ultimate beneficial owner) is an independent third party not connected with the Company or its connected persons.

Assets to be disposed of

The Vendor agreed to sell, and the Purchaser agreed to purchase, the Sale Shares and the Sale Loan.

Consideration

The Consideration for the Disposal is RMB70 million (equivalent to approximately HK\$78.4 million), which shall be settled in cash by the Purchaser in the following manners:

- (i) the Purchaser shall, within two (2) business days after execution of the Sale and Purchase Agreement, pay to the Vendor a sum of RMB35 million (equivalent to approximately HK\$39.2 million), being half of the Consideration; and
- (ii) the balance of the Consideration in the amount of RMB35 million (equivalent to approximately HK\$39.2 million) shall be settled by the Purchaser to the Vendor upon Completion.

The Consideration was determined after arm's length negotiations between the Vendor and the Purchaser, taking into account (i) the unaudited consolidated net asset value of the Target Group of approximately HK\$23.16 million as at 31 October 2019; (ii) the balance of the Sale Loan of approximately RMB47.57 million (equivalent to approximately HK\$53.28 million); and (iii) the loss-making financial position of the Target Group.

Condition precedent

Completion is conditional upon all necessary consents, waivers, approvals or confirmations required for the entering into and the performance of obligations under the Sale and Purchase Agreement having been obtained (including but not limited to any requirements under the Listing Rules).

Completion

Completion shall take place no later than 30 November 2019 or on such other date as the Purchaser and Vendor may agree upon in writing.

INFORMATION ON THE PURCHASER

The Purchaser is a company established in the PRC which, to the best of the knowledge, information and belief of the Directors and having made all reasonable enquiries, is principally engaged in investment holding and the operation of an online trading platform for ceramic products, packaging materials and wooden products.

INFORMATION OF THE TARGET GROUP

The Target is a company established in the PRC and is principally engaged in investment holding. As at the date of this announcement, the Target is directly owned as to 70% by the Vendor.

The subsidiaries of the Target includes YuQuan Winery, Longshen Winery and Xinlong Winery, which are established in the PRC and are principally engaged in production and distribution of own labeled Chinese baijiu in the PRC.

The audited consolidated financial results of the Target Group 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 <i>HK\$'000</i> (audited)	For the year ended 31 December 2017 <i>HK\$'000</i> (audited)
Loss before tax	(5,554)	(6,197)
Loss after tax	(6,319)	(6,619)

The unaudited consolidated net asset value of the Target Group as at 31 October 2019 was approximately HK\$23,161,000.

REASONS FOR THE DISPOSAL

The Company is an investment holding company and its subsidiaries are principally engaged in (i) development and operation of integrated resort and cultural tourism in South Korea; (ii) development and operation of real estate in South Korea, Canada and Australia; (iii) operation of casino business in Jeju, South Korea; 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, due to the uncertainty of the trade tensions between the United States of America and the PRC, the Chinese consumer market has been experiencing a prolonged period of slowdown and such trend is likely to continue. Sluggish consumer spending coupled with fierce competition brought by imported wine had resulted in the slowdown of the wine and baijiu businesses of the Group.

Given the sluggish market condition and the fact that the baijiu business of the Group has been loss making since 2014 even efforts had been taken to try to revitalise its operation, the Board considers that the Disposal will be an opportunity for the Company to retreat its investment such that resources can be redirected to other businesses of the Group for optimising returns to the Shareholders.

The Directors are of the view that the terms of the Sale and Purchase Agreement, including the Consideration, 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

Upon Completion, the Company is expected to recognise a disposal gain of approximately HK\$8,464,000 with reference to the Consideration, the Sale Loan and the consolidated net asset value of the Target Group attributable to the Company as at 31 October 2019.

Upon Completion, the Target Group will cease to be subsidiaries of the Company and their financial results will no longer be consolidated into the Group's forthcoming consolidated financial statements.

USE OF PROCEEDS FROM THE DISPOSAL

The net proceeds from the Disposal (after deducting transaction costs, tax and professional expenses) will be approximately RMB66 million (equivalent to approximately HK\$73.9 million).

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

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 Chapter 14 of the Listing Rules and is therefore subject to the reporting and announcement requirements under the Listing Rules.

DEFINITIONS

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

“Board”	the board of Directors
“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
“Completion”	completion of the Disposal
“connected person(s)”	has the meaning ascribed to it in the Listing Rules
“Consideration”	the consideration of the Disposal of RMB70 million (equivalent to approximately HK\$78.4 million)
“Director(s)”	director(s) of the Company
“Disposal”	the disposals of the Sale Shares and the Sale Loan pursuant to the Sale and 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
“Longshen Winery”	哈爾濱市龍神酒業有限公司 (Harbin City Longshen Winery Co., Ltd. [#]), a company established in the PRC and the indirect wholly-owned subsidiary of the Target, which is principally engaged in distribution of Chinese baijiu in the PRC
“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”	醴陵恒旺電子商務有限公司 (Liling Hengwang E-commerce Co., Ltd. [#]), a company established in the PRC
“RMB”	Renminbi, the lawful currency of the PRC
“Sale and Purchase Agreement”	the sale and purchase agreement dated 15 November 2019 and entered into between the Vendor and the Purchaser in relation to the Disposal

“Sale Loan”	the shareholder’s loan owed by the Target to the Vendor of approximately RMB47.57 million (equivalent to approximately HK\$53.28 million) as at the date hereof, which is interest-free and with no fixed repayment term
“Sale Shares”	70% of the equity interests of the Target owned by the Vendor before Completion
“Shareholders”	shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target”	雲南迪慶香格里拉玉泉投資有限公司 (Yunnan Diqing Shangri-la YuQuan Investment Co., Ltd. [#]), a company established in the PRC and the indirect 70%-owned subsidiary of the Company immediately before Completion
“Target Group”	the Target, YuQuan Winery, Longshen Winery and Xinlong Winery
“Vendor”	香格里拉酒業股份有限公司 (Shangri-la Winery Co., Ltd. [#]), a sino-foreign equity joint venture company established in the PRC and the indirect 95%-owned subsidiary of the Company
“Xinlong Winery”	哈爾濱市鑫龍酒業有限公司 (Harbin City Xinlong Winery Co., Ltd. [#]), a company established in the PRC and the indirect wholly-owned subsidiary of the Target, which is principally engaged in distribution of Chinese baijiu in the PRC
“YuQuan Winery”	黑龍江省玉泉酒業有限責任公司 (Heilongjiang Province YuQuan Winery Co., Ltd. [#]), a company established in the PRC and the direct wholly-owned subsidiary of the Target, which is principally engaged in production of Chinese baijiu in the PRC
“%”	per cent.

The exchange rate of RMB1.00 to HK\$1.12 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 RMB could actually be converted into HK\$ at that rate or at all.

[#] *English name is a transliteration of the Chinese name and is for reference only.*

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

Hong Kong, 15 November 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.